



Dave Yost • Auditor of State

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Local School District, Trumbull County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2015, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 20, 2015

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Liberty Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

As management of the Liberty Local School District (the School District), we offer readers of the School District's financial statements this narrative and analysis of the financial activities of the School District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- The Auditor of State placed the School District into a state of "fiscal emergency" based on an anticipated deficit for fiscal year-end 2012. A Solvency Assistance Fund Advance was then available to the School District. The final payment on the advance was made in fiscal year 2014.
- Program expenses decreased due to the Financial Planning and Supervision Commission, which was put in place in fiscal year 2012, insisting the School District make numerous reductions in expenses in an effort to attempt to balance the budget.
- The School District's enrollment increased from fiscal year 2013 to fiscal year 2014. As a result of this increase, there was an increase in School Foundation revenues from the State of Ohio.
- The general fund had an increase in fund balance due mainly to decreases in expenditures. The decrease can be attributed to a few variables. During fiscal year 2014, there were staff reductions and reductions in health care premiums. The School District discontinued the self-insured program and joined a fully funded program mid-way through the year decreasing monthly premiums.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: (1) government-wide statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Financial Statements The government-wide financial statements are designed to provide the reader with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Liberty Local School District
Management's Discussion and Analysis
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Unaudited

The government-wide financial statement distinguishes functions of the School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from those that are primarily supported through user charges (*business-type activities*). The School District has no business-type activities. The governmental activities of the School District include instruction, support services, extracurricular activities, operation of non-instructional services and interest and fiscal charges.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like the State and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. These fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general and bond retirement funds. All of the funds of the School District can be divided into three categories: governmental, proprietary and fiduciary.

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

Proprietary Funds The School District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District's internal service fund accounts for unanticipated run-off claims.

Fiduciary Fund A fiduciary fund is used to account for resources held for the benefit of parties outside the government. The fiduciary fund is not reflected in the government-wide financial statements because the resources of this fund are not available to support the School District's own programs. These funds use the accrual basis of accounting.

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Table 1 provides a comparison of the School District's Net Position for 2014 compared to 2013.

Liberty Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 1
 Net Position
 Governmental Activities

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Assets			
Current and Other Assets	\$14,261,710	\$14,304,180	(\$42,470)
Capital Assets, Net	<u>8,977,636</u>	<u>9,490,740</u>	<u>(513,104)</u>
<i>Total Assets</i>	<u>23,239,346</u>	<u>23,794,920</u>	<u>(555,574)</u>
Deferred Outflows of Resources	<u>37,030</u>	<u>150,903</u>	<u>(113,873)</u>
Liabilities			
Current Liabilities	2,219,437	4,171,087	1,951,650
Long-Term Liabilities			
Due Within One Year	870,384	849,669	(20,715)
Due In More Than One Year	<u>8,479,492</u>	<u>9,174,333</u>	<u>694,841</u>
<i>Total Liabilities</i>	<u>11,569,313</u>	<u>14,195,089</u>	<u>2,625,776</u>
Deferred Inflows of Resources	<u>8,475,139</u>	<u>8,520,679</u>	<u>45,540</u>
Net Position			
Net Investment in Capital Assets	3,811,299	3,612,621	198,678
Restricted for:			
Capital Projects	338,392	195,186	143,206
Debt Service	1,596,444	1,405,951	190,493
Set-Aside	50,433	57,745	(7,312)
Honors Programs			
Nonexpendable	31,297	30,253	1,044
Other Purposes	235,267	391,837	(156,570)
Unrestricted (Deficit)	<u>(2,831,208)</u>	<u>(4,463,538)</u>	<u>1,632,330</u>
<i>Total Net Position</i>	<u><u>\$3,231,924</u></u>	<u><u>\$1,230,055</u></u>	<u><u>\$2,001,869</u></u>

Current assets decreased mainly due to decreases in cash and cash equivalents and property taxes receivable. The decrease in property taxes receivable can be attributed to the continued decrease in assessed values within the School District over the last few years. The decrease in capital assets was due to an additional year of depreciation.

The School District had a decrease in total liabilities which can be attributed to the current year payments on the outstanding notes payable. The final payment to retire the solvency assistance loan advance was made along with the annual payment on the outstanding tax anticipation notes. Accrued wages and benefits payable decreased as well when compared to the prior fiscal year. The benefits portion of the liability decreased due to the School District switching from a self-insured health insurance program to a fully funded program through the Ohio School Benefits Consortium.

In order to further understand what makes up the changes in net position for the current fiscal year, the following table gives readers further details regarding the results of activities for 2014 and 2013.

Liberty Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2
Change in Net Assets
Governmental Activities

	2014	2013	Change
Program Revenues			
Charges for Services and Sales	\$1,073,809	\$1,113,489	(\$39,680)
Operating Grants, Interest and Contributions	1,938,434	1,965,420	(26,986)
Capital Grants	19,364	19,367	(3)
<i>Total Program Revenues</i>	<u>3,031,607</u>	<u>3,098,276</u>	<u>(66,669)</u>
General Revenues			
Property Taxes	8,256,607	8,484,743	(228,136)
Grants and Entitlements	6,248,715	6,167,862	80,853
Investment Earnings	3,189	3,976	(787)
Miscellaneous	136,054	276,750	(140,696)
<i>Total General Revenues</i>	<u>14,644,565</u>	<u>14,933,331</u>	<u>(288,766)</u>
<i>Total Revenues</i>	<u>17,676,172</u>	<u>18,031,607</u>	<u>(355,435)</u>
Program Expenses			
Instruction:			
Regular	8,281,560	8,093,907	(187,653)
Special	1,735,207	1,503,288	(231,919)
Vocational	19	0	(19)
Support Services:			
Pupils	602,209	677,082	74,873
Instructional Staff	224,136	446,581	222,445
Board of Education	18,330	17,418	(912)
Administration	976,786	1,350,163	373,377
Fiscal	418,203	298,858	(119,345)
Business	55	1,572	1,517
Operation and Maintenance of Plant	1,052,874	1,095,691	42,817
Pupil Transportation	781,631	905,928	124,297
Central	9,715	37,270	27,555
Operation of Non-Instructional Services	7,245	1,000	(6,245)
Operation of Food Service	721,551	731,111	9,560
Extracurricular Activities	417,664	457,513	39,849
Interest and Fiscal Charges	427,118	531,600	104,482
<i>Total Program Expenses</i>	<u>15,674,303</u>	<u>16,148,982</u>	<u>474,679</u>
<i>Change in Net Position</i>	2,001,869	1,882,625	119,244
Net Position (Deficit) Beginning of Year	<u>1,230,055</u>	<u>(652,570)</u>	<u>1,882,625</u>
Net Position End of Year	<u><u>\$3,231,924</u></u>	<u><u>\$1,230,055</u></u>	<u><u>\$2,001,869</u></u>

The School District relies heavily upon property taxes and the State School Foundation Program to support its operations. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs. The decrease in operating grants can be attributed to the School District receiving a reduction in Title I grant monies compared to fiscal year 2013.

Liberty Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The decrease in program expenses can be attributed to the State Commission overseeing finances requesting that the School District reduce expenses. The School District reduced employees during the year. Personnel decreased by 6 employees with half of the positions being non-teaching staff and the other half being teaching staff. Health care costs were reduced during fiscal year 2014 due to the School District ending their self-insured program effective January 1, 2014 and joining a fully funded program.

The *statement of activities* shows the cost of program services and charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2014 compared to 2013.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2014		2013	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction:				
Regular	\$8,281,560	\$6,997,411	\$8,093,907	\$6,699,240
Special	1,735,207	796,237	1,503,288	657,233
Vocational	19	(2,251)	0	(8,569)
Support Services:				
Pupils	602,209	602,209	677,082	677,082
Instructional Staff	224,136	218,736	446,581	404,182
Board of Education	18,330	18,330	17,418	17,418
Administration	976,786	905,258	1,350,163	1,255,970
Fiscal	418,203	418,203	298,858	298,858
Business	55	55	1,572	1,572
Operation and Maintenance of Plant	1,052,874	950,924	1,095,691	1,013,988
Pupil Transportation	781,631	764,805	905,928	905,928
Central	9,715	9,715	37,270	31,870
Operation of Non-Instructional Services	7,245	1,500	1,000	1,000
Operation of Food Service	721,551	184,762	731,111	188,113
Extracurricular Activities	417,664	349,684	457,513	366,652
Interest and Fiscal Charges	427,118	427,118	531,600	531,600
Total	<u>\$15,674,303</u>	<u>\$12,642,696</u>	<u>\$16,148,982</u>	<u>\$13,042,137</u>

The dependence upon general revenues for governmental activities is apparent from Table 3. The majority of instructional activities are supported through taxes and other general revenues.

Financial Analysis of the Government's Funds

Governmental Funds Information about the School District's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$17,716,544 and expenditures of \$19,666,025. The general fund had an increase in fund balance due mainly to decreases in expenditures. These decreases can be attributed to the State Commission requiring the School District to reduce expenditures. The decrease is most significant for the administration and pupil transportation expenditures. All of the personnel reductions for the 2014 fiscal year included non-

Liberty Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

certified (non-teaching) staff paid out of the general fund. The bond retirement fund had an increase in fund balance due revenues exceeding expenditures in the current year. The increase in fund balance was less than the prior year increase in fund balance due to a decrease in property tax revenue. Other Governmental Funds had a increase in fund balance due to an increase of grant monies.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the School District, the general fund. During the course of fiscal year 2014, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue estimate was lower than actual revenues which can be attributed to more property taxes and intergovernmental revenue than expected. The final budget appropriations were lower than the original budget appropriations of the general fund. The change was attributed to decreases in expenditures for regular and special instruction as well as support services. Overall, the change in the general fund balance was positive. This can be attributed to the cost cutting measures taken during the fiscal year and close monitoring of expenditures.

Capital Assets and Long-term Liabilities

Capital Assets

Table 4 shows fiscal 2014 values compared to fiscal 2013.

Table 4		
Capital Assets at June 30		
Governmental Activities		
	2014	2013
Land	\$349,160	\$349,160
Land Improvements	154,569	204,695
Buildings and Improvements	8,056,683	8,398,717
Furniture and Fixtures	405,692	511,801
Vehicles	11,532	26,367
Total Capital Assets	\$8,977,636	\$9,490,740

The decrease in capital assets was due to an additional year of depreciation during fiscal year 2014. For more information about the School District's capital assets, see Note 9 to the basic financial statements.

Liberty Local School District
Management's Discussion and Analysis
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Unaudited

Debt

Table 5 below summarizes the School District's long-term outstanding obligations.

Table 5
Outstanding Long-term Obligations at June 30
Governmental Activities

	2014	2013
2006 Refunding Bonds	\$1,447,676	\$6,546,541
Energy Conservation Improvement Bonds	2,327,350	2,327,350
2014 Refunding Bonds	4,425,642	0
Capital Leases	79,269	106,164
Total	\$8,279,937	\$8,980,055

The 1997 general obligation bonds were issued to finance the construction of a new high school. The 2006 refunding bonds were issued to advance refund the callable portion of the 1997 general obligation bonds to take advantage of lower interest rates. The 2014 refunding bonds were issued to current refund the callable portion of the 2006 refunding bonds to take advantage of lower interest rates. The energy conservation improvement qualified school construction bonds were issued to provide for energy improvements to various School District buildings. The bonds will be repaid out of the general obligation bond retirement fund.

The School District's overall legal debt margin was \$14,184,321 with an unvoted debt margin of \$222,542. For more information about the School District's long-term obligations, see Note 11 to the basic financial statements for additional information.

School District Outlook

On July 11, 2011, the School District was declared by the Auditor of State to be in a state of "fiscal emergency" based on anticipated deficits at fiscal year end 2011 and 2012. A five-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. With the assistance of the Financial Planning and Supervision Commission, the School District was able to put in place a revised recovery plan on October 23, 2013. To generate additional funds the School District borrowed from the State Solvency Fund during fiscal year 2012 and cut expenses where available. The State Solvency Assistance Advance was repaid from the general fund over two years with school foundation revenue. The final payment was made during fiscal year 2014.

The financial future of the School District will continue to face challenges. These challenges stem from issues that are at both the local and State levels.

Due to the unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, all of the School District's financial abilities will be needed to meet the challenges of the future.

Liberty Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Contacting the School District's Financial Management

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

Liberty Local School District

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,265,991
Cash and Cash Equivalents with Fiscal Agents	522,161
Accounts Receivable	6,678
Intergovernmental Receivable	174,567
Inventory Held for Resale	6,101
Materials and Supplies Inventory	28,416
Property Taxes Receivable	10,257,796
Nondepreciable Capital Assets	349,160
Depreciable Capital Assets, Net	<u>8,628,476</u>
<i>Total Assets</i>	<u>23,239,346</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	<u>37,030</u>
Liabilities	
Accounts Payable	71,547
Accrued Wages and Benefits	960,820
Intergovernmental Payable	271,141
Accrued Interest Payable	29,507
Notes Payable	886,422
Long-Term Liabilities:	
Due Within One Year	870,384
Due In More Than One Year	<u>8,479,492</u>
<i>Total Liabilities</i>	<u>11,569,313</u>
Deferred Inflows of Resources	
Property Taxes	<u>8,475,139</u>
Net Position	
Net Investment in Capital Assets	3,811,299
Restricted for:	
Capital Projects	338,392
Debt Service	1,596,444
Set Asides	50,433
Honors Programs	
Nonexpendable	31,297
Other Purposes	235,267
Unrestricted (Deficit)	<u>(2,831,208)</u>
<i>Total Net Position</i>	<u><u>\$3,231,924</u></u>

See accompanying notes to the basic financial statements

Liberty Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions		
Governmental Activities					
Instruction:					
Regular	\$8,281,560	\$617,546	\$666,603	\$0	(\$6,997,411)
Special	1,735,207	121,717	817,253	0	(796,237)
Vocational	19	0	2,270	0	2,251
Support Services:					
Pupils	602,209	0	0	0	(602,209)
Instructional Staff	224,136	0	5,400	0	(218,736)
Board of Education	18,330	0	0	0	(18,330)
Administration	976,786	69,546	1,982	0	(905,258)
Fiscal	418,203	0	0	0	(418,203)
Business	55	0	0	0	(55)
Operation and Maintenance of Plant	1,052,874	61,703	20,883	19,364	(950,924)
Pupil Transportation	781,631	0	16,826	0	(764,805)
Central	9,715	0	0	0	(9,715)
Operation of Non-Instructional Services	7,245	0	5,745	0	(1,500)
Operation of Food Service	721,551	136,674	400,115	0	(184,762)
Extracurricular Activities	417,664	66,623	1,357	0	(349,684)
Interest and Fiscal Charges	427,118	0	0	0	(427,118)
Totals	\$15,674,303	\$1,073,809	\$1,938,434	\$19,364	(12,642,696)
General Revenues					
Property Taxes Levied for:					
General Purposes					7,138,880
Debt Service					986,117
Capital Outlay					131,610
Grants and Entitlements not Restricted to Specific Programs					
					6,248,715
Investment Earnings					3,189
Miscellaneous					136,054
<i>Total General Revenues</i>					14,644,565
Change in Net Position					2,001,869
<i>Net Position Beginning of Year</i>					1,230,055
<i>Net Position End of Year</i>					\$3,231,924

See accompanying notes to the basic financial statements

Liberty Local School District

Balance Sheet

Governmental Funds

June 30, 2014

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,610,269	\$930,104	\$665,299	\$3,205,672
Cash and Cash Equivalents With Fiscal Agents	0	522,161	0	522,161
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	50,433	0	0	50,433
Accounts Receivable	6,678	0	0	6,678
Intergovernmental Receivable	80,204	0	94,363	174,567
Inventory Held for Resale	0	0	6,101	6,101
Materials and Supplies Inventory	26,433	0	1,983	28,416
Property Taxes Receivable	9,120,292	971,504	166,000	10,257,796
<i>Total Assets</i>	<u>\$10,894,309</u>	<u>\$2,423,769</u>	<u>\$933,746</u>	<u>\$14,251,824</u>
Liabilities				
Accounts Payable	\$53,017	\$0	\$18,530	\$71,547
Accrued Wages and Benefits	848,130	0	112,690	960,820
Intergovernmental Payable	248,074	0	23,067	271,141
Accrued Interest Payable	6,809	0	0	6,809
Notes Payable	886,422	0	0	886,422
<i>Total Liabilities</i>	<u>2,042,452</u>	<u>0</u>	<u>154,287</u>	<u>2,196,739</u>
Deferred Inflows of Resources				
Property Taxes	7,532,624	804,627	137,888	8,475,139
Unavailable Revenue	1,504,400	156,289	31,868	1,692,557
<i>Total Deferre Inflows of Resources</i>	<u>9,037,024</u>	<u>960,916</u>	<u>169,756</u>	<u>10,167,696</u>
Fund Balances				
Nonspendable	26,433	0	33,280	59,713
Restricted	50,433	1,462,853	584,479	2,097,765
Unassigned (Deficit)	(262,033)	0	(8,056)	(270,089)
<i>Total Fund Balances (Deficit)</i>	<u>(185,167)</u>	<u>1,462,853</u>	<u>609,703</u>	<u>1,887,389</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$10,894,309</u>	<u>\$2,423,769</u>	<u>\$933,746</u>	<u>\$14,251,824</u>

See accompanying notes to the basic financial statements

Liberty Local School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2014

Total Governmental Fund Balances	\$1,887,389
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Amounts reported for governmental activities in the statement of net position are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	8,977,636
-------------------------------------------------------------------------------------------------------------------------	-----------

Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds.

Delinquent Property Taxes	1,669,554
Intergovernmental	<u>23,003</u>

Total	1,692,557
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An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of activities.

9,886

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

(22,698)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds	(8,200,668)
Capital Leases	(79,269)
Compensated Absences	(1,069,939)
Deferred Charge on Refunding	<u>37,030</u>

Total	<u>(9,312,846)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$3,231,924</u></u>
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See accompanying notes to the basic financial statements

Liberty Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$7,169,446	\$986,168	\$131,962	\$8,287,576
Intergovernmental	6,502,129	231,567	1,478,786	8,212,482
Interest	3,189	0	95	3,284
Tuition and Fees	808,809	0	0	808,809
Extracurricular Activities	0	0	66,623	66,623
Contributions and Donations	0	0	3,339	3,339
Charges for Services	0	0	136,674	136,674
Rentals	61,703	0	0	61,703
Miscellaneous	124,396	0	11,658	136,054
<i>Total Revenues</i>	<u>14,669,672</u>	<u>1,217,735</u>	<u>1,829,137</u>	<u>17,716,544</u>
Expenditures				
Current:				
Instruction:				
Regular	6,867,317	0	698,619	7,565,936
Special	1,354,364	0	329,514	1,683,878
Vocational	19	0	0	19
Support Services:				
Pupils	568,901	0	1,899	570,800
Instructional Staff	212,424	0	4,158	216,582
Board of Education	18,330	0	0	18,330
Administration	948,375	0	938	949,313
Fiscal	317,578	0	0	317,578
Business	55	0	0	55
Operation and Maintenance of Plant	972,764	15,456	25,738	1,013,958
Pupil Transportation	729,192	0	16,826	746,018
Central	9,715	0	0	9,715
Operation of Non-Instructional Services	1,500	0	5,745	7,245
Operation of Food Service	0	0	671,266	671,266
Extracurricular Activities	271,715	0	99,762	371,477
Debt Service:				
Principal Retirement	26,895	715,000	0	741,895
Refunded Bonds Redeemed	0	4,345,000	0	4,345,000
Interest and Fiscal Charges	45,935	319,823	0	365,758
Issuance Costs	0	71,202	0	71,202
<i>Total Expenditures</i>	<u>12,345,079</u>	<u>5,466,481</u>	<u>1,854,465</u>	<u>19,666,025</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,324,593</u>	<u>(4,248,746)</u>	<u>(25,328)</u>	<u>(1,949,481)</u>
Other Financing Sources (Uses)				
Refunding Bonds Issued	0	4,335,000	0	4,335,000
Premium on Refunding Bonds	0	153,069	0	153,069
Discount on Refunding Bonds	0	(54,187)	0	(54,187)
Transfers In	0	0	34,500	34,500
Transfers Out	(34,500)	0	0	(34,500)
<i>Total Other Financing Sources (Uses)</i>	<u>(34,500)</u>	<u>4,433,882</u>	<u>34,500</u>	<u>4,433,882</u>
<i>Net Change in Fund Balances</i>	2,290,093	185,136	9,172	2,484,401
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(2,475,260)</u>	<u>1,277,717</u>	<u>600,531</u>	<u>(597,012)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$185,167)</u>	<u>\$1,462,853</u>	<u>\$609,703</u>	<u>\$1,887,389</u>

See accompanying notes to the basic financial statements

Liberty Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances - Total Governmental Funds \$2,484,401

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. (513,104)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	(30,969)
Intergovernmental	<u>(9,403)</u>

Total (40,372)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 5,086,895

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest	5,408
Amortization of Accretion	(125,537)
Amortization of Premium	177,158
Amortization of Discount	(4,516)
Amortization of Deferred Charge on Refunding	<u>(113,873)</u>

Total (61,360)

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (25,992)

The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the district-wide statements of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities. (494,717)

Other financing sources in the governmental funds increase long-term liabilities in the statement of net position.

Refunding Bonds Issued	(4,335,000)
Premium on Refunding Bonds	(153,069)
Discount on Refunding Bonds	<u>54,187</u>

Total (4,433,882)

Change in Net Position of Governmental Activities \$2,001,869

See accompanying notes to the basic financial statements

Liberty Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$7,531,547	\$6,531,147	\$6,579,495	\$48,348
Intergovernmental	6,178,612	6,335,612	6,485,116	149,504
Interest	4,000	4,000	3,189	(811)
Tuition and Fees	817,366	817,366	739,263	(78,103)
Rentals	0	60,000	61,703	1,703
Miscellaneous	100,000	100,000	117,622	17,622
<i>Total Revenues</i>	14,631,525	13,848,125	13,986,388	138,263
Expenditures				
Current:				
Instruction:				
Regular	7,513,388	7,010,456	7,004,203	6,253
Special	1,476,367	1,377,542	1,376,211	1,331
Vocational	19	19	19	0
Support Services:				
Pupils	627,236	585,250	579,652	5,598
Instructional Staff	268,091	250,146	249,137	1,009
Board of Education	20,989	19,584	18,330	1,254
Administration	1,044,671	974,743	969,500	5,243
Fiscal	355,065	331,298	323,057	8,241
Business	1,131	1,055	1,027	28
Operation and Maintenance of Plant	1,060,378	989,399	987,324	2,075
Pupil Transportation	870,019	811,782	801,425	10,357
Central	1,393	1,300	1,100	200
Operation of Non-Instructional Services	1,608	1,500	1,500	0
Extracurricular Activities	307,207	286,643	269,713	16,930
Debt Service:				
Principal	960,500	960,500	960,500	0
<i>Total Expenditures</i>	14,508,062	13,601,217	13,542,698	58,519
<i>Excess of Revenues Over (Under) Expenditures</i>	123,463	246,908	443,690	196,782
Other Financing Sources (Uses)				
Advances In	0	0	34,123	34,123
Advances Out	(35,000)	(35,000)	0	35,000
Transfers Out	(17,500)	(17,500)	(34,500)	(17,000)
<i>Total Other Financing Sources (Uses)</i>	(52,500)	(52,500)	(377)	52,123
<i>Net Change in Fund Balance</i>	70,963	194,408	443,313	248,905
<i>Fund Balance Beginning of Year</i>	981,770	981,770	981,770	0
Prior Year Encumbrances Appropriated	34,849	34,849	34,849	0
<i>Fund Balance End of Year</i>	\$1,087,582	\$1,211,027	\$1,459,932	\$248,905

See accompanying notes to the basic financial statements

Liberty Local School District
Statement of Fund Net Position
Internal Service Fund
June 30, 2014

	<u>Self Insurance</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$9,886</u></u>
Net Position	
Unrestricted	<u><u>\$9,886</u></u>

See accompanying notes to the basic financial statements

Liberty Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2014*

	Self Insurance
Operating Revenues	
Charges for Services	\$932,104
Operating Expenses	
Purchased Services	629,066
Claims	797,755
<i>Total Operating Expenses</i>	1,426,821
<i>Operating Income (Loss)</i>	(494,717)
<i>Net Position Beginning of Year</i>	504,603
<i>Net Position End of Year</i>	\$9,886

See accompanying notes to the basic financial statements

Liberty Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2014

	Self Insurance
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$932,104
Cash Payments for Goods and Services	(629,066)
Cash Payments for Claims	(1,035,055)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(732,017)
<i>Cash and Cash Equivalents Beginning of Year</i>	741,903
<i>Cash and Cash Equivalents End of Year</i>	\$9,886
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	(\$494,717)
Adjustments:	
Decrease in Claims Payable	(237,300)
<i>Net Cash Provided by (Used for) Operating Activities</i>	(\$732,017)
See accompanying notes to the basic financial statements	

Liberty Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2014

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$40,136</u>
Liabilities	
Due to Students	<u>\$40,136</u>

See accompanying notes to the basic financial statements

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Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 - Description of the School District and Reporting Entity

Liberty Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District is located in Northeast Ohio, in Trumbull County, in the greater metropolitan Youngstown area.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's elementary school and middle/high school staffed by 63 non-certified and 94 certificated personnel who provide services to 1,256 students and other community members.

On July 11, 2011, the Auditor of State declared the School District to be in a state of fiscal emergency as defined by Ohio Revised Code Section 3316.03(B)(1). In accordance with the law, a five-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission's primary charge was to develop, adopt and implement a financial recovery plan. The Commission was comprised of two appointees of the State Superintendent of Public Instruction, an appointee of the State Director of Budget and Management, an appointee of the Governor, and an appointee of the Trumbull County Auditor. Once the plan is adopted, the Board of Education's discretion is limited in all financial activity of the School District must be in accordance with the plan.

On December 1, 2014, the School District was released from fiscal emergency. See Note 21 for more information on the School District's release from fiscal emergency status.

Reporting Entity

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Non-public Schools - Within the School District boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The School District is associated with two jointly governed organizations. These organizations are the Northeast Ohio Management Information Network and the Trumbull Career and Technical Center. These organizations are presented in Note 14 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School 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. The more significant of the School District's accounting policies are described below.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Fund Accounting

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

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

Bond Retirement Fund The bond retirement fund accounts for and reports the accumulation of property tax revenues restricted for the payment of principal and interest and fiscal charges on general obligation debt.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

Proprietary Fund Type Proprietary funds focus on the determination of operating income, changes in net position, financial position and cash flows and are classified as either enterprise or internal service. The School District only has an internal service fund.

Internal Service Fund This fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis. The School District's only internal service fund is a self-insurance fund that accounts for run off claims for medical/surgical, prescription drug, dental and vision claims of School District employees dated prior to January 1, 2014.

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

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources, generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (e.g., revenues and other financing sources) and uses (e.g., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The School District utilizes a financial institution to set aside the mandatory sinking fund payments required for the energy conservation improvement qualified school construction bonds. The balance in this account is presented as "cash and cash equivalents with fiscal agent."

Investments are reported at fair value which is based on quoted market prices. During fiscal year 2014, investments were limited to STAR Ohio.

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 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 net asset value per share which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$3,189, which includes \$1,746 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies and donated and purchased food held for resale.

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the general fund include amounts required by State statute to be set-aside for capital improvements and the purchase of school buses. See Note 20 for additional information regarding set asides.

Capital Assets

The School District’s only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

Description	Governmental Activities Estimated Lives
Land Improvements	20 years
Building and Improvements	20 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	8 years
Textbooks	10 years

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees with ten years of service at any age within the School District.

Accrued Liabilities and Long-term Obligations

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

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

Bond Premiums and Discounts

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On the fund financial statements, bond premiums are received in the year the bonds are issued. On the government-wide financial statements, bond discounts are presented as a decrease of the face amount of the general obligation bonds payable. On the fund financial statements, bond discounts are expended as other financing use in the year the bonds are issued.

Internal Activity

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Liberty Local School District
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Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by the School District Board of Education, delegated that authority by State statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for auxiliary services and extracurricular activities.

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

Estimates

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

Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated

Liberty Local School District
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For the Fiscal Year Ended June 30, 2014

resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original and final appropriations were passed by the Board of Education.

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

Note 3 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Other Governmental Funds	Total
<i>Nonspendable</i>				
Inventory	\$26,433	\$0	\$1,983	\$28,416
Honors Program	0	0	31,297	31,297
<i>Total Nonspendable</i>	26,433	0	33,280	59,713
<i>Restricted for</i>				
Food Service Operations	0	0	70,827	70,827
Scholarships	0	0	5,400	5,400
Athletics	0	0	22,211	22,211
Auxiliary Services	0	0	29,611	29,611
Early Childhood Educational Programs	0	0	85,723	85,723
Student Programs	0	0	58,643	58,643
Debt Service Payments	0	1,462,853	0	1,462,853
Capital Improvements	50,433	0	312,064	362,497
<i>Total Restricted</i>	50,433	1,462,853	584,479	2,097,765
<i>Unassigned (Deficit)</i>	(262,033)	0	(8,056)	(270,089)
<i>Total Fund Balances (Deficit)</i>	(\$185,167)	\$1,462,853	\$609,703	\$1,887,389

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 4 – Accountability and Compliance

Accountability

Fund balances at June 30, 2014, included the following individual fund deficits:

General Fund	(\$185,167)
<i>Special Revenue Funds</i>	
Title VI-B	(7,562)
Improving Teacher Quality	(494)

The general fund concluded fiscal year 2014 with a deficit fund balance of \$185,167. The School District has experienced a financial shortfall which has resulted in deficit spending in the general fund. To alleviate the financial shortfall, the School District has developed a strategy to stabilize its cash shortfall. See Note 21 for further information.

The special revenue funds' deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).
4. Advances In/Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Budgetary revenues and expenditures of the special trust, public school support and retirement trust are classified to general fund for GAAP Reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund:

Liberty Local School District
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For the Fiscal Year Ended June 30, 2014

Net Change in Fund Balance

	General
GAAP Basis	\$2,290,093
Net Adjustment for Revenue Accruals	(752,926)
Advances In	34,123
Perspective Difference:	
Special Trust	(100)
Public School Support	(9,836)
Retirement Trust	96
Net Adjustment for Expenditure Accruals	(1,218,832)
Encumbrances	100,695
Budget Basis	\$443,313

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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 securities listed above;

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,604,040 of the School District's bank balance of \$3,854,040 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2014, the School District had STAR Ohio as the only investment with an amount of \$7,935 and a maturity of 51.5 days. The investment is in an internal investment pool.

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Note 7 – Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established

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For the Fiscal Year Ended June 30, 2014

by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2014, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The amount available as an advance at June 30, 2014, was \$100,731 in the general fund, \$10,588 in the bond retirement fund and \$1,785 in the permanent improvement fund. The amount available as an advance at June 30, 2013, was \$63,972 in the general fund, \$6,591 in the bond retirement fund and \$1,125 in the permanent improvement fund.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$216,718,810	97.38%	\$216,064,430	97.14%
Public Utility Personal	5,823,540	2.62	6,362,970	2.86
Total	\$222,542,350	100.00%	\$222,427,400	100.00%
Full Tax Rate per \$1,000 of assessed valuation	\$51.80		\$51.80	

Note 8 - Receivables

Receivables at June 30, 2014, consisted of taxes, accounts (rent and student fees), tuition, School Employees Retirement System reimbursement and intergovernmental grants. 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

Liberty Local School District
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For the Fiscal Year Ended June 30, 2014

the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Title I Grant	\$54,527
Catastrophic Aid Reimbursement	44,941
Title VI-B Grant	22,507
Ohio Medicaid	17,800
School Employees Retirement System	17,463
Public School Preschool Grant	11,789
Improving Teacher Quality Grant	5,540
Total	\$174,567

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Nondepreciable Capital Assets				
Land	\$349,160	\$0	\$0	\$349,160
Depreciable Capital Assets				
Land Improvements	1,328,044	0	0	1,328,044
Buildings and Improvements	16,578,418	0	0	16,578,418
Furniture and Fixtures	1,966,352	0	0	1,966,352
Vehicles	975,261	0	0	975,261
Textbooks	911,660	0	0	911,660
<i>Total at Historical Cost</i>	21,759,735	0	0	21,759,735
Less: Accumulated Depreciation				
Land Improvements	(1,123,349)	(50,126)	0	(1,173,475)
Buildings and Improvements	(8,179,701)	(342,034)	0	(8,521,735)
Furniture and Fixtures	(1,454,551)	(106,109)	0	(1,560,660)
Vehicles	(948,894)	(14,835)	0	(963,729)
Textbooks	(911,660)	0	0	(911,660)
<i>Total Accumulated Depreciation</i>	(12,618,155)	(513,104) *	0	(13,131,259)
<i>Depreciable Capital Assets, Net of Accumulated Depreciation</i>	9,141,580	(513,104)	0	8,628,476
<i>Governmental Activities Capital Assets, Net</i>	\$9,490,740	(\$513,104)	\$0	\$8,977,636

Liberty Local School District
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For the Fiscal Year Ended June 30, 2014

* Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$367,368
Support Services	
Fiscal	26,867
Operation and Maintenance of Plant	29,457
Pupil Transportation	12,313
Operation of Food Service	33,069
Extracurricular Activities	44,030
Total Depreciation Expense	\$513,104

Note 10 – Fund Obligations

The School District’s note activity, including amount outstanding and interest rate, is as follows:

	Outstanding June 30, 2013	Additions	Deletions	Outstanding June 30, 2014
2009 4.90%				
Tax Anticipation Notes	\$335,600	\$0	\$159,578	\$176,022
2010 3.40%				
Tax Anticipation Notes	1,065,600	0	355,200	710,400
2012 0.00%				
State Solvency Assistance Advance	960,500	0	960,500	0
Total Fund Obligations	\$2,361,700	\$0	\$1,475,278	\$886,422

On February 12, 2009, the School District issued \$839,000 in tax anticipation notes for general operations of the School District. The coupon interest rate is 4.90 percent and the notes mature on December 1, 2014. The tax anticipation notes will be paid from the general fund with property tax revenues.

On June 29, 2010, the School District issued \$1,776,000 in tax anticipation notes for general operations of the School District. The coupon interest rate is 3.40 percent and the notes mature on December 1, 2015. The tax anticipation notes will be paid from the general fund with property tax revenues.

During fiscal year 2012, the School District received an interest free State solvency assistance advance in the amount of \$1,921,000. The State solvency assistance advance will be paid from the general fund with school foundation revenue. A liability for the note is reflected in the general fund which received the proceeds. In fiscal year 2014, the School District paid \$960,500 to retire the solvency assistance advance.

Principal and interest payments to retire the tax anticipation notes are as follows:

	Principal	Interest	Total
2015	\$531,222	\$26,337	\$557,559
2016	355,200	6,038	361,238
Total	\$886,422	\$32,375	\$918,797

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 11 – Long-Term Obligations

Original issue amounts and interest rates of the School District’s debt issues were as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Year of Maturity</u>
2006 Refunding Bonds:			
Serial Bonds	2.90% to 3.70%	\$5,690,000	2007 to 2021
Capital Appreciation Bonds	6.70%	644,994	2014 to 2015
2011 Energy Conservation Improvement Bonds			
Term Bonds	5.43%	2,327,350	2025
2014 Refunding Bonds:			
Serial Bonds	2.50% to 4.50%	4,335,000	2016 to 2020

Changes in long-term obligations of the School District during fiscal year 2014 were as follows:

	<u>Principal Outstanding June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding June 30, 2014</u>	<u>Amount Due in One Year</u>
Governmental Activities					
General Obligation Bonds					
2006 Refunding Bonds					
Serial Bonds	\$5,060,000	\$0	(\$5,060,000)	\$0	\$0
Capital Appreciation Bonds	644,994	0	0	644,994	339,801
Accretion on Bonds	623,683	125,537	0	749,220	394,715
Premium	217,864	0	(164,402)	53,462	0
Total 2006 Refunding Bonds	6,546,541	125,537	(5,224,402)	1,447,676	734,516
Energy Conservation Improvement Bonds	2,327,350	0	0	2,327,350	0
2014 Refunding Bonds					
Serial Bonds	0	4,335,000	0	4,335,000	0
Premium	0	153,069	(12,756)	140,313	0
Discount	0	(54,187)	4,516	(49,671)	0
Total 2014 Refunding Bonds	0	4,433,882	(8,240)	4,425,642	0
<i>Total General Obligation Bonds</i>	<u>8,873,891</u>	<u>4,559,419</u>	<u>(5,232,642)</u>	<u>8,200,668</u>	<u>734,516</u>
Other Long-term Obligations					
Capital Lease	106,164	0	(26,895)	79,269	28,393
Compensated Absences	1,043,947	133,766	(107,774)	1,069,939	107,475
<i>Total Other Long-term Obligations</i>	<u>1,150,111</u>	<u>133,766</u>	<u>(134,669)</u>	<u>1,149,208</u>	<u>135,868</u>
<i>Total Governmental Activities Long-Term Liabilities</i>	<u>\$10,024,002</u>	<u>\$4,693,185</u>	<u>(\$5,367,311)</u>	<u>\$9,349,876</u>	<u>\$870,384</u>

On March 30, 2006, the School District issued \$6,633,414 in general obligation bonds to which included serial and capital appreciation (deep discount) bonds in the amounts of \$5,590,000 and \$644,994, respectively. The general obligation bonds were issued for the purpose of advance refund the callable portion of the 1997 general obligation bonds to take advantage of lower interest rates. The general obligation bonds will be retired from the debt service fund and mature December 2015.

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For the Fiscal Year Ended June 30, 2014

The capital appreciation bonds remained outstanding at June 30, 2014. The capital appreciation bonds were originally sold at a discount of \$885,006, which is being accreted annually until the point of maturity of the capital appreciation bonds which is 2016.

The maturity amount of outstanding capital appreciation bonds at June 30, 2013 is \$644,994. The accretion recorded for 2013 was \$125,537, for a total outstanding bond liability of \$1,394,214 at June 30, 2014.

On December 14, 2010, the School District issued \$2,327,350 in energy conservation improvement qualified school construction bonds to provide for energy improvements to various School District buildings. The primary source of repayment of this obligation is through energy savings as a result of the improvements. The improvements were not capitalized. The bonds were issued for a 15 year period and are subject to mandatory sinking fund payments. The School District may elect to receive payment directly from the Secretary of the United States Treasury equal to 97 percent of the corresponding interest payable on this issue. The bonds will be repaid from the bond retirement debt service fund.

On December 2, 2013, the School District issued general obligation bonds, in the amount of \$4,335,000, to currently refund bonds previously issued in fiscal year 2006 to advance refund the callable portion of 1997 general obligation bonds. The current refunding was undertaken to take advantage of lower interest rates. The bonds were issued with interest rates varying from 2.5 percent to 4.5 percent and were issued for a 8 year period with final maturity on December 1, 2020. The bonds will be retired through the general obligation bond retirement debt service fund.

	2006 Refunding Bonds
Outstanding at June 30, 2013	\$6,546,541
Amortization of Premium on Refunded Portion	(152,162)
Amount Refunded	(4,345,000)
Non-Refunded Portion	2,049,379
Accretion on Non-Refunded Portion	125,537
Amortization of Premium on Non-Refunded Portion	(12,240)
Principal Payment on Non-Refunded Portion	(715,000)
Outstanding Principal/Premium at June 30, 2014	\$1,447,676

The bonds were sold at a premium of \$153,069 and a discount of \$54,187. The proceeds of the refunding bond were deposited in an irrevocable trust with an escrow agent to provide for the optional redemption on January 1, 2014 of \$4,345,000 of the outstanding 2006 refunding bonds so as to discharge and satisfy the obligations of the School District.

The School District decreased its aggregated debt service payments by \$158,196 over the next eight years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$141,526.

Compensated absences will be paid from the general fund and the food service, public school preschool, title VI-B, title I and improving teacher quality special revenue funds. The capital lease will be paid from the general fund.

The overall debt margin of the School District as of June 30, 2014, was \$14,184,321 with an unvoted debt margin of \$222,542. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014, are as follows:

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Fiscal Year Ending June 30	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Accretion
2015	\$0	\$146,000	\$339,801	\$430,199
2016	0	146,000	305,193	454,807
2017	805,000	135,938	0	0
2018	845,000	111,087	0	0
2019	885,000	76,387	0	0
2020 - 2021	1,800,000	52,163	0	0
Total	\$4,335,000	\$667,575	\$644,994	\$885,006

Fiscal Year Ending June 30,	2011 Energy Conservation Improvement Bonds			
	Principal	Interest	Subsidy	Sinking
				Fund Payment
2015	\$0	\$126,375	(\$122,186)	\$155,157
2016	0	126,375	(122,186)	155,157
2017	0	126,375	(122,186)	155,157
2018	0	126,375	(122,186)	155,157
2019	0	126,375	(122,186)	155,157
2020-2024	0	631,875	(610,930)	775,783
2025-2026	2,327,350	189,563	(183,278)	(1,551,568)
Total	\$2,327,350	\$1,453,313	(\$1,405,138)	\$0

Note 12 – Capital Lease

In previous fiscal years, the School District entered into capitalized lease obligations for copier equipment. These leases meet criteria for a capital lease and have been recorded on the government-wide statements.

The assets acquired through these capital leases are as followed:

<i>Asset:</i>	
Equipment & Furniture	\$139,079
Less: Accumulated Depreciation	(68,591)
Total Book Value as of June 30, 2014	\$70,488

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2014.

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Fiscal Year Ending June 30,	Governmental Activities
2015	\$31,997
2016	31,997
2017	21,331
Total Minimum Lease Payments	85,325
Less: Amount Representing Interest	(6,056)
Present Value of Net Minimum Lease Payments	\$79,269

Capital lease payments have been reclassified and reflected as debt service in the fund financial statements for the general fund. These expenditures are reflected as program expenditures on a budgetary basis.

Note 13 – Interfund Transfers

The general fund transferred \$34,500 to the district managed student activity special revenue fund to help fund athletic events.

Note 14 - Jointly Governed Organizations

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among twenty-nine school districts and two educational service centers in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Liberty Local School District paid \$24,344 to NEOMIN during fiscal year 2014.

The Governing board consists of ten members: The Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County participating school districts, three superintendents from Trumbull County participating school districts, the fiscal agent (or NEOMIN). The Liberty Local School District was not represented on the Governing Board during fiscal year 2014. The Board exercises total control over the operations of NEOMIN including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN’s financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

Trumbull Career and Technical Center The Trumbull Career and Technical Center (the Center) is a distinct political subdivision of the State of Ohio providing vocational needs of the students. The Center is operated under the direction of a Board consisting of one representative from each of the nineteen participating school districts’ elected boards, which possesses its own budgeting and taxing authority. The Board exercises total control over the operations of the Trumbull Career and Technical Center including budgeting, appropriating, contracting and designating management. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain financial information write to the Trumbull Career and Technical Center, Gary Ghizzoni, who serves as Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 15 - Risk Management

Property and Liability

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

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate.

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

The School District maintains replacement cost insurance on buildings and contents in the amount of \$61,000,000.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been significant reductions in coverage from last year.

Employee Health Benefits

The School District elected to provide employee medical/surgical, prescription drug, dental and vision insurance through a self-insured program. The School District maintained a self-insurance internal service fund to account for and finance its uninsured risk of loss of this program. A third party administrator, Anthem Insurance Companies, Inc., reviewed and paid all claims for fiscal year 2014. The School District paid 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. Effective January 1, 2014, the School District is no longer self-insured. The School District intends to use up the balance in the self-insurance internal service fund to pay off any remaining claims as well as future monthly insurance premiums.

The claims liability of zero reported in the internal service fund at June 30, 2014 is based on estimates provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in total claims liability during fiscal years 2013 and 2014 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2013	\$310,500	\$1,711,304	\$1,784,504	\$237,300
2014	237,300	797,755	1,035,055	0

Effective January 1, 2014, the School District elected to provide employee medical/surgical, prescription drug, dental and vision insurance through a fully funded program with the Ohio School Benefits Consortium and Medical Mutual. Premium rates are \$1,504.24 for family coverage and \$649.07 for single coverage. Employees pay \$123.30 per month towards the premium.

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Worker's Compensation

The School District pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll times the contribution rate established by Worker's Compensation for the School District. This rate is calculated based on accident history and administrative costs.

Note 16 – Defined Benefit Pension Plans

School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$208,595, \$222,469 and \$245,466, respectively. For fiscal year 2014, 92.31 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan,

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$660,957 and \$22,165 for the fiscal year ended June 30, 2014, \$698,873 and \$20,881 for the fiscal year ended June 30, 2013, and \$733,513 and \$24,832 for the fiscal year ended June 30, 2012. For fiscal year 2014, 83.13 percent has been contributed for the DB plan and 83.13 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2014 were \$9,514 made by the School District and \$7,475 made by the plan members. In addition, member contributions of \$17,416 were made for fiscal year 2014 for the defined portion of the Combined Plan.

Note 17 – Postemployment Benefits

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$26,377 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$2,229, \$2,717 and \$43,120, respectively. For fiscal year 2014, 92.31 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012, were \$12,102, \$12,567 and \$14,496, respectively. For fiscal year 2014, 83.13 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$52,523, \$54,086 and \$56,768, respectively. For fiscal year 2014, 83.13 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 18 - Other Employee Benefits

Compensated Absences

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

Each employee earns sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for twenty-five percent of the total sick leave accumulation up to a maximum of 80 days for both certified and classified employees. An employee receiving such payment must meet the retirement provisions set by STRS Ohio and SERS.

Life Insurance Benefits

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

Note 19 - Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

Litigation

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

Note 20 - Set Asides

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

The following cash basis information describes the change in the fiscal year end set aside amounts for capital acquisition. Disclosure of this information is required by State statute.

Liberty Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

	Capital Improvements
Set Aside Balance as of June 30, 2014	\$18,164
Current Year Set-aside Requirement	220,833
Current Year Offsets	(150,668)
Qualifying Disbursements	(77,477)
Total	\$10,852
Set-aside Balance Carried Forward to Future Fiscal Years	\$10,852
Set Aside Balance as of June 30, 2014	\$10,852

In addition to the above statutory set-aside, the School District also has \$39,581 in monies restricted for school bus purchases. The total restricted for set asides at the end of the fiscal year was \$50,433.

Note 21 – Subsequent Event

On December 1, 2014, the Auditor of State certified that the Liberty Local School District no longer met the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 3316.10 of the Revised Code has been implemented, that the Board of Education has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be non-adverse.

Note 22 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	\$100,695
Other Governmental Funds	43,707
Total	\$144,402

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LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
School Breakfast Program	2013/2014	10.553	\$92,391	\$92,391
National School Lunch Program	2013/2014	10.555	298,242	298,242
Child Nutrition	2013/2014		5,745	5,745
Non-Cash Assistance:				
National School Lunch Program	2013/2014	10.555	37,920	37,920
Total U.S. Department of Agriculture - Nutrition Cluster			<u>434,298</u>	<u>434,298</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013	84.010	75,231	103,526
	2014	84.010	498,034	470,125
Total Title I Part A Grants to Local Educational Agencies Cluster			<u>573,265</u>	<u>573,651</u>
Special Education Cluster:				
Special Education Grants to States	2013	84.027	11,933	25,396
	2014	84.027	249,044	241,825
Total Special Education Grants to States - Special Education Cluster			<u>260,977</u>	<u>267,221</u>
Improving Teacher Quality State Grants	2013	84.367	0	802
	2014	84.367	23,164	25,084
Total Improving Teacher Quality State Grants			<u>23,164</u>	<u>25,886</u>
Race to the Top (ARRA)	2013	84.395	1,750	1,750
Total U.S. Department of Education			<u>859,156</u>	<u>868,508</u>
Totals:			<u>\$1,293,454</u>	<u>\$1,302,806</u>

The accompanying notes are an integral part of this schedule.

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the schedule) reports the Liberty Local School District's, (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 13, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001

www.ohioauditor.gov

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

March 13, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Liberty Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Liberty Local School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. 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 our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Liberty Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as items 2014-001 and 2014-002. These findings did not require us to modify our compliance opinion on each major federal program.

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

Report on Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency described in the accompanying schedule of findings as item 2014-002.

The District's response to our internal control over compliance findings is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 13, 2015

**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster (CFDA#s 10.553 and 10.555) Special Education Program (CFDA# 84.027)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

<i>Finding Number</i>	2014-001
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1. Schedule of Federal Awards

NONCOMPLIANCE

OMB Circular A-133 § .300 outlines a number of auditee responsibilities. These include:

- Identify all federal awards received and expended and the federal programs under which they were received, by CFDA (Catalog of Federal Domestic Assistance) number, CFDA title, year, name of federal agency and name of pass-through agency (if applicable).
- Prepare financial statements and a schedule of expenditures of federal awards.

OMB Circular A-133 § .310(b)(3) states at a minimum, the schedule of expenditures of Federal awards shall provide total Federal awards expended for each individual Federal program.

The District did not compile an accurate federal schedule. The reporting procedures and classification of federal activity should be consistent from year to year. The federal schedule provided by the District had the following misstatements to expenditure amounts:

- Title I expenditures included transfers out of \$34,122,
- Improving Teacher Quality included expenditures of \$802 for 2014 that should have been reported for 2013, and
- School Lunch Program expenditures of \$5,744 were not reported.

The federal schedule provided by the District had the following misstatements to receipt amounts presented:

- School lunch program of \$5,744 was not reported.

The federal schedule was adjusted for these amounts.

We recommend the preparation of the federal schedule be monitored as a part of the mechanics to ensure accuracy and fair presentation of all District federal activity. These procedures will help provide assurance the Federal receipt and expenditure activity is properly handled and fairly presented on the District's monthly and annual financial reports.

Official's Response: Federal receipts and expenditures will be reported correctly in the Schedule of Federal Awards Receipts and Expenditures.

2. 7 CFR Sections 210.14(a) and 210.14(e)) - Weighted Average Pricing

Finding Number	2014-002
CFDA Title and Number	National School Lunch Program /#10.555
Federal Award Number / Year	2014
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

**FINDING NUMBER – 2014-002
(Continued)**

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

7 CFR sections 210.14(a) and 210.14(e) states that, A School Food Authority, (SFA), participating in the National School Lunch Program, (NSLP), is required to ensure that sufficient funds are provided to its nonprofit school food service accounts from lunches served to students not eligible for free or reduced price meals. A SFA currently charging less for a paid lunch than the difference between the Federal reimbursement rate for such a lunch and that for a free lunch is required to comply. This difference is known as “equity.” There are two ways to meet this requirement: (a) by raising the prices charged for paid lunches; or (b) through contributions from other non-Federal sources. SFAs with an average weighted price at or above equity (currently \$2.59 for school year 2013-14) have already met the requirement.

The District did not perform weighted average price testing to determine whether prices needed raised in the current period. In addition, the District’s lunch prices of \$2.25 and \$2.50 were below the equity level of \$2.59.

The District should perform annual weighted average pricing to determine whether lunch prices need increased or should remain the same, or they should raise prices to at least the current equity level.

Official’s Response: The weighted average lunch calculation has been completed for fiscal year 2015.

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**LIBERTY LOCAL SCHOOLS
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Improper Posting of Revenues	Yes	
2013-002	Encumbering Obligations	No	Partially corrected. Repeated in Management Letter
2013-003	Appropriations Limited by Estimated Resources	No	Partially corrected. Repeated as a non-written verbal comment
2013-004	Schedule of Federal Awards-Material weakness	No	Not corrected. Repeated as Finding 2014-001
2013-005	Schedule of Federal Awards-Noncompliance	No	Not corrected. Repeated as Finding 2014-001

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**LIBERTY LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**CORRECTIVE ACTION PLAN
FISCAL YEAR END JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	Federal receipts and expenditures will be reported correctly in the Schedule of Federal Awards Receipts and Expenditures.	6/30/15	Lori Simione
2014-002	The weighted average lunch calculation has been completed for fiscal year 2015.	6/30/15	Lori Simione

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Dave Yost • Auditor of State

LIBERTY LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 7, 2015**