LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Dave Yost • Auditor of State

OHIO AUDITOR OF STATE
KEITH FABER

January 24, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

Keith Faber
Auditor of State
Columbus, Ohio

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LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY
JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Liberty Center Local School District
Henry County
100 Tiger Trail
Liberty Center, Ohio 43532-0434

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 Center Local School District, Henry County, Ohio (the District), as of and for the year ended June 30, 2018, 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 such 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Center Local School District, Henry County, Ohio, as of June 30, 2018, and the respective changes in financial position 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

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* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2018, 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.

Dave Yost
Auditor of State

Columbus, Ohio

January 10, 2018

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LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

The discussion and analysis of the financial performance of Liberty Center Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

In total, net position increased $6,312,029.

General revenues accounted for $12,964,122, or 79 percent of all revenues. Program specific revenues in the form of, charges for services, operating grants and contributions and capital grants accounted for $3,435,181 or 21 percent of total revenues of $16,399,303.

The District's major funds are the General Fund, the Bond Retirement Fund, the Building Fund, and the Classroom Facilities Fund.

The General Fund had $14,007,871 in revenues and $13,994,813 in expenditures and other financing uses. The General Fund's balance increased $13,058 from the prior fiscal year. The Bond Retirement Fund had $1,156,457 in revenues and $1,015,369 in expenditures. The Bond Retirement Fund's balance increased $141,088 from the prior fiscal year. The Building Fund had $17,960 in revenues and $1,786,884 in expenditures. The Building Fund's balance decreased $1,768,924 from the prior year. The Classroom Facilities Fund had $6,706,135 in revenues and $10,714,153 in expenditures. The Classroom Facilities Fund's balance decreased $4,008,018 from the prior fiscal year

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net position and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the General Fund is by far the most significant fund. The District's major funds are the General Fund, the Bond Retirement Fund, the Building Fund, and the Classroom Facilities Fund.

Reporting the District as a Whole

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2018. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net position and changes in those assets. This change in net position is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, the District discloses a single type of activity:

> Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

> Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, the Bond Retirement Fund, the Building Fund, and the Classroom Facilities Fund. While the District uses many funds to account for its financial transactions, the General fund is the most significant.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using modified accrual accounting, 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 District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2018 compared to 2017.

Table 1
Net position
Governmental Activities

	2018	2017 (restated)
Assets		
Current and Other Assets	$22,893,129	$35,300,217
Capital Assets	40,370,612	28,865,967
Total Assets	63,263,741	64,166,184
Deferred Outflows of Resources		
Deferred Charge on Refunding	20,102	20,102
Pension	5,015,254	4,452,244
OPEB	146,776	28,859
Total Deferred Outflows of Resources	5,182,132	4,501,205
Liabilities		
Current and Other Liabilities	3,134,533	3,049,513
Long-Term Liabilities:		
Due Within One Year	201,028	417,142
Due Within More Than One Year:		
Net Pension Liability	15,868,047	22,566,870
Net OPEB Liability	3,523,263	4,386,661
Other Amounts	20,556,914	20,493,538
Total Liabilities	43,283,785	50,913,724
Deferred Inflows of Resources		
Property Taxes	6,061,777	5,978,949
Pension	567,871	12,707
OPEB	458,402	
Total Deferred Inflows of Resources	7,088,050	5,991,656
Net Position		
Net Investment in Capital Assets	20,803,057	24,134,840
Restricted	1,224,055	7,223,921
Unrestricted (deficit)	(3,953,074)	(19,596,752)
Total Net Position	$18,074,038	$11,762,009

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $16,119,811 to $11,762,009.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2018 and 2017.

Table 2
Change in Net position
Governmental Activities

	2018	Restated 2017
Revenues:		
Program Revenues:		
Charges for Services and Sales	$2,237,968	$2,107,934
Operating Grants, Contributions and Interest	1,197,213	1,257,462
Total Program Revenues	3,435,181	3,365,396
General Revenues:		
Property Taxes	4,377,091	4,271,443
Income Taxes	2,497,598	2,325,539
Grants and Entitlements	5,735,799	5,872,726
Investment Earnings	117,242	146,778
Gifts and Donations	69,394	41,067
Miscellaneous	166,998	72,020
Total General Revenues	12,964,122	12,729,573
Total Revenues	16,399,303	16,094,969
Expenses:		
Instruction	4,596,307	9,888,643
Support Services:		
Pupils	541,144	788,358
Instructional Staff	327,561	445,649
Board of Education	48,262	47,881
Administration	492,842	1,213,630
Fiscal	284,604	458,402
Operation and Maintenance of Plant	1,401,409	873,540
Pupil Transportation	389,441	772,362
Central	128,757	210,262
Non-Instructional	470,958	914,731
Extracurricular Activities	574,535	825,371
Interest and Fiscal Charges	831,454	834,430
Total Expenses	10,087,274	17,273,259
Change in Net position	6,312,029	(1,178,290)
Beginning net position	11,762,009	N/A
Ending Net Position	$18,074,038	$11,762,009

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $26,201 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $551,771. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expense under GASB 75	$	5,618,878
Negative OPEB expense unde GASB 75		551,771
2018 contractually required contributions		26,201
Adjusted 2018 program expenses		6,196,850
Total 2017 program expenses under GASB 45		17,273,259
Decrease in program expenses	$	(11,076,409)

Total revenues increased by $304,334 (2 percent). This was primarily attributed to increases in property and income taxes received.

Program revenues account for 21 percent of total revenues and are primarily represented by restricted intergovernmental revenues, charges for tuition and fees, extracurricular activities, and food service sales.

Total expenditures decreased $7,185,985 (42 percent). This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported ($5,061,486) in pension expense and ($551,771) in OPEB expense mainly due to these benefit changes. There was also a decrease in capital outlay expenditures of $5,665,329 related to the OFCC construction project which was coming to completion.

The major program expenses for governmental activities are instruction, which accounts for 46 percent of all governmental expenses. Other programs, which support the instruction process, including pupils, instructional staff, operation and maintenance of plant, and pupil transportation, account for 26 percent of governmental expenses. Therefore, nearly 75 percent of the District's expenses are related to the primary functions of providing facilities and delivering education. As can be seen, these costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Instruction	$4,596,307	$2,250,235	$9,888,643	$7,579,731
Support Services:				
Pupils	541,144	538,584	788,358	785,798
Instructional Staff	327,561	321,585	445,649	427,582
Board of Education	48,262	48,262	47,881	47,881
Administration	492,842	29,809	1,213,630	846,527
Fiscal	284,604	273,859	458,402	446,203
Operation and Maintenance of Plant	1,401,409	1,401,409	873,540	873,540
Pupil Transportation	389,441	389,441	772,362	772,362
Central	128,757	123,357	210,262	204,862
Non-Instructional	470,958	93,542	914,731	502,857
Extracurricular Activities	574,535	350,556	825,371	586,090
Interest and Fiscal Charges	831,454	831,454	834,430	834,430
Total Expenses	$10,087,274	$6,652,093	$17,273,259	$13,907,863

The dependence upon tax and other general revenues for governmental activities is apparent; 49 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 66 percent. The District's taxpayers, as a whole, are by far the primary support for District's students.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund, the Bond Retirement Fund, the Building Fund, and the Classroom Facilities Fund. Total governmental funds had revenues and other financing sources of $23,285,809 and expenditures and other financing uses of $29,135,463. The net negative change of $5,849,654 in fund balance for the year indicates that the District had some difficulty in meeting current costs.

In fiscal year 2018, General Fund revenues increased by 2 percent. General Fund expenditures only increased by 6 percent. The General Fund balance increased $13,058 (less than 1 percent). The overall receipts and other financing sources had little change and were able to cover the decrease in the overall expenditures and other financing.

In fiscal year 2018, the Bond Retirement Fund revenues increased by 2 percent due to an increase in property tax revenue. The Bond Retirement expenditures decreased by less than 1 percent due to the retirement of debt. The Bond Retirement Fund balance increased by $141,088 (17 percent) due to property and rollback and homestead taxes being greater than the District's required debt payments.

In fiscal year 2018, the Building Fund had revenues decreased 46 percent due to a decrease in interest receipts. The Building Fund expenditures decreased 5 percent due to decrease expenditures related to the construction project of $99,409.

In fiscal year 2018, the Classroom Facilities Fund required by the Ohio Facilities Construction Commission (OFCC) to properly track the District's portion and State portion of the building costs associated with the construction of the District's new school building. The Classroom Facilities Fund revenues decreased by 8 percent due to an increase intergovernmental revenue for the construction project. Classroom Facilities Fund expenditures decreased by 35 percent due to the expenditures for the construction project. The Classroom Facilities Fund balance decreased by $4,008,018 due primarily to the construction project.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2018, the District amended its General Fund budget as needed.

General Fund original and final budgeted revenues were $12,792,880. Actual revenues and other financing sources were $14,034,665. This represents an increase of $1,241,785 (10 percent).

General Fund original appropriations and other financing uses of $10,412,089 were increased to $14,707,848 in the final budget ($4,295,759 of 41 percent). The actual budget basis expenditures and other financing uses for fiscal year 2018 totaled $14,003,249, which was $704,599 (5 percent) less than the final budget appropriations. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the District had $20,803,057 Net Investment in Capital Assets for governmental activities.

For further information regarding the District's capital assets, see the notes to the basic financial statements.

Debt

At June 30, 2018, the District had $18,305,000 in school improvement general obligation bonds for building improvements and $590,656 in capital appreciation bonds. The bonds were issued in 2014 for a thirty-seven year period.

The District had $374,508 in Energy Conservation Notes. The notes were issued in 2010 with final maturity on December 1, 2023. The notes are being retired through the General Fund.

At June 30, 2018, the District's overall legal debt margin was ($4,530,424), with an un-voted debt margin of $154,129.

For further information regarding the District's debt, see the notes to the basic financial statements.

Current Issues

Liberty Center is a small rural community of 1,120 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a major influence on the economy.

In fiscal year 2017, 36 percent of the District revenue sources are from local funds, 43 percent is from state funds and with 4 percent from federal funds. The total expenditure per pupil was calculated at $11,536 for fiscal year 2017. The official reports for fiscal year 2018 have not been released.

The financial position of the District in fiscal year 2018 decreased over the previous year. The District ended the year with positive revenues over expenditures of $31,416 in the General Fund on a cash-basis. The cash balance of the District on June 30 is $7,185,739.

In September 2014, the District approved an agreement with the Ohio Facilities Construction Commission (OFCC) to build a new school building which will include an elementary, middle, and high school. The total cost of the project is $41,895,350, which includes a state share of $23,385,350, local share of $13,154,260, and the locally funded initiative share of $5,355,740. The new school building opened in January of 2018 and the District is currently in the final stages of the construction project.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jenell Buenger, Treasurer, Liberty Center Local School District, 100 Tiger Trail, Liberty Center, Ohio 43532-0434.

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

STATEMENT OF NET POSITION
JUNE 30, 2018

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	$	11,008,132
Restricted Cash		556,201
Investments		3,520,936
Materials and Supplies Inventory		16,367
Accrued Interest Receivable		26,726
Accounts Receivable		33,013
Intergovernmental Receivable		10,217
Taxes Receivable		6,684,700
Income Taxes Receivable		1,036,837
Capital Assets:		
Non-Depreciable Capital Assets		1,335,207
Depreciable Capital Assets, net		39,035,405
Total Assets		63,263,741
Deferred Outflow of Resources:		
Deferred Charges on Refunding		20,102
Pension		5,015,254
OPEB		146,776
Total Deferred Outlfows of Resources		5,182,132
Liabilities:		
Accounts Payable		15,306
Accrued Wages and Benefits		1,499,495
Contracts Payable		1,108,012
Intergovernmental Payable		511,720
Long-Term Liabilities:		
Due Within One Year		201,028
Due in More Than One Year		20,556,914
Due in More Than One Year		
Net Pension Liability		15,868,047
Net OPEB Liability		3,523,263
Total Liabilities		43,283,785
Deferred Inflows of Resources:		
Property Taxes Receivable		6,061,777
Pension		567,871
OPEB		458,402
Total Deferred Inflows of Resources		7,088,050
Net Position:		
Net Investment in Capital Assets		20,803,057
Restricted for Debt Service		392,558
Restricted for Capital Outlay		556,201
Restricted for Other Purposes		275,296
Unrestricted (deficit)		(3,953,074)
Total Net Position	$	18,074,038

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net(Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$ 2,732,071	$ 1,293,555	$ 35,991	$ (1,402,525)
Special	1,434,318	62,584	911,678	(460,056)
Vocational	55,435		42,264	(13,171)
Student Intervention Services	62,897			(62,897)
Other	311,586			(311,586)
Support Services:				
Pupils	541,144		2,560	(538,584)
Instructional Staff	327,561		5,976	(321,585)
Board of Education	48,262			(48,262)
Administration	492,842	461,878	1,155	(29,809)
Fiscal	284,604		10,745	(273,859)
Operation and Maintenance of Plant	1,401,409			(1,401,409)
Pupil Transportation	389,441			(389,441)
Central	128,757		5,400	(123,357)
Operation of Non-Instructional Services	470,958	212,424	164,992	(93,542)
Extracurricular Activities	574,535	207,527	16,452	(350,556)
Debt Service:				
Interest and Fiscal Charges	831,454			(831,454)
Totals	$ 10,087,274	$ 2,237,968	$ 1,197,213	(6,652,093)

General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	3,039,927
Property Taxes, Levied for Capital Outlay	161,571
Property Taxes, Levied for Debt Service	1,110,375
Property Taxes, Levied for Other	65,218
Income Taxes	2,497,598
Grants and Entitlements not Restricted to Specific Programs	5,735,799
Gifts and Donations	69,394
Investment Earnings	117,242
Miscellaneous	166,998
Total General Revenues	12,964,122
Change in Net Position	6,312,029
Net Position Beginning of Year (Restated)	11,762,009
Net Position End of Year	$ 18,074,038

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Bond Retirement Fund	Building Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	$ 7,244,797	$ 835,764	$ 952,773	$ 1,528,171	$ 446,627	$ 11,008,132
Restricted Cash				556,201	-	556,201
Investments			1,021,071	2,499,865	-	3,520,936
Materials and Supplies Inventory	10,466				5,901	16,367
Accrued Interest Receivable	26,726					26,726
Accounts Receivable	33,013					33,013
Interfund Receivable	300,000					300,000
Intergovernmental Receivable					10,217	10,217
Taxes Receivable	5,314,215	1,142,121			228,364	6,684,700
Income Taxes Receivable	1,036,837					1,036,837
Total Assets	$ 13,966,054	$ 1,977,885	$ 1,973,844	$ 4,584,237	$ 691,109	$ 23,193,129
Liabilities						
Current Liabilities:						
Accounts Payable	$ 7,165				$ 8,141	$ 15,306
Accrued Wages and Benefits	1,462,497				36,998	1,499,495
Contracts Payable			$ 845,898	$ 262,114	-	1,108,012
Interfund Payable			300,000		-	300,000
Intergovernmental Payable	480,880				30,840	511,720
Matured Compensated Absences Payable	40,258					40,258
Total Liabilities	1,990,800	-	1,145,898	262,114	75,979	3,474,791
Deferred Inflow of Resources						
Property Levied for the Next Fiscal Year	4,883,727	984,078			193,972	6,061,777
Delinquent Property Tax Revenue Not Available	188,118				2,821	190,939
Unavailable Revenue	58,964	21,964			4,776	85,704
Total Deferred Inflows of Resources	5,130,809	1,006,042	-	-	201,569	6,338,420
Total Liabilities and Deferred Inflows of Resources	7,121,609	1,006,042	1,145,898	262,114	277,548	9,813,211
Fund Balances						
Nonspendable	10,466				5,901	16,367
Restricted		971,843	827,946	4,322,123	483,488	6,605,400
Assigned	1,069,241					1,069,241
Unassigned (deficit)	5,764,738				(75,828)	5,688,910
Total Fund Balances	6,844,445	971,843	827,946	4,322,123	413,561	13,379,918
Total Liabilities, Deferred Inflows, and Fund Balances	$ 13,966,054	$ 971,843	$ 1,973,844	$ 4,584,237	$ 691,109	$ 23,193,129

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

Total Governmental Fund Balances			$	13,379,918
Amounts reported for governmental activities on the statement of Net Position are different because of the following:				
The net pension liability and the OPEB is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:				
Deferred Outflows - Pension	$	5,015,254		
Deferred Inflows - Pension		(567,871)		
Net Pension Liability		(15,868,047)		
Deferred Outflows - OPEB		146,776		
Deferred Inflows - OPEB		(458,402)		
Net OPEB Liability		(3,523,263)		
Total				(15,255,553)
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.				40,370,612
Deferred Inflows that do not provide financial resources are not reported as revenues in governmental fund.				276,643
Unamortized deferred amounts on refunding are not recognized in the funds				20,102
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:				
General Obligation Bonds Payable		(19,479,298)		
Note Payable		(374,508)		
Capital Leases Payable		(88,257)		
Compensated Absences Payable		(775,621)		
				(20,717,684)
Net Position of Governmental Activities			$	18,074,038

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Bond Retirement Fund	Building Fund	Classroom Facilities Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:						
Property and Other Local Taxes	$ 3,067,507	$ 1,117,392	$	$	$ 228,387	$ 4,413,286
Income Tax	2,485,294					2,485,294
Intergovernmental	6,302,432	39,065		6,705,082	574,213	13,620,792
Interest	98,229		$ 17,960	1,053	94	117,336
Tuition and Fees	1,321,071					1,321,071
Rent	35,068					35,068
Extracurricular Activities	4,203				207,461	211,664
Gifts and Donations	69,394				10,735	80,129
Customer Sales and Services	457,675				212,490	670,165
Miscellaneous	166,998				5,970	172,968
Total Revenues	14,007,871	1,156,457	17,960	6,706,135	1,239,350	23,127,773
EXPENDITURES:						
Current:						
Instruction:						
Regular	5,997,640				35,347	6,032,987
Special	1,958,237				323,801	2,282,038
Vocational	133,103					133,103
Student Intervention Services	62,897					62,897
Other	340,263					340,263
Support Services:						
Pupils	800,142				2,560	802,702
Instructional Staff	446,543				5,976	452,519
Board of Education	48,262					48,262
Administration	1,064,744				1,155	1,065,899
Fiscal	384,544	19,000			4,164	407,708
Operation and Maintenance of Plant	927,995				19,903	947,898
Pupil Transportation	559,468				88,036	647,504
Central	81,202				85,594	166,796
Operation of Non-Instructional Services	413,098				476,197	889,295
Extracurricular Activities	603,691				258,689	862,380
Capital Outlay	40,566		1,786,884	10,714,153	275,787	12,817,390
Debt Service:						
Principal	62,418	295,000			45,730	403,148
Interest		701,369			1,305	702,674
Total Expenditures	13,924,813	1,015,369	1,786,884	10,714,153	1,624,244	29,065,463
Excess of Revenues Over (Under) Expenditures	83,058	141,088	(1,768,924)	(4,008,018)	(384,894)	(5,937,690)
OTHER FINANCING SOURCES AND USES:						
Transfers In					70,000	70,000
Inception of Capital Lease					88,036	88,036
Transfers Out	(70,000)					(70,000)
Total Other Financing Sources and Uses	(70,000)	-	-	-	158,036	88,036
Net Change in Fund Balances	13,058	141,088	(1,768,924)	(4,008,018)	(226,858)	(5,849,654)
Fund Balance at Beginning of Year	6,831,387	830,755	2,596,870	8,330,141	640,419	19,229,572
Fund Balance at End of Year	$ 6,844,445	$ 971,843	$ 827,946	$ 4,322,123	$ 413,561	$ 13,379,918

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

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, 2018

Net Change in Fund Balances - Total Governmental Funds		$ (5,849,654)
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
Pension	$ 1,071,492	
OPEB	26,201	
		1,097,693
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	5,061,486	
OPEB	551,771	
		5,613,257
Governmental funds report capital outlay as expenditures. However, on 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 capital outlay exceeds depreciation in the current year.		
Capital Outlay - Depreciable Capital Assets	13,494,759	
Depreciation	(1,328,376)	
		12,166,383
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		(661,738)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Intergovernmental	(6,187,587)	
Income Taxes	12,304	
Delinquent Property Taxes	(36,195)	
		(6,211,478)
The inception of a capital lease transaction is recorded as other financing source in the funds; however, in the statement of activities, it is not reported as revenue as it increases liabilities on the statement of net position.		(88,036)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		357,418
Repayment of capital lease principal is an expenditure in the funds but the repayment reduces long-term liabilities on the statements of activities. The payment on the capital lease was:		45,730
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following item resulted in less interest being reported In the statement of activities:		
Amortization on bond premiums	820	
Accretion on capital appreciation bonds	(128,780)	
		(127,960)
Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:		
Compensated Absences Payable	(29,586)	
		(29,586)
Change in Net Position of Governmental Activities		$ 6,312,029

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Property and Other Local Taxes	$ 2,975,800	$ 2,975,800	$ 3,123,821	$ 148,021
Income Tax	2,301,100	2,301,100	2,418,626	117,526
Intergovernmental	6,062,055	6,062,055	6,302,432	240,377
Interest	55,000	55,000	89,432	34,432
Tuition and Fees	934,925	934,925	1,414,527	479,602
Rent	46,000	46,000	35,068	(10,932)
Gifts and Donations	25,500	25,500	68,490	42,990
Customer Sales and Services	390,000	390,000	457,675	67,675
Miscellaneous	2,500	2,500	124,594	122,094
Total Revenues	12,792,880	12,792,880	14,034,665	1,241,785
EXPENDITURES:				
Current:				
Instruction:				
Regular	4,207,899	6,057,874	5,956,766	101,108
Special	1,514,399	2,256,857	1,892,289	364,568
Vocational	128,098	145,745	145,717	28
Student Intervention Services	59,309	85,964	62,897	23,067
Other	280,548	385,500	315,440	70,060
Support Services:				
Pupils	555,758	780,810	790,008	(9,198)
Instructional Staff	327,495	493,378	467,440	25,938
Board of Education	58,829	66,533	48,264	18,269
Administration	776,498	1,054,509	1,034,848	19,661
Fiscal	307,382	417,430	382,439	34,991
Operation and Maintenance of Plant	675,891	931,468	911,260	20,208
Pupil Transportation	413,202	547,275	521,763	25,512
Central	69,365	83,767	80,886	2,881
Operation of Non-Instructional/Shared Services	253,779	408,060	402,400	5,660
Extracurricular Activities	340,723	500,940	517,848	(16,908)
Capital Outlay	27,000	39,320	40,566	(1,246)
Principal	46,814	62,418	62,418	-
Total Expenditures	10,042,989	14,317,848	13,633,249	684,599
Excess of Revenues Over (Under) Expenditures	2,749,891	(1,524,968)	401,416	1,926,384
Other Financing Uses:				
Transfers Out	(340,000)	(70,000)	(70,000)	-
Advances Out	(22,500)	(300,000)	(300,000)	-
Other Financing Uses:	(6,600)	(20,000)		20,000
Total Other Financing Uses	(369,100)	(390,000)	(370,000)	20,000
Net Change in Fund Balance	2,380,791	(1,914,968)	31,416	1,946,384
Fund Balance at Beginning of Year	7,059,300	7,059,300	7,059,300	-
Prior Year Encumbrances Appropriated	65,023	65,023	65,023	-
Fund Balance at End of Year	$ 9,505,114	$ 5,209,355	$ 7,155,739	$ 1,946,384

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private Purpose Trust	Agency Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	$ 7,520	$ 44,894
Liabilities		
Current Liabilities:		
Undistributed Monies		$ 44,894
Net Position		
Held in Trust for Scholarships	$ 7,520	

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private Purpose Trust
ADDITIONS:	
Miscellaneous	$ 4,138
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	1,698
Change in Net Position	2,440
Net Position Beginning of Year	5,080
Net Position End of Year	$ 7,520

See Accompanying Notes to the Basic Financial Statements

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Liberty Center Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Liberty Center Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 58 non-certified and 96 certified full-time teaching personnel who provide services to 1,115 students and other community members.

The Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. This includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with organizations, which are defined as jointly governed organizations, a related organization and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Liberty Center Public Library, the Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiatives, Northern Buckeye Health Plan's Workers' Compensation Group Rating Plan -OHI and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Notes 16, 17, and 18 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

The 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statement of net position presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus 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 and liabilities and deferred inflows is reported as fund balance. Following are the District's major governmental funds:

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for property tax revenues to pay the principal and related interest on the school improvement bonds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Building Fund - The Building Fund is used to account for revenues and expenditures related to the construction of new school buildings.

Classroom Facilities Fund - The Classroom Facilities fund is used to account for revenues and expenditures related to the construction and renovation of school buildings.

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted to a particular purpose.

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 District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District's private purpose trust fund accounts for college scholarships and no interest loans for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for various student-managed activities.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) of 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 current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue 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. “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

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

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 represent 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 District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 10 and 11.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 until that time. For the District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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 District, unavailable revenue includes delinquent property taxes and income taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 10 and 11).

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Expenditures/Expenses

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.

E. Budgetary Process

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2018 is as follows:

1. The Treasurer submits an annual tax budget for the following fiscal year to the Board by January 15, for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the Council Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2018.

3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education. (State statute permits temporary appropriation to be effective until no later than October 1 of each year.)

   The Board adopted appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total expenditures and encumbrances may not exceed appropriations at the legal level of control. The legal level of control selected by the Board is at the fund level.

4. Any revisions that alter the total of any object appropriation for any fund must be approved by the Board of Education.

   The amounts reported as the original budget reflect the first appropriation for a fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

5. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level, function and/or object level.

   As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year-end (not already recorded in accounts payable) are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on the government-wide financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool except for investments identified by management as purchased by specific funds. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2018, investments were limited to STAR Ohio, Federal Home Loan Bank Bonds, negotiable certificates of deposit, and nonnegotiable certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio) is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAB per share that approximates fair value.

For the fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2018 amounted to $98,229, which included $16,404 from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Inventory

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Restricted Assets

Assets are reported as restricted assets when limitations on their use change in normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation.

I. Capital Assets

General capital assets are those assets not specifically related to activities. 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 on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their acquisition cost. The District's capitalization threshold is five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	15 - 30 years
Buildings	30 - 50 years
Building Improvement	10 - 40 years
Furniture, Fixtures, and Equipment	5 - 20 years
Vehicles	5 -15 years

J. 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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are currently eligible to receive termination benefits and those the 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 District's termination policy.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For the governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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 and are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

L. Net position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

M. Fund Balance

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

Nonspendable - The nonspendable classification 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” includes items that are not expected to be converted to cash.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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 classification are intended to be used by the 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. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is 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 can be used.

N. 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.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2018.

P. Interfund Transactions

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

R. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable/payable." These amounts are eliminated in the governmental activities column on the statement of net position.

3 CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2018, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, Omnibus 2017, Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, and related guidance from (GASB) Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	$16,119,811
Adjustments:	
Net OPEB Liability	(4,386,661)
Deferred Outflow – Payments Subsequent to Measurement Date	28,859
Restated Net Position June 30, 2017	$11,762,009

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

4. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board 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 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 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or Ohio local governments;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible in institutions;

6. The State Treasurer’s investment pool (STAR Ohio);

7. Commercial paper and bankers’ acceptances if training requirements and Board approval have been met, for a period not to exceed 270 days and 180 days, respectively, from the purchase date in an amount not to exceed 40 percent of interim monies available for investment at any one time; and

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

4. DEPOSITS AND INVESTMENTS - (Continued)

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

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $6,632,274 of the District's bank balance of $7,649,497 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. In addition, a portion of the District's bank balance is covered by the Ohio Pooled Collateral System (OPCS).

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of the State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

Investments

As of June 30, 2018, the District had the following investments:

	Balance at Fair Value	Less than One year	13 to 24 Months	25 to 60 Months
Federal Home Loan Bank Notes	$244,192			$244,192
Commercial Paper	3,188,667	$3,188,667		
Negotiable Certificates of Deposit	4,004,348	896,393	$1,137,632	1,970,323
Money Market	102,985	102,985		
STAR Ohio	5,762	5,762		
Total Investments	$7,545,954	$4,193,807	$1,137,632	$2,214,515

Interest Rate Risk - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

4. DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk - The District's investment in the federal agency securities and U.S. Government obligations were rated AA+ and Aaa by Standard and Poor's and Moody's Investor Services, respectively. STAR Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities, commercial papers, and negotiated certificates of deposit are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District's investment policy does not address investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District's investment policy places no limit on the amount it may invest in any one issuer; however, state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investment in the Federal Home Loan Banks Notes, negotiable certificates of deposit, commercial paper, money market/cash and Star Ohio represent 3 percent, 53 percent, 43 percent, less than 1 percent, and 1 percent, respectively, of the District's total investments

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the 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, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes for 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2018 were levied after April 1, 2017, on the assessed values as of December 31, 2016, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

5. PROPERTY TAXES - (Continued)

The District receives property taxes from Henry and Fulton counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2018 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred inflow for that portion not intended to finance current year operations.

The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2018 was $371,524 in the General Fund, $136,079 in the Bond Retirement Fund, and $29,616 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2017 was $427,838 in the General Fund, $156,470 in the Bond Retirement Fund, and $34,218 in the Permanent Improvement Fund.

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second-Half Collections		2018 First-Half Collections	
	Amount	**Percent**	**Amount**	**Percent**
Agricultural/Residential	$123,129,570	84%	$125,090,460	81%
Industrial/Commercial	8,138,820	6%	9,302,830	6%
Public Utility	14,452,060	10%	19,735,280	13%
Total Assessed Value	$145,720,450	100%	$154,128,570	100%
Tax rate per $1,000 of assessed valuation	$50.00		$50.00	

6. INCOME TAX

In 1995, the voters of the Liberty Center Local District passed a 1 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2018, the District recorded income tax revenue of $2,485,294 in the General Fund, of which $1,036,837 is recorded as a receivable at June 30, 2018.

In May 2006, the voters approved an additional .75 percent income tax for general operations. The levy was effective January 1, 2007 and is applicable for a continuing period of time.

7. RECEIVABLES

Receivables at June 30, 2018, consisted of property taxes, income taxes, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

	Amount
Accounts Receivable:	
General Fund:	
Tuition and Fees	$735
Miscellaneous	32,278
Total Accounts Receivable	$33,013
Intergovernmental Receivables:	
All Other Governmental Funds:	
Strategies Secondary Tran	$548
Title I Grant Fund	7,336
Title Iv-A Grant Fund	2,333
Total Intergovernmental Receivable	$10,217

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance at 7/1/2017	Additions	Reductions	Balance at 6/30/2018
Governmental Activities				
Non Depreciable Capital Assets				
Land	$1,335,207			$1,335,207
Construction in Progress	22,994,667	$13,250,938	($36,245,605)	
Total Non Depreciable Capital Assets	24,329,874	13,250,938	(36,245,605)	1,335,207
Depreciable Capital Assets				
Land Improvements	566,653	14,970	(11,496)	570,127
Buildings and Building Improvements	11,152,115	36,273,440	(2,299,715)	45,125,840
Permanent Fixtures	775,667	27,813	(214,772)	588,708
Equipment	483,020	80,900	(269,199)	294,721
Computers	155,037		(53,275)	101,762
Musical Instruments	11,401			11,401
Vehicles	1,202,116	92,303		1,294,419
Total Depreciable Capital Assets	14,346,009	36,489,426	(2,848,457)	47,986,978
Less Accumulated Depreciation				
Land Improvements	(334,709)	(16,385)	11,496	(339,598)
Buildings and Building Improvements	(7,679,249)	(1,188,980)	1,637,977	(7,230,252)
Permanent Fixtures	(674,011)	(30,823)	214,772	(490,062)
Equipment	(308,835)	(22,652)	269,199	(62,288)
Computers	(144,382)	(432)	53,275	(91,539)
Musical Instruments	(92,175)			(92,175)
Vehicles	(576,555)	(69,104)		(645,659)
Total Accumulated Depreciation	(9,809,916)	(1,328,376)	2,186,719	(8,951,573)
Depreciable Capital Assets, Net	4,536,093	35,161,050	(661,738)	39,035,405
Governmental Activities Capital Assets, Net	$28,865,967	$48,411,988	($36,907,343)	$40,370,612

8. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$284,954
Special	109,510
Vocational	6,372
Support Services:	
Pupil	5,420
Instructional Staff	6,680
Administration	8,119
Fiscal	6,146
Operation and Maintenance of Plant	88,314
Pupil Transportation	69,104
Central	432
Non-Instructional Services	10,020
Extracurricular	58,314
Capital Outlay	674,991
Total Depreciation Expense	$1,328,376

9. RISK MANAGEMENT

A. Schools of Ohio Risk Sharing Authority

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Schools of Ohio Risk Sharing Authority, Inc. for insurance coverage. Coverages provided are as follows:

Property Insurance	$40,929,230
Equipment Breakdown	50,000,000
Crime Coverage	1,000,000
General Liability:	
Per Occurrence	15,000,000
Total Per Year	17,000,000
Educators' Legal Liability - Wrongful Acts	15,000,000
Automobile Liability	15,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

9. RISK MANAGEMENT (Continued)

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Health Plan (NBHP), Northwest Division of OHI, a self- insurance pool, for insurance benefits to employees. The District pays monthly premiums to NBHP for the benefits offered to its employees, which includes health, dental, and life insurance. NBHP is responsible for the management and operations of the program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from NBHP, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 17). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

10. DEFINED PENSION BENEFIT PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions are provided to an employee on a deferred-payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment in exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

10. DEFINED PENSION BENEFIT PLANS - (Continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

10. DEFINED PENSION BENEFIT PLANS - (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2017, the allocation to pension, death benefits, and Medicare B was 14.00 percent. The remaining 0.0 percent was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $247,518 for fiscal year 2017. Of this amount $98,162 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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, 11.5 percent of the 13 percent member rate goes to the DC Plan and the remaining 1.5 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 or later.

10. DEFINED PENSION BENEFIT PLANS - (Continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014 and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $823,974 for fiscal year 2017. Of this amount $171,255 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$3,150,662	$12,717,385	$15,868,047
Proportion of the Net Pension Liability	0.052733%	0.0535351%	
Pension Expense	($131,056)	($4,930,430)	($5,061,486)

10. DEFINED PENSION BENEFIT PLANS - (Continued)

At June 30, 2017, the District reported outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$135,594	$491,086	$626,680
Changes of assumptions	162,923	2,781,432	2,944,355
Changes in proportion and differences / Difference between District contributions and proportionate share of contributions	0	372,727	372,727
District contributions subsequent to the measurement date	247,518	823,974	1,071,492
Total Deferred Outflows of Resources	$546,035	$4,469,219	$5,015,254
Deferred Inflows of Resources			
Differences between expected and actual experience	$14,956	$102,497	$117,453
Net difference between projected and actual earnings on pension plan investments	0	419,689	419,689
Changes in proportion and differences / Difference between District contributions and proportionate share of contributions	30,729	0	30,729
Total Deferred Inflows of Resources	$45,685	$522,186	$567,871

$1,071,492 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	$63,208	$780,765	$843,973
2020	63,208	780,765	843,973
2021	63,208	780,765	843,973
2022	63,208	780,764	843,972
Total	$252,832	$3,123,059	$3,375,891

10. DEFINED PENSION BENEFIT PLANS - (Continued)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.2 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

10. DEFINED PENSION BENEFIT PLANS - (Continued)

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2010 through 2015, is outlined in a report adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28-year amortization period of the unfunded actuarial liability. If the funded ration is less than 70 percent, the entire 14 percent employers' contribution shall be allocated to SERS' basic benefits. If the funded ratio is 70 percent but less than 80 percent, at least 13.50 percent of the employers' contribution shall be allocated to SERS' basic benefits. If the funded ratio is 80 percent but less than 90 percent, at least 13.25 percent of the employers' contribution shall be allocated to SERS' basic benefits.

10. DEFINED PENSION BENEFIT PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	$4,372,305	$3,150,662	$2,127,291

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 201 or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's investment consultant develops and estimate range for each investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

10. DEFINED PENSION BENEFIT PLANS - (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are excluded. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability as of June 30, 2016, calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	$18,229,938	$12,717,385	$8,073,885

10. DEFINED PENSION BENEFIT PLANS - (Continued)

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2017, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

11. DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the District 's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the District 's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

11. DEFINED BENEFIT OPEB PLANS (Continued)

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was $28,859.

11. DEFINED BENEFIT OPEB PLANS (Continued)

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District 's contractually required contribution to SERS was $285,892 for fiscal year 2018. Of this amount $30,427 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District 's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.05290700%	0.05356690%	
Proportion of the Net OPEB Liability Current Measurement Date	0.05345230%	0.05353513%	
Change in Proportionate Share	0.00054530%	-0.00003177%	
Proportionate Share of the Net OPEB Liability	$1,434,520	$2,088,743	$3,523,263
OPEB Expense	$85,600	($637,371)	($551,771)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

11. DEFINED BENEFIT OPEB PLANS (Continued)

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$0	$120,575	$120,575
District contributions subsequent to the measurement date	26,201	0	26,201
Total Deferred Outflows of Resources	$26,201	$120,575	$146,776
Deferred Inflows of Resources			
Differences between expected and actual experience	200,869	257,533	458,402
Total Deferred Inflows of Resources	$200,869	$257,533	$458,402

$26,201 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	($40,174)	($27,392)	($67,566)
2020	(40,174)	(27,392)	(67,566)
2021	(40,174)	(27,392)	(67,566)
2022	(40,174)	(27,391)	(67,565)
2023	(40,173)	(27,391)	(67,564)
Total	($200,869)	($136,958)	($337,827)

11. DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

11. DEFINED BENEFIT OPEB PLANS (Continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

11. DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the District 's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	$1,732,365	$1,434,520	$1,198,550

	1% Decrease (6.5 % decreasing to 4.0 %)	Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	$1,164,005	$1,434,520	$1,792,550

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

11. DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial assumptions used in the June 30, 2017, valuation is based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

11. DEFINED BENEFIT OPEB PLANS (Continued)

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the District 's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	$2,804,104	$2,088,743	$1,523,374

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$1,451,169	$2,088,743	$2,927,865

12. COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law, negotiated agreements, and board policy, and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Employees with less than one year of service earn no vacation. Twelve-month Administrative employees are entitled to vacation based on board policy and individual contracts. Certain employees are permitted to carry over vacation leave if approved by the Superintendent.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 58 days for non-union employees, 55 days for certified and 58 days for classified union employees.

13. LONG-TERM OBLIGATIONS

During the year ended June 30, 2018, the following changes occurred in obligations reported in the Government-Wide Financial Statements:

	Restated Balance at 06/30/2017	Increase	Decrease	Balance at 06/30/2018	Amount Due In One Year
Series 2014 Bonds					
General Obligation Bonds	$18,370,000		$65,000	$18,305,000	
Capital Appreciation Bonds	100,000			100,000	
Accreted Interest on CABs	361,876	$128,780		490,656	$54,090
Refunding Bonds	230,000		230,000		
Energy Conservation Improvement Bonds, Series 2009	436,926		62,418	374,508	62,418
Capital Leases	45,951	88,036	45,730	88,257	44,262
Net Pension Liability	22,566,870		6,698,823	15,868,047	
Net OPEB Liability	4,386,661		863,398	3,523,263	
Compensated Absences	783,105	69,844	37,070	815,879	40,258
Total Government Activities	$47,281,389	$286,660	$8,002,439	39,565,610	$201,028
Add: Unamortized Bond Premiums				583,642	
Total on Statement of Net position				$40,149,252	

13. LONG-TERM OBLIGATIONS - (Continued)

Ohio School Facilities Commission Project Bonds, Series 2014

The bonds were used for the purpose of constructing, adding to, and renovating and improving school facilities under the State of Ohio Classroom Facilities Assistance Program and locally funded initiatives, furnishing and equipping the same, and improving the sites thereof. These bonds were issued on August 21, 2014. The bonds consisted of $2,705,000 in serial bonds; $16,330,000 in term bonds $100,000 in capital appreciation bonds.

Proceeds from the outstanding bonds were used for the purpose of refunding general obligation bonds, dated March 1, 1994, which were issued for the purpose of financing school permanent improvements. The bonds were issued on September 1, 2003. The bonds consisted of $2,985,000 in Current Interest bonds and $139,998 in Capital Appreciation bonds. In fiscal year 2015, these bonds were retired with the 2014 refunding bond proceeds.

The Energy Conservation bonds were issued in July 2009 for $936,270. The interest rate on the notes is 0 percent. The final maturity of this issuance is December 1, 2023.

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on the following dates:

Maturity Date (November 1)	Principal Amount	Interest Rate
2020	$175,000	2.00%
2021	300,000	2.50%
2022	300,000	3.00%
2023	300,000	3.00%
2024	300,000	3.00%
2025	300,000	3.00%
2026	300,000	3.00%

13. LONG-TERM OBLIGATIONS - (Continued)

The interest payment dates for the bonds shall be May 1 and November 1, commencing on May 1, 2015. The serial bonds shall be those bonds scheduled to mature on November 1, 2015 through 2026.

The capital appreciation bonds were issued in the aggregate original principal amount of $100,000 and mature on November 1, in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

Maturity Date (November 1)	Original Principal Amount	Accreted Value at Maturity
2018	$54,090	$300,000
2019	35,952	300,000
2020	9,958	125,000

Total accreted interest of $600,000 has been included in the value. Capital Appreciation Bonds are not subject to redemption prior to maturity. The value of the capital appreciation bonds reported at June 30, 2018 was $590,656.

The term bonds which mature on November 1, 2028, have an interest rate of 3 percent per year, and are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation, at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date, on November 1 of the years shown in, and according to, the following schedule:

Year	Principal Amount to be Redeemed
November 1, 2027	$360,000
November 1, 2028	360,000

The term bonds which mature on November 1, 2030, have an interest rate of 3.375 percent per year, and are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation, at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date, on November 1 of the years shown in, and according to, the following schedule:

13. LONG-TERM OBLIGATIONS - (Continued)

Year	Principal Amount to be Redeemed
November 1, 2029	$360,000
November 1, 2030	415,000

The term bonds which mature on November 1, 2034, have an interest rate of 3.625 percent per year, and are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation, at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date, on November 1 of the years shown in, and according to, the following schedule:

Year	Principal Amount to be Redeemed
November 1, 2031	$415,000
November 1, 2032	425,000
November 1, 2033	475,000
November 1, 2034	485,000

The term bonds which mature on November 1, 2039, have an interest rate of 4 percent per year, and are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation, at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date, on November 1 of the years shown in, and according to, the following schedule:

Year	Principal Amount to be Redeemed
November 1, 2035	$490,000
November 1, 2036	550,000
November 1, 2037	560,000
November 1, 2038	575,000
November 1, 2039	360,000

The term bonds which mature on November 1, 2044, have an interest rate of 4 percent per year, and are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation, at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date, on November 1 of the years shown in, and according to, the following schedule:

13. LONG-TERM OBLIGATIONS - (Continued)

Year	Principal Amount to be Redeemed
November 1, 2039	$275,000
November 1, 2040	650,000
November 1, 2041	665,000
November 1, 2042	735,000
November 1, 2043	750,000
November 1, 2044	425,000

The term bonds which mature on November 1, 2051, have an interest rate of 4.125 percent per year, and are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the Authorizing Legislation, at a redemption price equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date, on November 1 of the years shown in, and according to, the following schedule:

Year	Principal Amount to be Redeemed
November 1, 2044	$345,000
November 1, 2045	840,000
November 1, 2046	860,000
November 1, 2047	885,000
November 1, 2048	965,000
November 1, 2049	990,000
November 1, 2050	1,015,000
November 1, 2051	1,100,000

The Energy Conservation Improvement Bonds were issued in July 2009 for $936,270. The interest rate on the notes is 0 percent. The final maturity of this issuance is December 1, 2023.

Total expenditures for interest for the above debt for the period ended June 30, 2018 was $702,674.

13. LONG-TERM OBLIGATIONS - (Continued)

The scheduled payments of principal and interest on debt outstanding at June 30, 2018 are as follows and exclude the accreted interest on the capital appreciation bonds:

Year Ending June 30,	Principal	Interest	Total
2019	$116,508	$945,066	$1,061,574
2020	98,370	963,204	1,061,574
2021	247,376	812,449	1,059,825
2022	362,418	691,906	1,054,324
2023	362,418	683,656	1,046,074
2024 - 2028	1,622,418	3,282,381	4,904,799
2029 – 2033	1,975,000	3,005,372	4,980,372
2034 - 2038	2,560,000	2,592,531	5,152,531
2039 – 2043	3,260,000	2,018,750	5,278,750
2044 - 2048	4,105,000	1,276,350	5,381,350
2049 - 2052	4,070,000	344,644	4,414,644
Total	$18,779,508	$16,616,309	$35,395,817

14. CAPITALIZED LEASES - LESSEE DISCLOSURE

The District has entered into capitalized leases for the acquisition of two buses.

The terms of the agreement provide an option to purchase the buses. The lease meets the criteria of a capital lease as defined by Statement No. 13 of the Financial Accounting Standards Board (FASB), "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. These expenditures are reflected as program/function expenditures on the accompanying financial statements.

Capital assets acquired by the leases have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. Principal payments in the 2018 fiscal year totaled $45,730.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2018:

General Long-Term Obligations

Year Ending June 30,	Equipment
2019	$47,034
2020	23,076
2021	23,076
Total Future Minimum Lease Payments	93,186
Less: Amount Representing Interest	(4,929)
Present Value of Future Minimum Lease Payments	$88,257

15. SET-ASIDE CALCULATIONS

The 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Capital Acquisition
Set-aside Balance as of June 30, 2017	
Current Year Set-aside Requirement	$195,644
Current Year Offsets	(550,606)
Total	($354,962)

The District had current year offsets during the fiscal year that reduced the capital improvements set-aside amount below zero. However, this amount may not be used to reduce the set-aside requirements of future years; therefore, it is not reflected in this schedule.

16. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams counties. The 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 school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total fees paid by the District to NWOCA during this fiscal year were $93,054. Financial information can be obtained from Tammy Butler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Tammy Butler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center - one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city school districts; one representative from each of the exempted village school districts. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, Connie Nicely, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials and provide opportunities for training. The NOERC serves a twenty-five county area of Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

17. GROUP PURCHASING POOLS

A. Employee Insurance Benefits Program

The District participates in a group health insurance pool through the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Pool). NBHP is a joint self-insurance arrangement created pursuant to the authority vested in Ohio Revised Code § 9.833. The Pool is a public entity shared risk pool consisting of educational entities throughout the State. The Pool is governed by OHI and its participating members. The District contributed a total of $1,641,381 to Northern Buckeye Health Plan, Northwest Division of OHI, during this fiscal year for all four plans. Financial information for the period can be obtained from Northern Buckeye Health Plan/OHI, Jenny Jostworth, Treasurer, at 10999 Reed Hartman Hwy., Suite 304E, Cincinnati, Ohio 45242.

B. Northern Buckeye Education Council's Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The Northern Buckeye Health Plan's (NBHP) Workers' Compensation Group Rating Plan (WCGRP) was established through NBHP as a group purchasing pool. The group was formed to create a workers' compensation group rating plan which would allow employers to group together to achieve a potentially lower premium rate than they may otherwise be able to acquire as individual employers. NBHP has created a workers' compensation group rating and risk management program which will potentially reduce the workers' compensation premiums for the District.

17. GROUP PURCHASING POOLS (Continued)

NBHP has retained Sheakley UniService as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District paid an enrollment fee of $0 to WCGRP to cover the costs of administering the program.

C. Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code - Non-Profit Corporations and functioning under authority granted by Section 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons, which might result in claims being made against members of SORSA, their employees or officers. The District paid $68,929 for these services to SORSA in fiscal year 2018.

A nine-person Board of Directors manages the business and affairs of SORSA and is elected annually by the members of the pool. The Board of Directors consists of superintendents, treasurers, or business managers from the participating school districts. SORSA employs an Executive Director and a Member Services Coordinator to administer the pool while claims are processed by Avizent. Financial information can be obtained from SORSA at 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483 or by calling 866-767-7299.

18. RELATED ORGANIZATION

Liberty Center Public Library

The Liberty Center Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Liberty Center Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires, and fires personnel, and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Liberty Center Public Library, at 111 East Street, Liberty Center, Ohio 43532-0066.

19. CONTINGENCIES

A. Federal and State Grants

The 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

20. DEFICIT FUND BALANCES

Fund balances at June 30, 2018 included the following individual fund deficits:

Nonmajor Funds	Deficit
Food Service Fund	$69,493
Title VI-B Fund	377
Title II-A	57

The General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities

21. FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General Fund	Bond Retirement Fund	Building Fund	Classroom Facilities Fund	Other Governmental Funds	Total
Nonspendable:						
Materials and Supplies Inventory	$10,466				$5,901	$16,367
Restricted for:						
Regular					378	378
Special					1,927	1,927
Athletic					82,159	82,159
Facilities Maintenance					257,938	257,938
Debt Retirement		$971,843				971,843
Permanent Improvements					141,086	141,086
Building Construction			$827,946	$4,322,123		5,150,069
Total Restricted		971,843	827,946	4,322,123	483,488	6,605,400
Assigned to:						
Principal Funds	32,111					32,111
Encumbrances	50,687					50,687
Appropriations	986,443					986,443
Total Assigned	1,069,241					1,069,241
Unassigned (Deficit)	5,764,738				(75,828)	5,688,910
Total Fund Balance	$6,844,445	$971,843	$827,946	$4,322,123	$413,561	$13,379,918

22. SCHOOL FOUNDATION FUNDING

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2017-2018 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

23. INTERFUND TRANSACTIONS

During the year ended June 30, 2018, the following transfers and advances occurred:

Fund	Transfers In	Transfers Out
General Fund		$70,000
Special Revenue Funds:		
Lunchroom Fund	$70,000	
Totals	$70,000	$70,000

Fund	Advance In	Advance Out
General Fund		$300,000
Capital Project Fund:		
Building Fund	$300,000	
Totals	$300,000	$300,000

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfer from the General Fund was to the Lunchroom Fund; while the advance was to the Building Fund.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements. No interfund transfers are reported on the statement of activities.

24. CONTRACTUAL COMMITMENTS

As of June 30, 2018, the District had the following contractual purchase commitments for the construction of a new Ohio Facilities Construction Commission (OFCC) school building:

Company	Amount Remaining
Garmynn Miller	$540,205
Shook Touchstone	4,358,139
Quandel	4,387
Four Seasons Environmental	29,347
Total	$4,932,078

25. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances 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 presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

25. BUDGETARY BASIS OF ACCOUNTING (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance
Major Governmental Fund

	General
GAAP Basis	$13,058
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2017, Received In Cash FY 2018	1,322,048
Accrued FY 2018, Not Yet Received in Cash	(1,279,982)
Expenditure Accruals:	
Accrued FY 2017, Paid in Cash FY 2018	(1,647,746)
Accrued FY 2018, Not Yet Paid in Cash	1,980,334
Advances Net	(300,000)
Non General Fund Activity	1,555
Encumbrances Outstanding at Year End (Budget Basis)	(57,851)
Budget Basis	$31,416

26. OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

Fund	Year-End Encumbrances
General	$ 57,851
Classroom Facilities	2,467,578
Nonmajor governmental	1,818,748
Total	$ 4,344,177

27. COMPLIANCE

Contrary to Ohio Rev. Code § 5705.39 appropriations exceeded estimated resources in the Food Service and Title I funds by $64,835 and $126,557, respectively.

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO
LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.052733%	0.052907%	0.053558%	0.085447%	0.085447%
District's proportionate share of the net pension liability	$ 3,150,662	$ 3,967,769	$ 3,056,066	$ 4,324,424	$ 5,081,259
District's covered-employee payroll	$ 1,680,250	$ 1,624,000	$ 1,712,686	$ 1,809,618	$ 1,738,866
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187.51%	244.32%	178.44%	238.97%	292.22%
Plan fiduciary net position as a percentage of the total pension liability	12.46%	62.98%	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2014 was unavailable.

Amounts presented as of the School District's measurement date which is prior to fiscal year end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO
LAST FIVE FISCAL YEARS

	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.05353513%	0.05356688%	0.05221670%	0.08244441%	0.08244441%
District's proportionate share of the net pension liability	$ 12,717,385	$ 18,599,101	$ 14,290,183	$ 20,053,334	$ 23,887,397
District's covered-employee payroll	$ 5,412,671	$ 5,890,650	$ 5,567,171	$ 5,597,008	$ 5,154,585
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	234.96%	315.74%	256.69%	358.29%	463.42%
Plan fiduciary net position as a percentage of the total pension liability	47.10%	66.80%	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the School District's measurement date which is prior to fiscal year end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 247,518	$ 235,235	$ 227,360	$ 225,732	$ 250,813	$ 240,659	$ 157,341	$ 192,160	$ 120,072	$ 116,144
Contributions in relation to the contractually required contribution	(247,518)	(235,235)	(227,360)	(225,732)	(250,813)	(240,659)	(157,341)	(192,160)	(120,072)	(116,144)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 1,767,986	$ 1,680,250	$ 1,624,000	$ 1,712,686	$ 1,809,618	$ 1,738,866	$ 1,169,822	$ 1,528,719	$ 886,795	$ 1,180,325
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 823,974	$ 757,774	$ 824,691	$ 779,404	$ 727,611	$ 670,096	$ 611,912	$ 628,767	$ 594,275	$ 588,434
Contributions in relation to the contractually required contribution	(823,974)	(757,774)	(824,691)	(779,404)	(727,611)	(670,096)	(611,912)	(628,767)	(594,275)	(588,434)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 5,885,529	$ 5,412,671	$ 5,890,650	$ 5,567,171	$ 5,597,008	$ 5,154,585	$ 4,707,015	$ 4,836,669	$ 4,571,346	$ 4,526,415
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO
LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net pension liability	0.053452%	0.052907%
District's proportionate share of the net pension liability	$ 1,434,520	$ 1,523,588
District's covered-employee payroll	$ 1,680,250	$ 1,624,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	85.38%	93.82%
Plan fiduciary net position as a percentage of the total pension liability	12.46%	11.49%

Note: Information prior to fiscal year 2016 was unavailable.

Amounts presented as of the School District's measurement date which is prior to fiscal year end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO
LAST TWO FISCAL YEARS

	2018	2017
District's proportion of the net pension liability	0.05353513%	0.05356688%
District's proportionate share of the net pension liability	$ 2,088,743	$ 2,863,073
District's covered-employee payroll	$ 5,412,671	$ 5,890,650
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38.59%	48.60%
Plan fiduciary net position as a percentage of the total pension liability	47.10%	37.30%

Note: Information prior to fiscal year 2016 was unavailable.

Amounts presented as of the School District's measurement date which is prior to fiscal year end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 26,201	$ -	$ -	$ 38,696	$ 26,554	$ 26,814	$ 6,814	$ 41,917	$ 54,591	$ 53,153
Contributions in relation to the contractually required contribution	(26,201)	-	-	(38,696)	(26,554)	(26,814)	(6,814)	(41,917)	(54,591)	(53,153)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 1,767,986	$ 1,680,250	$ 1,624,000	$ 1,712,686	$ 1,809,618	$ 1,738,866	$ 1,169,822	$ 1,528,719	$ 886,795	$ 1,180,325
Contributions as a percentage of covered-employee payroll	1.48%	0.00%	0.00%	2.26%	1.47%	1.54%	0.58%	2.74%	6.16%	4.50%

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ -	$ -	$ -	$ -	$ 55,970	$ 51,546	$ 47,070	$ 48,367	$ 45,713	$ 45,264
Contributions in relation to the contractually required contribution	-	-	-	-	(55,970)	(51,546)	(47,070)	(48,367)	(45,713)	(45,264)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 5,885,529	$ 5,412,671	$ 5,890,650	$ 5,567,171	$ 5,597,008	$ 5,154,585	$ 4,707,015	$ 4,836,669	$ 4,571,346	$ 4,526,415
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changed in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

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

Liberty Center Local School District
Henry County
100 Tiger Trail
Liberty Center, Ohio 43532-0434

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 Center Local School District, Henry County, Ohio (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 10, 2019, wherein we noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-002.

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 report is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

January 10, 2018

SCHEDULE OF FINDINGS
JUNE 30, 2018

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

FINDING NUMBER 2018-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

We identified the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the fiscal year ended June 30, 2018:

- General Fund assigned fund balance in the amount of $986,443 has been reclassified from unassigned in accordance with the provisions of Governmental Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179);
- Accumulated depreciation of $661,738 was adjusted to properly account for depreciation that was removed through disposals;
- Capital assets and related accumulated depreciation of $1,347,560 were removed for the demolition of the old elementary building which was fully depreciated;
- Construction In Progress (CIP) of $36,245,605 was adjusted to buildings to properly record the new school building which was completed and put into use during the FY18 school year;
- Accumulated depreciation of $362,456 was added as a result of moving the new school building from CIP to buildings;
- Net Investment in Capital Assets was decreased $21,469,159 as part of correcting all the capital asset errors;
- Net Pension Liability was overstated and adjusted by $777,828;
- Deferred Outflows related to pensions were understated and adjusted by $3,616,523;
- Deferred Inflows related to pensions were overstated and adjusted by $1,881,422;
- The restatement of Net Position related to GASB 75 was overstated by $4,468,396;
- The submitted report was missing required information including notes related to the GASB 68 Net Pension Liability, Required Supplemental information for GASB 75, and Notes to the Required Supplemental Information for both GASB 68 and GASB 75;

- The District failed to include cash in an escrow account of $556,201 in the Classroom Facilities Fund and Governmental Activities.

- The District failed to present the Building Fund as a major fund in fiscal year 2018. All activity in the Building fund was moved from Other Governmental Funds to its own column on the fund statements.

These errors were not identified and corrected prior to the District preparing its financial statements due to deficiencies in the District's internal controls over financial statement monitoring. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted for the fiscal year ended June 30, 2018.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate and to help identify and correct errors and omissions, the District should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the Treasurer and the Board of Education. The Treasurer can refer to Auditor of State Bulletin 2011-004 for information on Governmental Accounting Standards Board Statement No. 54.

FINDING NUMBER 2018-002

Noncompliance – Appropriations Exceeding Estimated Resources

Ohio Rev. Code § 5705.39 provides that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in the case of appeal, by the board of tax appeals.

Appropriations were not set within the Estimated Resources limitation at June 30, 2018. The following funds had appropriations in excess of estimated resources:

Fund Name	Estimated Resources	Appropriations	Variance
Food Service	$422,075	$486,910	($64,835)
Title I Fund	32,352	158,909	(126,557)

This noncompliance was a result of inadequate policies and procedures over the monitoring of budgetary compliance. Failing to limit appropriations to estimated resources could result in the District expending more money than it receives and result in deficit fund balances. The District should review final appropriations and final certificates of estimated resources to help ensure estimated resources are sufficient to cover said appropriations and the District is not spending beyond what is available for each fund.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

Mr. Larry Black
High School Principal

Mr. Nicholas Mariano II
Middle School Principal

Mrs. Kelly M. Hartbarger
Elementary Principal

Liberty Center Schools

100 Tiger Trail
Liberty Center, Ohio 43532
419-533-5011

Mr. Richard K. Peters,
Superintendent

Mrs. Jenell M. Buenger
Treasurer/CFO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018

Finding Number	Findings Summary	Status	Additional Information
2017-001	Material Weakness – Restatement of beginning Net Position to properly account for Ohio Facilities Construction Commission Project.	Fully Corrected.	

OHIO AUDITOR OF STATE
KEITH FABER

LIBERTY CENTER LOCAL SCHOOL DISTRICT

HENRY 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
JANUARY 24, 2019