

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(Audited)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016***

**DAVID BUTLER, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
Liberty Union-Thurston Local School District  
1108 South Main Street  
Baltimore, Ohio 43105

We have reviewed the *Independent Auditor's Report* of the Liberty Union-Thurston Local School District, Fairfield County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Liberty Union-Thurston Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

February 6, 2017

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**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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### Independent Auditor's Report

Liberty Union-Thurston Local School District  
Fairfield County  
1108 S. Main Street  
Baltimore, Ohio 43105

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 the Liberty Union-Thurston Local School District, Fairfield County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Liberty Union-Thurston Local School 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 Liberty Union-Thurston Local School 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 Liberty Union-Thurston Local School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberty Union-Thurston Local School District, Fairfield County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension 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.

*Supplementary Information*

Our audit was conducted to opine on the Liberty Union-Thurston Local School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2016, on our consideration of the Liberty Union-Thurston Local School 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 Liberty Union-Thurston Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
December 6, 2016

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The management's discussion and analysis of the Liberty Union-Thurston Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. 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 the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position of governmental activities increased \$1,312,286 which represents a 9.03% increase from 2015's net position.
- General revenues accounted for \$14,265,331 in revenue or 83.06% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$2,909,779 or 16.94% of total revenues of \$17,175,110.
- The District had \$15,862,824 in expenses related to governmental activities; \$2,909,779 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,265,331 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund and OSFC Fund. The general fund had \$14,227,967 in revenues and other financing sources and \$13,071,810 in expenditures. During fiscal year 2016, the general fund's fund balance increased from \$7,895,324 to \$9,051,481.
- The bond retirement fund had \$1,278,673 in revenues and \$1,226,927 in expenditures. During fiscal year 2016, the bond retirement fund's fund balance increased from \$1,369,007 to \$1,420,753.
- The OSFC Fund had revenues of \$27,740 in fiscal year 2016, resulting in an increase in fund balance from \$3,554,230 to \$3,581,970.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, bond retirement fund and OSFC Fund are by far the most significant funds, and the only governmental funds reported as major funds.



**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Reporting the District as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, bond retirement fund and OSFC Fund.

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

*Proprietary Funds*

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund, accounts for medical, vision, dental and prescription benefits self-insurance. The basic proprietary fund financial statements can be found on pages 22-24 of this report.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

***Reporting the District's Fiduciary Responsibilities***

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a statement of fiduciary assets and liabilities on page 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-60 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 62 through 66 of this report.

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**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

	<b>Net Position</b>	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 21,511,354	\$ 20,635,260
Capital assets, net	<u>24,962,978</u>	<u>25,968,039</u>
Total assets	<u>46,474,332</u>	<u>46,603,299</u>
<b><u>Deferred outflows</u></b>		
Unamortized deferred charges on debt refunding	144,209	173,051
Pensions	<u>1,710,337</u>	<u>1,138,648</u>
Total deferred outflows	<u>1,854,546</u>	<u>1,311,699</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,215,222	1,880,650
Long-term liabilities:		
Due within one year	1,163,169	1,106,654
Due in more than one year:		
Net pension liability	17,160,670	15,371,684
Other amounts	<u>7,531,070</u>	<u>8,281,126</u>
Total liabilities	<u>27,070,131</u>	<u>26,640,114</u>
<b><u>Deferred inflows</u></b>		
Property taxes	3,980,940	3,962,696
Pensions	<u>1,426,847</u>	<u>2,773,514</u>
Total deferred inflows	<u>5,407,787</u>	<u>6,736,210</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	17,875,017	17,467,339
Restricted	5,250,498	5,545,739
Unrestricted (deficit)	<u>(7,274,555)</u>	<u>(8,474,404)</u>
Total net position	<u>\$ 15,850,960</u>	<u>\$ 14,538,674</u>

During a prior fiscal year, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement 71 "Pension Transition for Contributions made subsequent to the measurement date—an Amendment of GASB Statement No.68," which significantly revises accounting for pension costs and liabilities. 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 the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension 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 this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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 pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, 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 pension 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 is satisfied, this liability is 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 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$15,850,960.

Current assets for the District increased, mostly due to an increase in cash and investments at year-end. Total assets decreased, however, due to depreciation expense on capital assets exceeding capital additions during the year.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

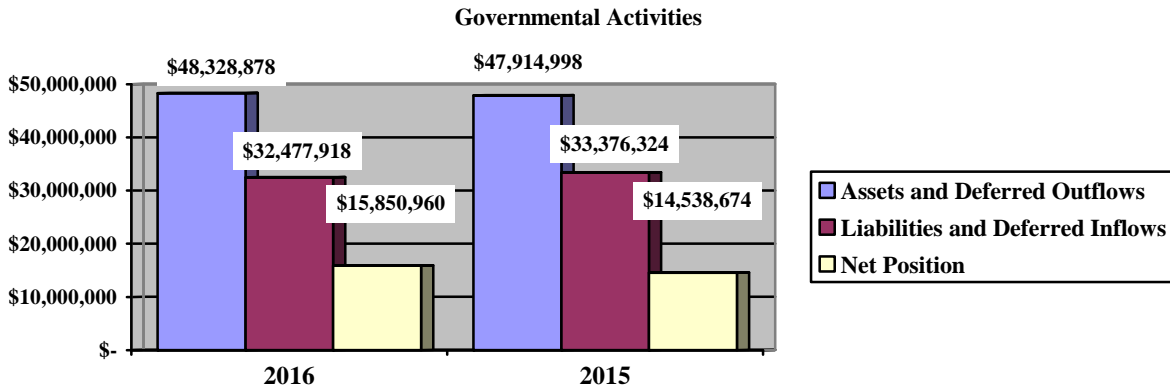
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The net pension liability for the District was significantly higher in fiscal year 2016, leading to an increase in total liabilities. This was partially offset by a decrease in current liabilities, which is mostly the result of lower accruals for employee wages and benefits and intergovernmental payables.

At year end, capital assets represented 53.71% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets at June 30, 2016, was \$17,875,017. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$5,250,498, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$7,274,555.

The graph below shows the District's assets and deferred outflows of resources, liabilities and deferred inflows of resources and net position at June 30, 2016 and June 30, 2015.



The table below shows the change in net position for fiscal year 2016 and 2015.

	<b>Change in Net Position</b>	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,184,790	\$ 1,127,669
Operating grants and contributions	1,724,989	2,476,853
General revenues:		
Property taxes	4,502,612	4,586,228
Income tax	3,156,421	3,173,583
Grants and entitlements	6,318,724	5,892,723
Investment earnings	151,429	72,490
Other	<u>136,145</u>	<u>163,417</u>
Total revenues	<u>\$ 17,175,110</u>	<u>\$ 17,492,963</u>

- Continued

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Change in Net Position (Continued)**

	<u>Governmental Activities 2016</u>	<u>Governmental Activities 2015</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,948,775	\$ 6,432,645
Special	2,275,298	2,042,624
Vocational	257,515	279,620
Adult/continuing	2,239	350
Other	38,457	50,974
Support services:		
Pupil	602,037	720,846
Instructional staff	501,931	522,672
Board of education	140,668	126,353
Administration	1,039,982	1,066,811
Fiscal	417,441	602,163
Operations and maintenance	1,796,435	1,808,598
Pupil transportation	917,954	556,578
Central	288,567	245,126
Operations of non-instructional services:		
Food service operations	622,119	658,445
Extracurricular activities	673,505	654,524
Interest and fiscal charges	339,901	232,280
Total expenses	<u>15,862,824</u>	<u>16,000,609</u>
Change in net position	1,312,286	1,492,354
Net position at beginning of year	<u>14,538,674</u>	<u>13,046,320</u>
Net position at end of year	<u>\$ 15,850,960</u>	<u>\$ 14,538,674</u>

**Governmental Activities**

Net position of the District's governmental activities increased \$1,312,286. Total governmental expenses of \$15,862,824 were offset by program revenues of \$2,909,779 and general revenues of \$14,265,331. Program revenues supported 18.34% of the total governmental expenses.

The decrease in operating grants and contributions, and the overall decrease in revenues, is primarily due to a decrease in State and Federal grants. Unrestricted grants and entitlements increased due to additional State Foundation funding. The primary sources of revenue for governmental activities are derived from property taxes, school district income taxes and unrestricted grants and entitlements. These revenue sources represent 81.38% of total governmental revenue.

In total, expenses in 2016 were comparable to the prior year. The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,522,284 or 53.72% of total governmental expenses for fiscal year 2016.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The following is a comparison of 2016 and 2015.

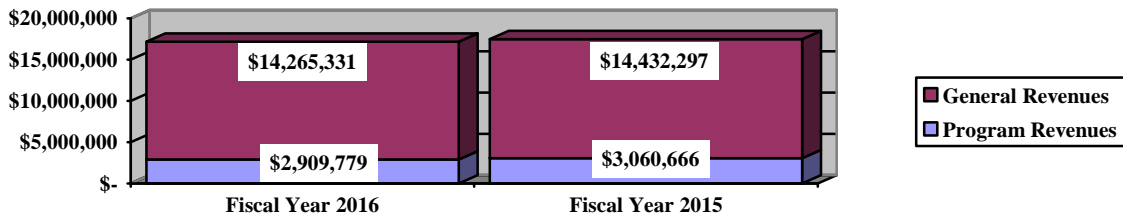
**Governmental Activities**

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,948,775	\$ 5,280,852	\$ 6,432,645	\$ 6,096,738
Special	2,275,298	1,211,457	2,042,624	909,515
Vocational	257,515	160,992	279,620	186,043
Adult/continuing	2,239	2,239	350	350
Other	38,457	38,457	50,974	50,974
Support services:				
Pupil	602,037	601,484	720,846	720,846
Instructional staff	501,931	445,653	522,672	394,337
Board of education	140,668	140,668	126,353	126,353
Administration	1,039,982	1,001,849	1,066,811	1,015,702
Fiscal	417,441	417,441	602,163	602,163
Operations and maintenance	1,796,435	1,796,435	1,808,598	1,808,598
Pupil transportation	917,954	891,275	556,578	204,919
Central	288,567	288,567	245,126	245,126
Operations of non-instructional services:				
Food service operations	622,119	(103)	658,445	28,241
Extracurricular activities	673,505	335,878	654,524	317,758
Interest and fiscal charges	339,901	339,901	232,280	232,280
<b>Total expenses</b>	<b><u>\$ 15,862,824</u></b>	<b><u>\$ 12,953,045</u></b>	<b><u>\$ 16,000,609</u></b>	<b><u>\$ 12,939,943</u></b>

The dependence upon tax and other general revenues for governmental activities is apparent, as 78.55% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.66%. The District's taxpayers, and grants and entitlements received from the State of Ohio, as a whole, are the primary support for District's students.

The following graph presents the District's governmental activities revenue for fiscal year 2016 and 2015.

**Governmental Activities - General and Program Revenues**



**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$14,909,499, which is higher than last year's balance of \$13,629,059. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance <u>June 30, 2016</u>	Fund Balance <u>June 30, 2015</u>	<u>Increase</u>	<u>Percentage Change</u>
General	\$ 9,051,481	\$ 7,895,324	\$ 1,156,157	14.64 %
Bond Retirement	1,420,753	1,369,007	51,746	3.78 %
OSFC-State Share	3,581,970	3,554,230	27,740	0.78 %
Other Governmental	<u>855,295</u>	<u>810,498</u>	<u>44,797</u>	5.53 %
Total	<u>\$ 14,909,499</u>	<u>\$ 13,629,059</u>	<u>\$ 1,280,440</u>	9.39 %

**General Fund**

The District's general fund balance increased \$1,156,157. The table that follows assists in illustrating the revenues of the general fund during fiscal years 2016 and 2015.

	2016 <u>Amount</u>	2015 <u>Amount</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>				
Property taxes	\$ 3,411,375	\$ 3,300,504	\$ 110,871	3.36 %
Income taxes	3,148,611	3,162,002	(13,391)	(0.42) %
Tuition	530,995	544,742	(13,747)	(2.52) %
Earnings on investments	97,408	45,072	52,336	116.12 %
Intergovernmental	6,821,795	6,811,961	9,834	0.14 %
Other revenues	<u>213,583</u>	<u>189,745</u>	<u>23,838</u>	12.56 %
Total	<u>\$ 14,223,767</u>	<u>\$ 14,054,026</u>	<u>\$ 169,741</u>	1.21 %

The increase in property taxes revenue is primarily due to an increase in delinquent tax collections compared to the prior year. The significant increase in earnings on investments is a result of additional funds held in investment accounts, as well as a slight increase in interest rates. There were no significant decreases in general fund revenues compared to the prior year.

Overall, there were no significant increases or decreases in general fund expenditures compared to the prior year. The table that follows assists in illustrating the expenditures of the general fund during fiscal years 2016 and 2015.

	2016 <u>Amount</u>	2015 <u>Amount</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 7,240,534	\$ 7,060,837	\$ 179,697	2.54 %
Support services	5,491,437	5,614,108	(122,671)	(2.19) %
Extracurricular activities	339,839	350,946	(11,107)	(3.16) %
Facilities acquisition and construction	<u>-</u>	<u>27,690</u>	<u>(27,690)</u>	(100.00) %
Total	<u>\$ 13,071,810</u>	<u>\$ 13,053,581</u>	<u>\$ 18,229</u>	0.14 %



**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

***Bond Retirement Fund***

The bond retirement fund had \$1,278,673 in revenues and \$1,226,927 in expenditures. During fiscal year 2016, the bond retirement fund's fund balance increased from \$1,369,007 to \$1,420,753.

***OSFC Fund***

The OSFC Fund had revenues of \$27,740 in fiscal year 2016, resulting in an increase in fund balance from \$3,554,230 to \$3,581,970.

***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 2016, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$13,935,465 were increased to \$14,385,465 in the final budget, primarily to account for an increase in actual collections for property taxes and income taxes. Actual revenues and other financing sources for fiscal year 2016 were \$14,396,458 or \$10,993 more than the final budget.

General fund original and final appropriations (appropriated expenditures including other financing uses) of \$13,478,562 were increased to \$13,792,037 in the final budget, primarily to account for increased costs related to regular and special instruction programs. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$13,792,037, which equaled the final budget.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2016, the District had \$24,962,978 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The following table shows fiscal year 2016 balances compared to 2015:

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

	Governmental Activities	
	2016	2015
Land	\$ 588,863	\$ 588,863
Land improvements	638,287	689,468
Building and improvements	23,307,719	24,151,771
Furniture and equipment	151,201	174,185
Vehicles	276,908	363,752
Total	\$ 24,962,978	\$ 25,968,039

The District had no additions to or disposals of capital assets in fiscal year 2016, and depreciation expense for the year was \$1,005,061. See Note 9 in the notes to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2016, the District had \$7,604,694 in general obligation bonds outstanding. Of this total, \$1,060,000 is due within one year and \$6,544,694 is due in greater than one year. Total additions for the year (accreted interest on capital appreciation bonds) were \$133,270 and principal retirement was \$975,000. See Note 12 in the notes to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

Although considered a mid-wealth district, Liberty Union-Thurston Local School District is financially stable, and has been over the past several years. As indicated in the preceding financial information, the District is dependent on property taxes. Property tax revenue does not increase as a result of inflation, but can go down if the valuations decrease. The District also has two income tax issues. A 1.25% issue was passed in May, 1991 and the second issue for 0.5% was passed in May, 2005 and replaced by a permanent 0.5% in November 2014. They generate about \$3,000,000 per year. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding to meet inflation. Careful financial planning has permitted the District to provide a quality education for our students.

The State of Ohio is in an economic recession. The state biennium budget that was signed by Governor Kasich was an increase over fiscal year 2015, but did not restore funds.

The Liberty Union-Thurston Local School District does not anticipate meaningful losses in revenue as a result of these changes. Based on these factors, the Board of Education and the administration of the District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District.

Residential growth has come to a virtual standstill because of the recession. Residential/agricultural property contributes 96 percent of the District's real estate valuation.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Dave Butler, Treasurer of Liberty Union-Thurston Local School Board of Education, 1108 S. Main Street, Baltimore, Ohio 43105.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2016

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 14,335,690
Cash and investments with fiscal agent . . . . .	925,765
Cash with escrow agent . . . . .	21,592
Receivables:	
Property taxes . . . . .	4,711,062
Income taxes . . . . .	1,312,575
Accrued interest . . . . .	68,111
Intergovernmental . . . . .	131,919
Materials and supplies inventory . . . . .	1,990
Inventory held for resale . . . . .	2,650
Capital assets:	
Nondepreciable capital assets . . . . .	588,863
Depreciable capital assets, net . . . . .	24,374,115
Capital assets, net . . . . .	24,962,978
Total assets . . . . .	46,474,332
<b>Deferred outflows of resources:</b>	
Deferred charges on debt refunding . . . . .	144,209
Pension - STRS . . . . .	1,338,528
Pension - SERS . . . . .	371,809
Total deferred outflows of resources . . . . .	1,854,546
<b>Liabilities:</b>	
Accounts payable . . . . .	65,495
Contracts payable . . . . .	20,186
Retainage payable . . . . .	21,592
Accrued wages and benefits payable . . . . .	734,437
Intergovernmental payable . . . . .	28,911
Pension and postemployment benefits payable . . . . .	188,943
Accrued interest payable . . . . .	16,958
Claims payable . . . . .	138,700
Long-term liabilities:	
Due within one year . . . . .	1,163,169
Due in more than one year:	
Net pension liability . . . . .	17,160,670
Other amounts due in more than one year . . . . .	7,531,070
Total liabilities . . . . .	27,070,131
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	3,980,940
Pension - STRS . . . . .	1,319,754
Pension - SERS . . . . .	107,093
Total deferred inflows of resources . . . . .	5,407,787
<b>Net position:</b>	
Net investment in capital assets . . . . .	17,875,017
Restricted for:	
Capital projects . . . . .	3,725,762
Classroom facilities maintenance . . . . .	483,321
Debt service . . . . .	812,634
Locally funded programs . . . . .	195
Federally funded programs . . . . .	18,107
Student activities . . . . .	94,787
Food service operations . . . . .	115,692
Unrestricted (deficit) . . . . .	(7,274,555)
Total net position . . . . .	\$ 15,850,960

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 5,948,775	\$ 551,711	\$ 116,212	\$ (5,280,852)
Special . . . . .	2,275,298	22,789	1,041,052	(1,211,457)
Vocational . . . . .	257,515	-	96,523	(160,992)
Adult/continuing. . . . .	2,239	-	-	(2,239)
Other . . . . .	38,457	-	-	(38,457)
Support services:				
Pupil. . . . .	602,037	-	553	(601,484)
Instructional staff . . . . .	501,931	-	56,278	(445,653)
Board of education . . . . .	140,668	-	-	(140,668)
Administration. . . . .	1,039,982	15,872	22,261	(1,001,849)
Fiscal. . . . .	417,441	-	-	(417,441)
Operations and maintenance . . . . .	1,796,435	-	-	(1,796,435)
Pupil transportation. . . . .	917,954	-	26,679	(891,275)
Central . . . . .	288,567	-	-	(288,567)
Operation of non-instructional services:				
Food service operations . . . . .	622,119	299,482	322,740	103
Extracurricular activities. . . . .	673,505	294,936	42,691	(335,878)
Interest and fiscal charges . . . . .	339,901	-	-	(339,901)
<b>Total governmental activities . . . . .</b>	<b>\$ 15,862,824</b>	<b>\$ 1,184,790</b>	<b>\$ 1,724,989</b>	<b>(12,953,045)</b>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	3,337,105
Debt service. . . . .	1,092,209
Capital outlay . . . . .	73,298
Income taxes levied for:	
General purposes . . . . .	3,156,421
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	6,318,724
Miscellaneous . . . . .	151,429
	136,145
<b>Total general revenues. . . . .</b>	<b>14,265,331</b>
Change in net position . . . . .	1,312,286
<b>Net position at beginning of year. . . . .</b>	<b>14,538,674</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 15,850,960</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General	Bond Retirement	OSFC Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and investments. . . . .	\$ 8,492,080	\$ 1,316,196	\$ 3,602,156	\$ 913,291	\$ 14,323,723
Cash with escrow agent. . . . .	-	-	21,592	-	21,592
Receivables:					
Property taxes. . . . .	3,447,644	1,187,043	-	76,375	4,711,062
Income taxes . . . . .	1,312,575	-	-	-	1,312,575
Accrued interest . . . . .	68,111	-	-	-	68,111
Intergovernmental. . . . .	32,869	-	-	99,050	131,919
Materials and supplies inventory. . . . .	-	-	-	1,990	1,990
Inventory held for resale. . . . .	-	-	-	2,650	2,650
Due from other funds . . . . .	64,370	-	-	-	64,370
Total assets . . . . .	<u>13,417,649</u>	<u>2,503,239</u>	<u>3,623,748</u>	<u>1,093,356</u>	<u>20,637,992</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 55,068	\$ -	\$ -	\$ 10,427	\$ 65,495
Contracts payable. . . . .	-	-	20,186	-	20,186
Retainage payable. . . . .	-	-	21,592	-	21,592
Accrued wages and benefits payable . . . . .	683,533	-	-	50,904	734,437
Intergovernmental payable . . . . .	28,266	-	-	645	28,911
Pension obligation payable . . . . .	181,586	-	-	7,357	188,943
Due to other funds . . . . .	-	-	-	64,370	64,370
Total liabilities. . . . .	<u>948,453</u>	<u>-</u>	<u>41,778</u>	<u>133,703</u>	<u>1,123,934</u>
<b>Deferred inflows of resources:</b>					
Property taxes levied for the next fiscal year. . .	2,917,694	998,943	-	64,303	3,980,940
Delinquent property tax revenue not available. .	242,644	83,543	-	5,375	331,562
Income tax revenue not available . . . . .	231,108	-	-	-	231,108
Intergovernmental revenue not available. . . . .	-	-	-	34,680	34,680
Accrued interest not available . . . . .	26,269	-	-	-	26,269
Total deferred inflows of resources . . . . .	<u>3,417,715</u>	<u>1,082,486</u>	<u>-</u>	<u>104,358</u>	<u>4,604,559</u>
<b>Fund balances:</b>					
Nonspendable:					
Materials and supplies inventory. . . . .	-	-	-	1,990	1,990
Restricted:					
Debt service . . . . .	-	1,420,753	-	-	1,420,753
Capital improvements . . . . .	-	-	3,581,970	138,417	3,720,387
Classroom facilities maintenance . . . . .	-	-	-	483,321	483,321
Food service operations . . . . .	-	-	-	165,601	165,601
Other purposes. . . . .	-	-	-	195	195
Extracurricular activities. . . . .	-	-	-	94,787	94,787
Assigned:					
Student instruction . . . . .	25,684	-	-	-	25,684
Student and staff support. . . . .	80,762	-	-	-	80,762
Extracurricular activities . . . . .	4,000	-	-	-	4,000
Facilities acquisition and construction . . . .	42,671	-	-	-	42,671
Unassigned (deficit) . . . . .	8,898,364	-	-	(29,016)	8,869,348
Total fund balances . . . . .	<u>9,051,481</u>	<u>1,420,753</u>	<u>3,581,970</u>	<u>855,295</u>	<u>14,909,499</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 13,417,649</u>	<u>\$ 2,503,239</u>	<u>\$ 3,623,748</u>	<u>\$ 1,093,356</u>	<u>\$ 20,637,992</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2016

<b>Total governmental fund balances</b>		\$	14,909,499
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			24,962,978
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	331,562	
Income taxes receivable		231,108	
Accrued interest receivable		26,269	
Intergovernmental receivable		34,680	
Total		623,619	623,619
Unamortized premiums on bonds issued are not recognized in the funds.			(302,180)
Unamortized amounts on refundings are not recognized in the funds.			144,209
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(16,958)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(7,604,694)	
Compensated absences		(787,365)	
Total		(8,392,059)	(8,392,059)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred inflows and outflows of resources are not reported in governmental funds.			
Deferred outflows of resources - pension		1,710,337	
Deferred inflows of resources - pension		(1,426,847)	
Net pension liability		(17,160,670)	
Total		(16,877,180)	(16,877,180)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			799,032
<b>Net position of governmental activities</b>		<b>\$</b>	<b>15,850,960</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>OSFC Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Property taxes . . . . .	\$ 3,411,375	\$ 1,117,867	\$ -	\$ 74,917	\$ 4,604,159
Income taxes . . . . .	3,148,611	-	-	-	3,148,611
Tuition . . . . .	530,995	-	-	-	530,995
Earnings on investments . . . . .	97,408	-	27,740	234	125,382
Charges for services . . . . .	-	-	-	299,482	299,482
Extracurricular . . . . .	14,316	-	-	294,936	309,252
Classroom materials and fees . . . . .	45,061	-	-	-	45,061
Contributions and donations . . . . .	22,261	-	-	44,091	66,352
Other local revenues . . . . .	131,945	-	-	-	131,945
Intergovernmental - state . . . . .	6,821,795	160,806	-	112,868	7,095,469
Intergovernmental - federal . . . . .	-	-	-	846,990	846,990
Total revenues . . . . .	<u>14,223,767</u>	<u>1,278,673</u>	<u>27,740</u>	<u>1,673,518</u>	<u>17,203,698</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	5,078,815	-	-	112,858	5,191,673
Special . . . . .	1,853,703	-	-	473,122	2,326,825
Vocational . . . . .	265,052	-	-	-	265,052
Adult/continuing . . . . .	2,239	-	-	-	2,239
Other . . . . .	40,725	-	-	-	40,725
Support services:					
Pupil . . . . .	611,607	-	-	563	612,170
Instructional staff . . . . .	437,830	-	-	62,442	500,272
Board of education . . . . .	140,769	-	-	-	140,769
Administration . . . . .	1,015,098	-	-	-	1,015,098
Fiscal . . . . .	392,539	22,504	-	1,822	416,865
Operations and maintenance . . . . .	1,772,445	-	-	41,753	1,814,198
Pupil transportation . . . . .	831,711	-	-	-	831,711
Central . . . . .	289,438	-	-	-	289,438
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	609,965	609,965
Extracurricular activities . . . . .	339,839	-	-	326,196	666,035
Debt service:					
Principal retirement . . . . .	-	975,000	-	-	975,000
Interest and fiscal charges . . . . .	-	229,423	-	-	229,423
Total expenditures . . . . .	<u>13,071,810</u>	<u>1,226,927</u>	<u>-</u>	<u>1,628,721</u>	<u>15,927,458</u>
Excess of revenues over expenditures . . . . .	<u>1,151,957</u>	<u>51,746</u>	<u>27,740</u>	<u>44,797</u>	<u>1,276,240</u>
<b>Other financing sources:</b>					
Sale/loss of assets . . . . .	4,200	-	-	-	4,200
Total other financing sources . . . . .	<u>4,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,200</u>
Net change in fund balances . . . . .	1,156,157	51,746	27,740	44,797	1,280,440
<b>Fund balances at beginning of year . . . . .</b>	<u>7,895,324</u>	<u>1,369,007</u>	<u>3,554,230</u>	<u>810,498</u>	<u>13,629,059</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 9,051,481</u>	<u>\$ 1,420,753</u>	<u>\$ 3,581,970</u>	<u>\$ 855,295</u>	<u>\$ 14,909,499</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**Net change in fund balances - total governmental funds** \$ 1,280,440

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

(1,005,061)

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

Property taxes	(101,547)	
Income taxes	7,810	
Earnings on investments	26,269	
Intergovernmental	34,680	
<b>Total</b>	<b>(32,788)</b>	(32,788)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.

975,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable	3,667	
Accreted interest on capital appreciation bonds	(133,270)	
Amortization of bond premiums	47,967	
Amortization of deferred charges	(28,842)	
<b>Total</b>	<b>(110,478)</b>	(110,478)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows of resources.

955,187

Except for amounts reported as deferred inflows/outflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.

(825,817)

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

(196,156)

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

271,959

**Change in net position of governmental activities** **\$ 1,312,286**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 3,276,051	\$ 3,392,876	\$ 3,392,876	\$ -
Income taxes. . . . .	3,134,690	3,429,522	3,429,522	-
Tuition. . . . .	483,005	530,995	530,995	-
Earnings on investments . . . . .	36,680	42,749	47,249	4,500
Classroom materials and fees . . . . .	60,853	43,505	43,505	-
Contributions and donations . . . . .	527	-	-	-
Other local revenues . . . . .	88,191	115,884	116,127	243
Intergovernmental - state . . . . .	6,795,592	6,782,676	6,788,926	6,250
Intergovernmental - federal . . . . .	16,368	-	-	-
Total revenues . . . . .	<u>13,891,957</u>	<u>14,338,207</u>	<u>14,349,200</u>	<u>10,993</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,133,545	5,313,232	5,313,232	-
Special. . . . .	1,624,138	1,877,398	1,877,398	-
Vocational. . . . .	287,014	265,267	265,267	-
Other. . . . .	54,108	45,224	45,224	-
Support services:				
Pupil. . . . .	725,786	660,572	660,572	-
Instructional staff . . . . .	445,489	456,084	456,084	-
Board of education . . . . .	134,179	108,969	108,969	-
Administration. . . . .	1,041,784	983,048	983,048	-
Fiscal . . . . .	493,857	483,226	483,226	-
Operations and maintenance. . . . .	1,865,674	1,845,465	1,845,465	-
Pupil transportation . . . . .	809,713	843,256	843,256	-
Central. . . . .	254,552	319,912	319,912	-
Extracurricular activities. . . . .	392,312	352,491	352,491	-
Facilities acquisition and construction . . . . .	33,784	42,671	42,671	-
Total expenditures . . . . .	<u>13,295,935</u>	<u>13,596,815</u>	<u>13,596,815</u>	<u>-</u>
Excess of revenues over expenditures. . . . .	<u>596,022</u>	<u>741,392</u>	<u>752,385</u>	<u>10,993</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	39,901	43,058	43,058	-
Refund of prior year's receipts. . . . .	(181,768)	(195,222)	(195,222)	-
Transfers (out). . . . .	(859)	-	-	-
Sale/loss of assets . . . . .	3,607	4,200	4,200	-
Total other financing sources (uses) . . . . .	<u>(139,119)</u>	<u>(147,964)</u>	<u>(147,964)</u>	<u>-</u>
Net change in fund balance. . . . .	456,903	593,428	604,421	10,993
<b>Fund balance at beginning of year . . . . .</b>	<b>7,533,941</b>	<b>7,533,941</b>	<b>7,533,941</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>178,562</b>	<b>178,562</b>	<b>178,562</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 8,169,406</u></b>	<b><u>\$ 8,305,931</u></b>	<b><u>\$ 8,316,924</u></b>	<b><u>\$ 10,993</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016

	<b><u>Governmental Activities - Internal Service Funds</u></b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and investments. . . . .	\$ 11,967
Cash and investments with fiscal agent . . . . .	<u>925,765</u>
Total assets. . . . .	<u>937,732</u>
<b>Liabilities:</b>	
Current liabilities:	
Claims payable . . . . .	<u>138,700</u>
Total liabilities . . . . .	<u>138,700</u>
<b>Net position:</b>	
Unrestricted. . . . .	<u>799,032</u>
Total net position. . . . .	<u><u>\$ 799,032</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Governmental Activities - Internal Service Funds</b>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 1,973,690
Other revenues . . . . .	3,825
	1,977,515
Total operating revenues . . . . .	1,977,515
<b>Operating expenses:</b>	
Purchased services . . . . .	96,321
Claims . . . . .	1,609,235
	1,705,556
Total operating expenses. . . . .	1,705,556
Change in net position. . . . .	271,959
<b>Net position at beginning of year . . . . .</b>	<b>527,073</b>
<b>Net position at end of year. . . . .</b>	<b>\$ 799,032</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 1,973,690
Cash received from other operations . . . . .	3,825
Cash payments for contractual services . . . . .	(96,321)
Cash payments for claims . . . . .	<u>(1,865,472)</u>
Net cash provided by operating activities . . . . .	<u>15,722</u>
Net increase in cash and investments. . . . .	15,722
<b>Cash and investments at beginning of year . . . . .</b>	<b>922,010</b>
<b>Cash and investments at end of year . . . . .</b>	<b><u>\$ 937,732</u></b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income. . . . .	\$ 271,959
Changes in assets and liabilities:	
(Decrease) in claims payable . . . . .	<u>(256,237)</u>
Net cash provided by operating activities . . . . .	<u>\$ 15,722</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2016

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 25,478,511
Total assets. . . . .	\$ 25,478,511
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 1,882
Undistributed monies. . . . .	25,424,317
Due to students. . . . .	52,312
Total liabilities . . . . .	\$ 25,478,511

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 - DESCRIPTION OF THE DISTRICT**

Liberty Union-Thurston Local School District (the District) is a body politic and corporate organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District is a local school district as defined by Ohio Revised Code Section 3311.03. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District was established through the consolidation of existing land areas and school districts. It is staffed by 54 non-certificated employees and 96 certificated teaching personnel who provide services to 1,339 students and other community members.

**NOTE 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. The District's significant accounting policies are described below.

**A. Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Liberty Union-Thurston Local School 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 has no component units.

The District is associated with four jointly governed organizations: Meta Solutions, the South Central Ohio Insurance Consortium, the Fairfield County Council for Educational Collaboration and the Central Ohio Special Education Regional Resource Center. The District is also associated with one insurance purchasing pool: the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Note 17 to the basic financial statements.



**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**B. Basis of Presentation**

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

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

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function 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 each business segment or 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 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 type.

**C. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions of the District are financed. 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 of resources and liabilities and deferred inflows of resources is reported as fund balance.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The following are the District's three major governmental funds:

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

*Bond Retirement Fund* - This fund is used to account for financial resources accumulated for the payment of general long-term debt principal, interest and related costs.

*OSFC Fund* - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

The other governmental funds of the District accounts for grants and other resources of the District whose use is restricted to a particular purpose.

**PROPRIETARY FUNDS**

The proprietary fund focus is on the determination of the change in net position, financial position and cash flows and is classified as internal service. The internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis. The internal service funds of the District account for rotary services and a self-insurance program which provides medical, dental and, pharmacy benefits to employees.

**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 therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's fiduciary funds are agency funds which are used to account for the activity of an insurance consortium and student managed activities.

**D. Measurement Focus**

*Government-wide Financial Statements* - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

*Fund Financial Statements* - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

**E. 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 and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from income taxes is recognized in the period in which the income is earned (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 the fiscal year-end: property taxes available for advance, income taxes, grants and interest.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Note 13 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

**F. Cash and Cash Equivalents**

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

During fiscal year 2016, investments were limited to investments in Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), negotiable certificates of deposit (negotiable CDs) and U.S. Treasury Money Market accounts.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2016 amounted to \$97,408, which includes \$24,232 assigned from other District funds.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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 presented on the financial statements as cash equivalents.

**G. Inventory**

On 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 fund financial statements, inventories of governmental funds are stated at cost. Donated commodities are presented at the entitlement value. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption and donated food, purchased food and school supplies held for resale. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed, used or sold.

**H. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans as a result of cash deficits in certain funds at fiscal year-end are classified as “due to/from other funds”. The interfund balances will be repaid once the anticipated revenues are received. These amounts are eliminated in the governmental type activities column on the statement of net position.

**I. Capital Assets**

General capital assets are associated with and generally arise from governmental 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 in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

Description	Governmental Activities Estimated Lives
Land Improvements	50 Years
Buildings and Improvements	20 - 50 Years
Furniture, Fixtures and Equipment	5 - 20 Years
Vehicles	5 - 20 Years

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributed 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 vesting method. The liability includes the employees who are currently eligible to receive termination benefits 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 District records a liability for accumulated unused sick leave for classified and certified employees and administrators who are eligible to receive termination benefits based on School Employees Retirement System and State Teachers Retirement System retirement criteria.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees will be paid.

**K. Accrued Liabilities and Long-Term Liabilities**

All payables, accrued liabilities and long-term liabilities 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 are reported as obligations of the funds. However, claims and judgments, compensated absences, net pension liability and special termination benefits 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 in the current year. Long-term bonds and capital leases are recognized as a liability on the fund financial statements when due.

**L. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on 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 first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**M. Pensions**

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

**N. 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 the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor 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 policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

**O. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the self-insurance service that is the primary activity of that fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**P. Estimates**

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

**Q. Budgetary Process**

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Although the legal level of budgetary control was established at the fund level, the District has elected to present the General Fund budgetary statement comparison at the fund and function level. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2016.

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



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**R. Bond Premiums/Accounting Gain or Loss**

Bond premiums are deferred and amortized over the term of the bonds. Using the straight-line method, which approximates the effective interest method, bond premiums are presented as an addition to the face amount of the bonds.

For bond refunding resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as deferred outflow or inflow of resources on the statement of net position.

On the governmental funds financial statements, bond premiums are recognized in the current period.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

**T. Fair Market Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Title I	\$ 24,188
Improving teacher quality	4,828

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

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) as opposed to cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 604,421
Net adjustment for revenue accruals	(182,358)
Net adjustment for expenditure accruals	432,615
Net adjustment for other sources/uses	152,164
Funds budgeted elsewhere	2,699
Adjustment for encumbrances	146,616
GAAP basis	\$ 1,156,157

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash with Escrow Agent**

At June 30, 2016, the District had \$21,592 on deposit in an escrow account with Peoples Bank and is related to the High School and Middle school construction projects entered into by the District in fiscal year 2009. This amount is not part of the District's internal investment pool and has been excluded from the total amount of deposits reported below.

**B. Cash and Investments with Fiscal Agent**

At June 30, 2016, the District had \$925,765 on deposit in its self-insurance fiscal agent account. This amount is not part of the District's internal investment pool and has been excluded from the total amount of deposits reported below.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Deposits with Financial Institutions**

At June 30, 2016, the carrying amount of all District deposits was \$8,953,350. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, \$4,345,450 of the District’s bank balance of \$9,227,254 was exposed to custodial risk and \$4,881,804 was covered by the FDIC.

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**D. Investments**

As of June 30, 2016, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FFCB	\$ 300,003	\$ -	\$ 300,003	\$ -	\$ -	\$ -
FHLB	6,402,494	-	-	-	-	6,402,494
FHLMC	10,030,262	-	-	2,530,256	-	7,500,006
FNMA	5,601,146	-	-	-	-	5,601,146
Negotiable CDs	8,159,994	4,151,118	1,752,738	1,001,630	252,065	1,002,443
U.S. Treasury Money Market	366,952	366,952	-	-	-	-
<b>Total</b>	<u>\$ 30,860,851</u>	<u>\$ 4,518,070</u>	<u>\$ 2,052,741</u>	<u>\$ 3,531,886</u>	<u>\$ 252,065</u>	<u>\$ 20,506,089</u>

The weighted average maturity of investments is 3.29 years.

The District’s investments are valued using quoted market prices (Level 1 inputs).

*Interest Rate Risk:* Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District’s investment policy addresses interest rate risk by requiring the consideration of cash flow requirements and market conditions in determining the term of an investment, and limiting investment portfolio maturities to five years or less.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)**

*Credit Risk:* The District's federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned the U.S. Treasury Money Market an AAAM money market rating. Credit ratings for the negotiable CDs are not readily available. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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

*Concentration of Credit Risk:* The District's investment policy addresses concentration of credit risk by requiring investments to be diversified in order to reduce the risk of loss resulting from the over concentration of assets in a specific type of security, the erosion of market value, or by default. However, the District's investment policy does not place any limit on the amount that may be invested in any one issuer.

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 300,003	0.97
FHLB	6,402,494	20.75
FHLMC	10,030,262	32.50
FNMA	5,601,146	18.15
Negotiable CDs	8,159,994	26.44
U.S. Treasury Money Market	<u>366,952</u>	<u>1.19</u>
Total	<u>\$ 30,860,851</u>	<u>100.00</u>

**E. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 8,953,350
Investments	30,860,851
Cash with escrow agent	21,592
Cash and investments with fiscal agent	<u>925,765</u>
Total	<u>\$ 40,761,558</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 15,283,047
Agency funds	<u>25,478,511</u>
Total	<u>\$ 40,761,558</u>

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 6 - SCHOOL INCOME TAX**

The District currently benefits from a 1.75% income tax which is assessed on all residents of the District. In the year ended June 30, 2016, the income tax generated \$3,148,611 in revenue. The District apportions all the proceeds to the General Fund.

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Fairfield County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$287,306 in the general fund, \$104,557 in the bond retirement fund and \$6,697 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$268,807 in the general fund, \$97,220 in the bond retirement fund and \$6,277 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 7 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 167,301,380	94.74	\$ 168,069,050	94.54
Public utility personal	<u>9,294,930</u>	<u>5.26</u>	<u>9,704,450</u>	<u>5.46</u>
Total	<u>\$ 176,596,310</u>	<u>100.00</u>	<u>\$ 177,773,500</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 45.50		\$ 45.50	

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2016 consisted of property taxes, income taxes, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds.

A summary of the principal items intergovernmental receivables follows:

	<u>Governmental activities</u>
Title I	\$ 52,225
Improving Teacher Quality	46,825
State Foundation	<u>32,869</u>
Total	<u>\$ 131,919</u>

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



**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>06/30/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/16</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 588,863	\$ -	\$ -	\$ 588,863
Total capital assets, not being depreciated	<u>588,863</u>	<u>-</u>	<u>-</u>	<u>588,863</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,599,730	-	-	1,599,730
Buildings and improvements	35,725,865	-	-	35,725,865
Furniture, Fixtures and Equipment	468,200	-	-	468,200
Vehicles	<u>1,138,915</u>	<u>-</u>	<u>-</u>	<u>1,138,915</u>
Total capital assets, being depreciated	<u>38,932,710</u>	<u>-</u>	<u>-</u>	<u>38,932,710</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(910,262)	(51,181)	-	(961,443)
Buildings and improvements	(11,574,094)	(844,052)	-	(12,418,146)
Furniture, Fixtures and Equipment	(294,015)	(22,984)	-	(316,999)
Vehicles	<u>(775,163)</u>	<u>(86,844)</u>	<u>-</u>	<u>(862,007)</u>
Total accumulated depreciation	<u>(13,553,534)</u>	<u>(1,005,061)</u>	<u>-</u>	<u>(14,558,595)</u>
Governmental activities capital assets, net	<u>\$ 25,968,039</u>	<u>\$ (1,005,061)</u>	<u>\$ -</u>	<u>\$ 24,962,978</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 869,327
Vocational	269
<u>Support services:</u>	
Instructional staff	271
Administration	12,000
Fiscal	1,079
Operations and maintenance	13,415
Pupil transportation	86,844
Food service operations	8,132
Extracurricular activities	<u>13,724</u>
Total depreciation expense	<u>\$ 1,005,061</u>

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - RISK MANAGEMENT**

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. During fiscal year 2016, the District contracted with Catlin Indemnity Company for property and fleet insurance, liability insurance, and public officials bonds. Coverages provided are as follows:

Buildings/Contents (\$1,000 deductible)	\$47,056,057
Inland Marine (\$1,000 deductible)	47,056,057
Automobile Liability (\$250 deductible):	
Per Occurance	5,000
Per Accident	1,000,000
General Liability:	
Per Occurance	1,000,000
Aggregate Limit	3,000,000
Public Officials Bonds:	
Treasurer	25,000
Superintendent/Board Member (each)	50,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

For fiscal year 2016, the District participated in the Ohio School Boards Association Worker’s Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The District has established an internal service “self-insurance” fund, in conjunction with a formalized risk management program, in an effort to minimize risk exposure and control claims and premium costs. This self-insurance fund was established July, 1992 for the purpose of accumulating balances sufficient to self-insure basic medical, dental, vision, and prescription drug coverage and permit excess umbrella coverage for claims over a predetermined level. Amounts are paid into this fund from the General Fund, Food Service Nonmajor Governmental Fund, and certain Nonmajor Governmental Funds (Grants). Claims payments are made on an as-incurred basis, thus no “reserve” remains with the insurance carrier. Effective July 1, 1996, the District terminated the independent carrier for self-insurance for basic medical, dental and prescription drug coverage and joined the South Central Ohio Insurance Consortium.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 10 - RISK MANAGEMENT - (Continued)**

The South Central Ohio Insurance Consortium was established to accumulate balances sufficient to self-insure basic medical and prescription drug coverage and permit excess umbrella coverage for claims over a predetermined level. The Board's share and the employees' share of premium contributions are determined by the negotiated agreement for certificated employees and by Board action for administrators and classified employees.

Premiums are paid to the South Central Ohio Insurance Consortium Fund from the Self-Insurance Fund of the District. The cash balance with the fiscal agent at June 30, 2016, was \$925,765. Claims payments are made on an as incurred basis by the third party administrator, with the balance of contributions remaining with the Fiscal Agent of the Consortium.

The member districts are self-insured for medical, dental and pharmacy benefits. The risk for medical, dental and pharmacy benefits remains with the member districts. The claims payable will be reported for medical, dental and pharmacy claims as of June 30, 2016, and cash with fiscal agent for the balance of funds held by the Consortium that covers medical, dental and pharmacy claims will be reported.

The claims liability of \$138,700 reported at June 30, 2016 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 10 as amended by GASB 30 which requires that a liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2016	\$ 394,937	\$ 1,609,235	\$(1,865,472)	\$ 138,700
2015	86,610	1,841,207	(1,532,880)	394,937

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Administrators and support personnel who are under a full year contract (11 or 12 months) are also eligible for vacation time. These employees earn twelve to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to employees upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for aides and all other classified employees and 250 for certified employees.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - EMPLOYEE BENEFITS - (Continued)**

Retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any teacher or administrator receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-third of all accumulated sick leave credited to that employee up to 65 days. Classified employees receive retirement severance pay equivalent to forty percent of all accumulated sick leave credited to that employee up to 100 days. Classified employees receive a bonus of 20 days severance pay upon reaching 25 years of service. In addition, bargaining unit members will be eligible to receive an additional twenty (20) days of severance when the employee reaches 25 years of service with the District, and an additional twenty (20) days of severance when the employee reaches 30 years of experience.

**B. Health, Dental and Prescription Drug Insurance**

In July 1996, the District joined the South Central Ohio Insurance Consortium (SCOIC) to self-insure its medical, dental, claims and prescription drugs. SCOIC currently includes sixteen member school districts and governmental entities. The District serves as the fiscal agent for the consortium and records the activity of the consortium in an agency fund. Contributions are determined by the consortium's board of directors and are remitted monthly to the District as the consortium's fiscal agent and incurred claims are paid. Thus actual cash "reserves" are held by the District as fiscal agent.

Claim liabilities for the consortium at June 30, 2016 are reported by the individual member entities. Members include the following school districts and governmental entities:

Amanda Clearcreek Local School District, Berne Union Local School District, Bloom-Carroll Local School District, Canal Winchester Local School District, Fairfield Union Local School District, Fairfield County Educational Service Center, Fayette County Memorial Hospital, Hocking Valley Community Hospital, Lancaster City, Lancaster City School District, Liberty Union-Thurston Local School District, Logan Hocking Local School District, Miami Trace Local School District, New Lexington Local School District, Zane Trace Local School District, Washington Court House City School District, Hocking County Commissioner, Walnut Township Schools

Employee Benefits Management Company (EBMC), a third party administrator, services all health/medical claims submitted by employees. An excess coverage insurance policy covers individual claims for the District in excess of \$100,000 and \$3,000,000 lifetime maximum, per employee consortium wide.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - LONG-TERM LIABILITIES**

During fiscal year 2016, the following changes occurred in governmental activities long-term obligations.

	<u>Balance</u> <u>07/01/15</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>06/30/16</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<b><u>Governmental activities:</u></b>					
Advance Refunding Bonds:					
Term Bonds	\$ 2,780,000	\$ -	\$ (665,000)	\$ 2,115,000	\$ 685,000
Capital Appreciation Bonds	464,994	-	-	464,994	-
Accreted Interest	221,131	70,039	-	291,170	-
Construction Bonds:					
Term Bonds	4,035,000	-	(310,000)	3,725,000	375,000
Capital Appreciation Bonds	624,996	-	-	624,996	-
Accreted Interest	320,303	63,231	-	383,534	-
Total General Obligation Debt	<u>8,446,424</u>	<u>133,270</u>	<u>(975,000)</u>	<u>7,604,694</u>	<u>1,060,000</u>
Net pension liability	15,371,684	1,788,986	-	17,160,670	-
Compensated absences	591,209	375,713	(179,557)	787,365	103,169
Total governmental activities	<u>\$ 24,409,317</u>	<u>\$ 2,297,969</u>	<u>\$ (1,154,557)</u>	<u>\$ 25,552,729</u>	<u>\$ 1,163,169</u>
Add unamortized premium on bonds				<u>302,180</u>	
Total reported on the statement of net position				<u>\$ 25,854,909</u>	

On September 10, 2008, the District issued general obligation bonds of \$6,000,000 with an interest rate of 4.27 percent to pay off a Bond Anticipation Note. The general obligation bonds were issued as a result of the District being approved for the school facilities funding through the State Department of Education. The District issued the general obligation bonds to provide a partial cash match to the school facilities funding. As a requirement of the school facilities funding program, the District passed a 2.80 mill levy. Of the 2.80 mill levy, 2.3 mills is used for the retirement of the bonds that were issued and are in effect for eighteen years. The remaining .5 mill is used for repairs and maintenance of the facility. These bonds are paid from the Bond Retirement Debt Service Fund using property tax revenues.

The capital appreciation bonds are not subject to a mandatory sinking fund or optional redemption prior to stated maturity. The capital appreciation bonds will mature in fiscal years 2018, 2019, and 2020. The maturity of the bonds is \$1,225,000. For fiscal year 2016, \$63,231 was accreted on the capital appreciation bonds.

In June 2011, the District issued \$4,674,994 of voted general obligation bonds for the advance refunding of \$4,675,000 in 2002 series bonds. The \$375,771 premium on the issuance of the refunding bonds is netted against this new debt and will be amortized over the life of this new debt, which has a remaining life of 10 years. The refunding was undertaken to reduce total future debt service payments. The refunding resulted in an economic gain of \$484,989 and a reduction of \$191,506 in future debt service payments. The bonds were issued for a 10 year period, with final maturity December 1, 2020. The refunding bonds are retired from the Bond Retirement Debt Service Fund using property taxes revenues.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - LONG-TERM LIABILITIES - (Continued)**

The capital appreciation bonds are not subject to a mandatory sinking fund or optional redemption prior to stated maturity. The capital appreciation bonds will mature in fiscal year 2021. The maturity of the bonds is \$1,095,000. For fiscal year 2016, \$70,039 was accreted on the capital appreciation bonds.

The District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the fund from which the employee is paid which is primarily the General Fund.

The District's overall legal debt margin was \$10,490,378 (including available funds of \$1,420,753) and an unvoted debt margin of \$177,774 at June 30, 2016.

The annual requirements to retire the general obligation refunding bonds are as follows:

Fiscal Year Ended	Term Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 685,000	\$ 60,025	\$ 745,025	-	-	-
2018	705,000	42,900	747,900	-	-	-
2019	725,000	21,750	746,750	-	-	-
2020	-	-	-	326,019	418,981	745,000
2021	-	-	-	138,975	211,025	350,000
Total	<u>\$ 2,115,000</u>	<u>\$ 124,675</u>	<u>\$ 2,239,675</u>	<u>\$ 464,994</u>	<u>\$ 630,006</u>	<u>\$ 1,095,000</u>

The annual requirements to retire the general obligation construction bonds are as follows:

Fiscal Year Ended	Term Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 375,000	\$ 156,491	\$ 531,491	-	-	-
2018	-	142,429	142,429	212,550	177,450	390,000
2019	-	142,429	142,429	211,770	203,230	415,000
2020	-	142,429	142,429	200,676	219,324	420,000
2021	420,000	142,429	562,429	-	-	-
2022 - 2026	2,625,000	421,610	3,046,610	-	-	-
2027	305,000	13,725	318,725	-	-	-
Total	<u>\$ 3,725,000</u>	<u>\$ 1,161,542</u>	<u>\$ 4,886,542</u>	<u>\$ 624,996</u>	<u>\$ 600,004</u>	<u>\$ 1,225,000</u>

**NOTE 13 - DEFINED BENEFIT PENSION 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 exchanges that already have occurred.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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.

The 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.

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 *pension and postemployment benefits 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](http://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 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.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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.

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, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$237,040 for fiscal year 2016. Of this amount, \$11,060 is reported as pension and postemployment benefits 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](http://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. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions 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.

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 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 bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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 13 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 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$718,147 for fiscal year 2016. Of this amount, \$114,770 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 3,606,807	\$ 13,553,863	\$ 17,160,670
Proportion of the net pension liability	0.06320970%	0.04904232%	
Pension expense	\$ 248,290	\$ 577,527	\$ 825,817

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 57,494	\$ 620,381	\$ 677,875
Changes in proportionate share	77,275	-	77,275
District contributions subsequent to the measurement date	<u>237,040</u>	<u>718,147</u>	<u>955,187</u>
Total deferred outflows of resources	<u>\$ 371,809</u>	<u>\$ 1,338,528</u>	<u>\$ 1,710,337</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 107,093	\$ 1,022,767	\$ 1,129,860
Changes in proportionate share	<u>-</u>	<u>296,987</u>	<u>296,987</u>
Total deferred inflows of resources	<u>\$ 107,093</u>	<u>\$ 1,319,754</u>	<u>\$ 1,426,847</u>

\$955,187 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$ (14,859)	\$ (309,385)	\$ (324,244)
2018	(14,859)	(309,385)	(324,244)
2019	(14,859)	(309,386)	(324,245)
2020	<u>72,253</u>	<u>228,783</u>	<u>301,036</u>
Total	<u>\$ 27,676</u>	<u>\$ (699,373)</u>	<u>\$ (671,697)</u>

***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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**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 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 5,001,345	\$ 3,606,807	\$ 2,432,491

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, 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
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, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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 not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**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 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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 18,827,338	\$ 13,553,863	\$ 9,094,353

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The 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](http://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. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of 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 basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. 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 2016, the District's surcharge obligation was \$31,414.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$31,414, \$15,087, and \$30,050, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**B. State Teachers Retirement System**

Plan Description - The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District’s contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$53,245, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**NOTE 15 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	232,798
Current year qualifying expenditures	(891,364)
Current year offsets	<u>(179,709)</u>
Total	<u>\$ (838,275)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

**NOTE 16 - 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 (less amounts already included in payables) in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 130,552
Nonmajor governmental	<u>6,322</u>
Total	<u>\$ 136,874</u>

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

**Metropolitan Educational Technology Association (META) Solutions**

The District is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

**South Central Ohio Insurance Consortium**

The South Central Ohio Insurance Consortium (SCOIC) is a Regional Council of Governments organized under Ohio Revised Code Chapter 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. The District serves as the fiscal agent for the SCOIC. The District does not have an ongoing financial interest in or ongoing financial responsibility for the SCOIC other than medical and dental claims paid on behalf of the District for its employees.

**Fairfield County Council for Education Collaboration**

The Fairfield County Council of Educational Collaboration (FCCEC) is a not-for-profit Council of Governments owned and operated by certain Boards of Education and institutions of higher education within Fairfield County. The purpose of the FCCEC is to bring together the public school systems and the public institution for higher education in Fairfield County so they can collectively devise and provide for enhanced educational opportunities for the students and citizens of the community. The areas of interest that may be addressed by the FCCEC include, but are not limited to, student programming, school management issues, and any other collaborative projects deemed appropriate by the governing body of the FCCEC. The FCCEC is not dependent upon the continued participation of the District and the District does not maintain any equity interest in or financial responsibility for the FCCEC.

**Central Ohio Special Education Regional Resource Center**

The Central Ohio Special Education Regional Resource Center (COSERC) is a not-for-profit Council of Governments of various school districts in Central Ohio. The District participates in services that assist the District in complying with Mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the District. COSERC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for COSERC.

**Ohio School Boards Association Worker's Compensation Group Rating Program**

The District participates in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.



**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 18 - CONTINGENCIES**

**A. 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2016, if applicable, cannot be determined at this time.

**B. Litigation**

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

**C. School Foundation**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 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, 2016 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.

**NOTE 19 - SUBSEQUENT EVENT**

On August 11, 2016, the District issued general obligation refunding bonds, par value \$3,340,000. The bonds were issued in order to advance refund a portion of the District's outstanding 2008 construction bonds. The refunding bonds carry interest rates ranging from 1.5% - 4% and final stated maturity is December 1, 2026.

**REQUIRED SUPPLEMENTARY INFORMATION**

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.06320970%	0.15302900%	0.15302900%
District's proportionate share of the net pension liability	\$ 3,606,807	\$ 7,744,711	\$ 9,100,143
District's covered-employee payroll	\$ 1,839,932	\$ 4,446,724	\$ 4,416,792
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	196.03%	174.17%	206.04%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 is not available.

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

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.04904232%	0.16852908%	0.16852908%
District's proportionate share of the net pension liability	\$ 13,553,863	\$ 40,992,105	\$ 48,829,527
District's covered-employee payroll	\$ 5,368,686	\$ 17,219,015	\$ 18,375,592
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	252.46%	238.06%	265.73%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 is not available.

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

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 237,040	\$ 242,503	\$ 275,973	\$ 258,052
Contributions in relation to the contractually required contribution	<u>(237,040)</u>	<u>(242,503)</u>	<u>(275,973)</u>	<u>(258,052)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,693,143	\$ 1,839,932	\$ 1,991,147	\$ 1,864,538
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

Note: Information prior to fiscal year 2013 is not available.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 718,147	\$ 751,616	\$ 692,180	\$ 758,210
Contributions in relation to the contractually required contribution	<u>(718,147)</u>	<u>(751,616)</u>	<u>(692,180)</u>	<u>(758,210)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,129,621	\$ 5,368,686	\$ 5,324,462	\$ 5,832,385
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

Note: Information prior to fiscal year 2013 is not available.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

*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 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financials for the methods and assumptions in this calculation.

*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 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financials for the methods and assumptions in this calculation.

## **SUPPLEMENTARY INFORMATION**



**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
<i>Child Nutrition Grant Cluster:</i>			
(D) (E) School Breakfast Program	10.553	2016	\$ 62,074
(C) (D) National School Lunch Program - Food Donation	10.555	2016	46,314
(D) (E) National School Lunch Program	10.555	2016	209,185
<b>Total National School Lunch Program</b>			<b>255,499</b>
<b>Total U.S. Department of Agriculture and Child Nutrition Grant Cluster</b>			<b>317,573</b>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
Title I Grants to Local Educational Agencies	84.010	2015	19,226
Title I Grants to Local Educational Agencies	84.010	2016	231,057
<b>Total Title I Grants to Local Educational Agencies</b>			<b>250,283</b>
(F) Special Education_Grants to States	84.027	2016	227,045
<b>Total Special Education _Grants to States</b>			<b>227,045</b>
(F) Special Education_Preschool Grants	84.173	2016	1,758
<b>Total Special Education Grant Cluster</b>			<b>228,803</b>
Improving Teacher Quality State Grants	84.367	2015	9,162
Improving Teacher Quality State Grants	84.367	2016	77,174
<b>Total Improving Teacher Quality State Grants</b>			<b>86,336</b>
<b>Total U.S. Department of Education</b>			<b>565,422</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 882,995</b>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

- (A) OAKS did not assign pass-through numbers for fiscal year 2016.
- (B) This schedule includes the federal award activity of the Liberty Union-Thurston Local School District under programs of the federal government for the fiscal year ended June 30, 2016 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Liberty Union-Thurston School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Liberty Union-Thurston Local School District.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Special Education Grant Cluster" in determining major programs.
- (G) CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. Liberty Union-Thurston Local School District has not elected to use the 10% de minimis indirect cost rate.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required by *Government Auditing Standards***

Liberty Union-Thurston Local School District  
Fairfield County  
1108 S. Main Street  
Baltimore, Ohio 43105

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 the Liberty Union-Thurston Local School District, Fairfield County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Liberty Union-Thurston Local School District's basic financial statements and have issued our report thereon dated December 6, 2016.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Liberty Union-Thurston Local School 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 Liberty Union-Thurston Local School 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 Liberty Union-Thurston Local School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Education  
Liberty Union-Thurston Local School District

***Compliance and Other Matters***

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

***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 Liberty Union-Thurston Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Liberty Union-Thurston Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
December 6, 2016



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance With Requirements Applicable to The  
Major Federal Program and on Internal Control Over Compliance  
Required by Uniform Guidance**

Liberty Union-Thurston Local School District  
Fairfield County  
1108 S. Main Street  
Baltimore, Ohio 43105

To the Board of Education:

***Report on Compliance for The Major Federal Program***

We have audited the Liberty Union-Thurston Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Liberty Union-Thurston Local School District's major federal program for the fiscal year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Liberty Union-Thurston Local School District's major federal program.

***Management's Responsibility***

The Liberty Union-Thurston Local School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to opine on the Liberty Union-Thurston Local School District's compliance for the Liberty Union-Thurston Local School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Liberty Union-Thurston Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Liberty Union-Thurston Local School District's major program. However, our audit does not provide a legal determination of the Liberty Union-Thurston Local School District's compliance.

Board of Education  
Liberty Union-Thurston Local School District

***Opinion on the Major Federal Program***

In our opinion, the Liberty Union-Thurston Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2016.

***Report on Internal Control Over Compliance***

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
December 6, 2016

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT  
FAIRFIELD COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Special Education Grant Cluster
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None



# Dave Yost • Auditor of State

LIBERTY UNION – THURSTON LOCAL SCHOOL DISTRICT

FAIRFIELD 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  
FEBRUARY 16, 2017