



OHIO AUDITOR OF STATE  
**KEITH FABER**





**LIBERTY-BENTON LOCAL SCHOOL DISTRICT  
HANCOCK COUNTY  
JUNE 30, 2018**

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HANCOCK COUNTY  
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## INDEPENDENT AUDITOR'S REPORT

Liberty-Benton Local School District  
Hancock County  
9190 County Road 9  
Findlay, Ohio 45840

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty-Benton Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty-Benton Local School District, Hancock County, Ohio, as of June 30, 2018, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

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

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

May 31, 2019

Liberty-Benton Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
Unaudited

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

**Highlights**

Highlights for fiscal year 2018 were as follows:

Net position increased \$7,437,655 or 109 percent primarily due to a reduction in the net pension/OPEB liability.

General revenues were \$13,371,357, or 78 percent of total revenues, and demonstrate the School District's significant dependence on property taxes and income taxes as well as State funding.

**Using the Basic Financial Statements**

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

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

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

**Reporting the School District as a Whole**

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

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

Liberty-Benton Local School District  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2018  
 Unaudited

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In the statement of net position and the statement of activities, all of the School District's activities are reflected as governmental activities. The programs and services reported here include instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property taxes and income tax revenues as well as unrestricted State entitlements.

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

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund, the Bond Retirement debt service fund, and the Permanent Improvement capital projects fund.

Governmental Funds - All of the School District's activities are reported in governmental funds which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2018 and fiscal year 2017:

Table 1  
 Net Position

	Governmental Activities		
	2018	2017	Change
<u>Assets</u>			
Current and Other Assets	\$16,815,640	\$16,068,381	\$747,259
Capital Assets, Net	8,626,859	8,829,201	(202,342)
Total Assets	25,442,499	24,897,582	544,917

(continued)



Liberty-Benton Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
Unaudited

Table 1  
Net Position  
(continued)

	Governmental Activities		
	2018	2017	Change
<u>Deferred Outflows of Resources</u>			
Pension	\$5,360,067	\$4,341,586	\$1,018,481
OPEB	235,680	31,777	203,903
Other Amounts	6,843	10,281	(3,438)
Total Deferred Outflows of Resources	<u>5,602,590</u>	<u>4,383,644</u>	<u>1,218,946</u>
<u>Liabilities</u>			
Current and Other Liabilities	1,747,681	1,843,806	96,125
Long-Term Liabilities			
Pension	16,740,138	22,525,870	5,785,732
OPEB	3,749,950	4,567,639	817,689
Other Amounts	1,973,332	2,406,134	432,802
Total Liabilities	<u>24,211,101</u>	<u>31,343,449</u>	<u>7,132,348</u>
<u>Deferred Inflows of Resources</u>			
Pension	644,750	118,944	(525,806)
OPEB	422,063	0	(422,063)
Other Amounts	5,176,747	4,666,060	(510,687)
Total Deferred Inflows of Resources	<u>6,243,560</u>	<u>4,785,004</u>	<u>(1,458,556)</u>
<u>Net Position</u>			
Net Investment in Capital Assets	7,556,732	6,784,975	771,757
Restricted	726,172	670,500	55,672
Unrestricted (Deficit)	<u>(7,692,476)</u>	<u>(14,302,702)</u>	<u>6,610,226</u>
Total Net Position (Deficit)	<u>\$590,428</u>	<u>(\$6,847,227)</u>	<u>\$7,437,655</u>

The net pension liability reported by the School District at June 30, 2018, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". For fiscal year 2018, the School District adopted GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Liberty-Benton Local School District  
Management's Discussion and Analysis  
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GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension or net OPEB liability. GASB Statements No. 68 and No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statements No. 68 and No. 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

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

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

Most long-term liabilities have set repayment schedules or in the case of compensated absences (i.e. vacation and sick leave) are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the School District. 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statements No. 68 and No. 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in the net pension liability and the net OPEB liability, respectively, not accounted for as deferred outflows/inflows.

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As a result of implementing GASB Statement No. 75, the School District is reporting a net OPEB liability and deferred outflows/inflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from (\$2,311,365) to (\$6,847,227).

Pension/OPEB related changes noted in the above table reflect an increase in deferred outflows and deferred inflows. The decrease in the net pension/OPEB liability represents the School District's proportionate share of the unfunded benefits. As indicated previously, changes in pension benefits, contribution rates, return on investments, and actuarial assumptions all affect the balance of the net pension liability. The changes related to pension/OPEB are the primary reason for the increase in net position from the prior fiscal year.

Aside from the changes related to pension/OPEB, there were several other changes of note from the prior fiscal year. The increase in current and other assets was primarily due to an increase in cash and cash equivalents; the result of revenues substantially exceeding expenses for fiscal year 2018. For current and other liabilities, there was an increase in accounts payable due to an outstanding balance at fiscal year end related to the purchase of I-Pads; however, this was more than offset by a decrease in contracts payable outstanding at fiscal year end. In the prior fiscal year, there was a liability at fiscal year end for boiler system upgrades. The decrease in other long-term liabilities is due to scheduled debt retirement.

Table 2 reflects the change in net position for fiscal year 2018 and fiscal year 2017:

Table 2  
Change in Net Position

	Governmental Activities		
	2018	2017	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$2,664,626	\$2,506,784	\$157,842
Operating Grants, Contributions, and Interest	1,111,351	1,096,987	14,364
Total Program Revenues	3,775,977	3,603,771	172,206
General Revenues			
Property Taxes	5,254,455	5,401,032	(146,577)
Income Taxes	1,953,137	1,752,989	200,148
Payment in Lieu of Taxes	23,668	9,140	14,528
Grants and Entitlements	5,596,154	5,456,342	139,812
Interest	39,290	22,208	17,082
Gifts and Donations	1,789	645	1,144
Miscellaneous	502,864	227,549	275,315
Total General Revenues	13,371,357	12,869,905	501,452
Total Revenues	17,147,334	16,473,676	673,658

(continued)

Liberty-Benton Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
Unaudited

Table 2  
Change in Net Position  
(continued)

	Governmental Activities		
	2018	2017	Change
<u>Expenses</u>			
Instruction:			
Regular	\$3,231,763	\$7,490,757	\$4,258,994
Special	822,613	1,627,322	804,709
Vocational	180,881	422,994	242,113
Support Services:			
Pupils	783,023	1,349,074	566,051
Instructional Staff	904,630	627,761	(276,869)
Board of Education	13,236	25,273	12,037
Administration	266,145	1,146,765	880,620
Fiscal	348,852	403,194	54,342
Business	734	873	139
Operation and Maintenance of Plant	1,439,736	1,263,732	(176,004)
Pupil Transportation	595,686	596,435	749
Central	137,809	177,367	39,558
Non-Instructional Services	493,443	486,984	(6,459)
Extracurricular Activities	456,028	632,172	176,144
Interest and Fiscal Charges	35,100	96,440	61,340
Total Expenses	<u>9,709,679</u>	<u>16,347,143</u>	<u>6,637,464</u>
Increase in Net Position	7,437,655	126,533	7,311,122
Net Position (Deficit) at Beginning of Year	<u>(6,847,227)</u>	n/a	n/a
Net Position (Deficit) at End of Year	<u>\$590,428</u>	<u>(\$6,847,227)</u>	<u>\$7,437,655</u>

The information necessary to restate the fiscal year 2017 beginning balances and the fiscal year 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, fiscal year 2017 functional expenses still include OPEB expense of \$31,777 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing pension expense equal to contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned adjusted by deferred outflows/inflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the fiscal year 2018 financial statements report negative OPEB expense of \$558,196. Consequently, in order to compare fiscal year 2018 total program expenses to fiscal year 2017, the following adjustments are needed.

Total 2018 Program Expenses Under GASB Statement No. 75	\$9,709,679
Negative OPEB Expense Under GASB Statement No. 75	(558,196)
2018 Contractually Required Contribution	<u>(41,333)</u>
Adjusted 2018 Program Expenses	9,110,150
Total 2017 Program Expenses Under GASB Statement No. 45	<u>(16,347,143)</u>
Decrease in Program Expenses Not Related to OPEB	<u>(\$7,236,993)</u>

Liberty-Benton Local School District  
Management's Discussion and Analysis  
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The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes including a reduction in the discount rate and also voted to suspend cost of living adjustments (COLA). SERS decreased the COLA assumption. See Note 14. As a result of these changes, pension expense decreased from \$1,855,925 in fiscal year 2017 to a negative pension expense of \$5,126,892 for fiscal year 2018.

The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows.

	2018 Program Expenses Related to Negative Pension Expense
<u>Expenses:</u>	
Instruction:	
Regular	(\$3,109,623)
Special	(667,280)
Vocational	(90,158)
Support Services:	
Pupils	(416,699)
Instructional Staff	(84,131)
Board of Education	(12)
Administration	(623,316)
Fiscal	(530)
Operation and Maintenance of Plant	(1,119)
Pupil Transportation	(735)
Central	(185)
Non-Instructional Services	(417)
Extracurricular Activities	(132,687)
Total Expenses	(\$5,126,892)

Total revenues increased 4 percent from the prior fiscal year. The increase in program revenues was primarily due to an increase in tuition and fees. The increase in general revenues was due to an increase in income tax revenue, unrestricted State foundation resources, and miscellaneous revenues, primarily from the sale of iPads and refunds..

Aside from the change in expenses as a result of pension/OPEB, there was a modest increase in overall expenses primarily associated with salary and benefit increases.

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

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction:				
Regular	\$3,231,763	\$7,490,757	\$1,212,633	\$5,645,832
Special	822,613	1,627,322	(183,138)	554,913
Vocational	180,881	422,994	121,934	365,669
Support Services:				
Pupils	783,023	1,349,074	777,623	1,343,674
Instructional Staff	904,630	627,761	904,630	627,761
Board of Education	13,236	25,273	13,236	25,273
Administration	266,145	1,146,765	266,145	1,146,765
Fiscal	348,852	403,194	348,852	403,194
Business	734	873	734	873
Operation and Maintenance of Plant	1,439,736	1,263,732	1,439,736	1,263,732
Pupil Transportation	595,686	596,435	587,979	583,927
Central	137,809	177,367	137,809	177,367
Non-Instructional Services	493,443	486,984	(74,322)	(10,718)
Extracurricular Activities	456,028	632,172	344,751	518,670
Interest and Fiscal Charges	35,100	96,440	35,100	96,440
Total Expenses	<u>\$9,709,679</u>	<u>\$16,347,143</u>	<u>\$5,933,702</u>	<u>\$12,743,372</u>

With the substantial contribution of general revenues for funding the School District's activities, only a limited number of activities are affected by program revenues. Instruction costs are partially offset by tuition and fees and grants restricted for various instruction purposes. Non-instructional services costs are supported by cafeteria sales, state and federal subsidies, and donated commodities for food service operations. Extracurricular activities costs are supported by music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting.

Liberty-Benton Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
Unaudited

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Fund balance increased approximately 3 percent in the General Fund, which was not significant. Revenues and expenditures were both similar to the prior fiscal year.

Fund balance in the Bond Retirement Fund decreased by \$1,176, which was less than 1 percent.

Fund balance increased by 2 percent in the Permanent Improvement Fund, which was also not significant.

### **General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal year 2018, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget were not significant. Actual revenues were 4 percent greater than the final budget due to increases in property taxes and tuition revenue.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

At the end of fiscal year 2018, the School District had \$8,626,859 invested in capital assets (net of accumulated depreciation). Additions consisted of miscellaneous equipment including a security system and a sound system, a tractor, and two buses. Disposals included miscellaneous equipment, a tractor, and two buses. For further information regarding the School District's capital assets, refer to Note 11 to the basic financial statements.

#### **Debt**

At June 30, 2018, the School District had outstanding general obligation bonds, in the amount of \$1,076,970. The School District's long-term obligations also include the net pension/OPEB liability and compensated absences. For further information regarding the School District's long-term obligations, refer to Note 17 to the basic financial statements.

### **Current Issues**

Liberty-Benton Local School District is comprised of portions of Blanchard, Eagle, and Liberty Townships. It has a number of small and medium size businesses with agriculture contributing a significant influence on the local economy.

### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Lisa Dobbins, Treasurer, Liberty-Benton Local School District, 9190 County Road 9, Findlay, Ohio 45840.

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**Liberty-Benton Local School District**  
**Statement of Net Position**  
**June 30, 2018**

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$10,249,825
Accounts Receivable	47,539
Accrued Interest Receivable	10,365
Intergovernmental Receivable	60,611
Income Taxes Receivable	848,374
Prepaid Items	12,184
Inventory Held for Resale	4,849
Materials and Supplies Inventory	8,679
Property Taxes Receivable	5,550,930
Payment in Lieu of Taxes Receivable	22,284
Nondepreciable Capital Assets	930,570
Depreciable Capital Assets, Net	7,696,289
Total Assets	25,442,499
<u>Deferred Outflows of Resources:</u>	
Deferred Charge on Refunding	6,843
Pension	5,360,067
OPEB	235,680
Total Deferred Outflows of Resources	5,602,590
<u>Liabilities:</u>	
Accounts Payable	367,982
Accrued Wages and Benefits Payable	1,077,743
Matured Compensated Absences Payable	6,798
Intergovernmental Payable	278,706
Accrued Interest Payable	3,090
Unearned Revenue	13,362
Long-Term Liabilities:	
Due Within One Year	594,442
Due in More Than One Year	
Net Pension Liability	16,740,138
Net OPEB Liability	3,749,950
Other Amounts Due in More Than One Year	1,378,890
Total Liabilities	24,211,101
<u>Deferred Inflows of Resources:</u>	
Property Taxes	5,154,463
Payment in Lieu of Taxes	22,284
Pension	644,750
OPEB	422,063
Total Deferred Inflows of Resources	6,243,560
<u>Net Position:</u>	
Net Investment in Capital Assets	7,556,732
Restricted For:	
Capital Projects	707
Debt Service	552,436
Food Service	59,928
Athletics and Music	53,833
Other Purposes	59,268
Unrestricted (Deficit)	(7,692,476)
Total Net Position	\$590,428

See Accompanying Notes to Basic Financial Statements

Liberty-Benton Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2018

	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$3,231,763	\$1,961,314	\$57,816
Special	822,613	229,132	776,619
Vocational	180,881	0	58,947
Support Services:			
Pupils	783,023	0	5,400
Instructional Staff	904,630	0	0
Board of Education	13,236	0	0
Administration	266,145	0	0
Fiscal	348,852	0	0
Business	734	0	0
Operation and Maintenance of Plant	1,439,736	0	0
Pupil Transportation	595,686	0	7,707
Central	137,809	0	0
Non-Instructional Services	493,443	363,203	204,562
Extracurricular Activities	456,028	110,977	300
Interest and Fiscal Charges	35,100	0	0
Total Governmental Activities	<u>\$9,709,679</u>	<u>\$2,664,626</u>	<u>\$1,111,351</u>

General Revenues:

Property Taxes Levied for General Purposes  
Property Taxes Levied for Debt Service Purposes  
Income Taxes Levied for General Purposes  
Payment in Lieu of Taxes  
Grants and Entitlements not Restricted to Specific Programs  
Interest  
Gifts and Donations  
Miscellaneous  
Total General Revenues

Change in Net Position

Net Position (Deficit) at Beginning of Year - Restated (See Note 3)  
Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue  
and Change in  
Net Position

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Governmental  
Activities

---

(\$1,212,633)  
183,138  
(121,934)

(777,623)  
(904,630)  
(13,236)  
(266,145)  
(348,852)  
(734)

(1,439,736)  
(587,979)  
(137,809)  
74,322  
(344,751)

(35,100)  
(5,933,702)

4,794,227  
460,228  
1,953,137  
23,668  
5,596,154  
39,290  
1,789  
502,864

13,371,357

7,437,655

(6,847,227)  
\$590,428

Liberty-Benton Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2018

	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$7,696,340	\$520,330	\$1,841,325	\$191,830	\$10,249,825
Accounts Receivable	33,051	0	13,571	917	47,539
Accrued Interest Receivable	10,365	0	0	0	10,365
Intergovernmental Receivable	36,403	0	0	24,208	60,611
Income Taxes Receivable	848,374	0	0	0	848,374
Prepaid Items	11,920	0	0	264	12,184
Inventory Held for Resale	0	0	0	4,849	4,849
Materials and Supplies Inventory	6,937	0	0	1,742	8,679
Property Taxes Receivable	5,067,824	483,106	0	0	5,550,930
Payment in Lieu of Taxes Receivable	20,363	1,921	0	0	22,284
Total Assets	<u>\$13,731,577</u>	<u>\$1,005,357</u>	<u>\$1,854,896</u>	<u>\$223,810</u>	<u>\$16,815,640</u>
<u>Liabilities:</u>					
Accounts Payable	\$54,478	\$0	\$310,040	\$3,464	\$367,982
Accrued Wages and Benefits Payable	1,051,764	0	0	25,979	1,077,743
Matured Compensated Absences Payable	6,798	0	0	0	6,798
Intergovernmental Payable	271,437	0	0	7,269	278,706
Unearned Revenue	0	0	0	13,362	13,362
Total Liabilities	<u>1,384,477</u>	<u>0</u>	<u>310,040</u>	<u>50,074</u>	<u>1,744,591</u>
<u>Deferred Inflows of Resources:</u>					
Property Taxes	4,706,553	447,910	0	0	5,154,463
Payment in Lieu of Taxes	20,363	1,921	0	0	22,284
Unavailable Revenue	170,202	1,244	13,386	17,328	202,160
Total Deferred Inflows of Resources	<u>4,897,118</u>	<u>451,075</u>	<u>13,386</u>	<u>17,328</u>	<u>5,378,907</u>
<u>Fund Balances:</u>					
Nonspendable	18,857	0	0	2,006	20,863
Restricted	0	554,282	0	154,402	708,684
Committed	62,864	0	0	0	62,864
Assigned	427,159	0	1,531,470	0	1,958,629
Unassigned	6,941,102	0	0	0	6,941,102
Total Fund Balances	<u>7,449,982</u>	<u>554,282</u>	<u>1,531,470</u>	<u>156,408</u>	<u>9,692,142</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$13,731,577</u>	<u>\$1,005,357</u>	<u>\$1,854,896</u>	<u>\$223,810</u>	<u>\$16,815,640</u>

See Accompanying Notes to the Basic Financial Statements

**Liberty-Benton Local School District**  
**Reconciliation of Total Governmental Fund Balances**  
**to Net Position of Governmental Activities**  
**June 30, 2018**

Total Governmental Fund Balances \$9,692,142

Amounts reported for governmental activities on the statement of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 8,626,859

Deferred outflows of resources includes deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds. 6,843

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

Accounts Receivable	45,167	
Accrued Interest Receivable	2,782	
Intergovernmental Receivable	16,645	
Income Taxes Receivable	123,903	
Delinquent Property Taxes Receivable	13,663	
		202,160

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued Interest Payable	(3,090)	
General Obligation Bonds Payable	(1,076,970)	
Compensated Absences Payable	(896,362)	
		(1,976,422)

The net pension/OPEB liability is not due and payable in the current period, therefore, the liability and related deferred outflows/inflows are not reported in the governmental funds.

Deferred Outflows - Pension	5,360,067	
Deferred Inflows - Pension	(644,750)	
Net Pension Liability	(16,740,138)	
Deferred Outflows - OPEB	235,680	
Deferred Inflows - OPEB	(422,063)	
Net OPEB Liability	(3,749,950)	
		(15,961,154)

Net Position of Governmental Activities		\$590,428
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See Accompanying Notes to the Basic Financial Statements

**Liberty-Benton Local School District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2018**

	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$4,798,263	\$460,629	\$0	\$0	\$5,258,892
Income Taxes	1,923,616	0	0	0	1,923,616
Payment in Lieu of Taxes	21,579	2,089	0	0	23,668
Intergovernmental	5,992,871	112,237	0	578,807	6,683,915
Interest	37,521	0	0	457	37,978
Tuition and Fees	2,204,666	0	0	0	2,204,666
Extracurricular Activities	0	0	0	110,977	110,977
Charges for Services	0	0	0	362,520	362,520
Gifts and Donations	1,789	0	0	300	2,089
Miscellaneous	253,791	7,847	199,923	30,702	492,263
Total Revenues	<u>15,234,096</u>	<u>582,802</u>	<u>199,923</u>	<u>1,083,763</u>	<u>17,100,584</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	6,969,371	0	8,466	57,185	7,035,022
Special	1,546,393	0	0	96,764	1,643,157
Vocational	280,534	0	0	0	280,534
Support Services:					
Pupils	1,096,563	0	0	236,193	1,332,756
Instructional Staff	597,910	0	474,852	35,000	1,107,762
Board of Education	13,713	0	0	0	13,713
Administration	1,074,225	0	0	1,000	1,075,225
Fiscal	355,094	9,585	0	0	364,679
Business	734	0	0	0	734
Operation and Maintenance of Plant	1,226,916	0	106,360	17,178	1,350,454
Pupil Transportation	734,074	0	0	1,463	735,537
Central	135,928	0	0	0	135,928
Non-Instructional Services	6,798	0	0	500,258	507,056
Extracurricular Activities	410,899	0	0	114,287	525,186
Capital Outlay	54,109	0	78,061	0	132,170
Debt Service:					
Principal Retirement	0	525,000	0	0	525,000
Interest and Fiscal Charges	0	49,393	0	0	49,393
Total Expenditures	<u>14,503,261</u>	<u>583,978</u>	<u>667,739</u>	<u>1,059,328</u>	<u>16,814,306</u>
Excess of Revenues Over (Under) Expenditures	<u>730,835</u>	<u>(1,176)</u>	<u>(467,816)</u>	<u>24,435</u>	<u>286,278</u>
<u>Other Financing Sources (Uses):</u>					
Sale of Capital Assets	2,275	0	0	0	2,275
Transfers In	0	0	496,513	29,100	525,613
Transfers Out	(525,613)	0	0	0	(525,613)
Total Other Financing Sources (Uses)	<u>(523,338)</u>	<u>0</u>	<u>496,513</u>	<u>29,100</u>	<u>2,275</u>
Changes in Fund Balances	207,497	(1,176)	28,697	53,535	288,553
Fund Balances at Beginning of Year	<u>7,242,485</u>	<u>555,458</u>	<u>1,502,773</u>	<u>102,873</u>	<u>9,403,589</u>
Fund Balances at End of Year	<u>\$7,449,982</u>	<u>\$554,282</u>	<u>\$1,531,470</u>	<u>\$156,408</u>	<u>\$9,692,142</u>

See Accompanying Notes to the Basic Financial Statements

**Liberty-Benton Local School District**  
**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to Statement of Activities**  
**For the Fiscal Year Ended June 30, 2018**

Changes in Fund Balances - Total Governmental Funds		\$288,553
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p> <p>Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current fiscal year.</p>		
Capital Outlay - Depreciable Capital Assets	414,382	
Depreciation	(595,246)	(180,864)
<p>The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net position and is offset against the proceeds from the sale of capital assets resulting in a gain or loss on disposal of capital assets on the statement of activities.</p>		
Proceeds from Sale of Capital Assets	(2,275)	
Gain on Disposal of Capital Assets	4,275	
Loss on Disposal of Capital Assets	(23,478)	(21,478)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.</p>		
Delinquent Property Taxes	(4,437)	
Income Taxes	29,521	
Intergovernmental	1,362	
Interest	1,769	
Tuition and Fees	(14,220)	
Charges for Services	683	
Miscellaneous Revenue	27,797	42,475
<p>Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position.</p>		
		525,000
<p>Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. Premiums are reported as revenues when the debt is first issued; however, this amount is deferred and amortized on the statement of activities. Accounting losses are amortized over the life of the debt on the statement of activities.</p>		
Accrued Interest Payable	1,669	
Amortization of Premium	16,062	
Amortization of Deferred Charge on Refunding	(3,438)	14,293
<p>Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		(108,260)
<p>Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense on the statement of activities.</p>		
Pension	5,126,892	
OPEB	558,196	5,685,088
<p>Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows.</p>		
Pension	1,151,515	
OPEB	41,333	1,192,848
Change in Net Position of Governmental Activities		\$7,437,655

See Accompanying Notes to the Basic Financial Statements

Liberty-Benton Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$4,839,411	\$4,873,150	\$5,179,881	\$306,731
Income Taxes	1,922,347	1,922,347	1,866,395	(55,952)
Payment in Lieu of Taxes	15,452	15,452	21,579	6,127
Intergovernmental	6,045,428	6,045,428	5,993,213	(52,215)
Interest	23,000	23,000	45,399	22,399
Tuition and Fees	1,885,500	1,885,500	2,220,073	334,573
Extracurricular Activities	0	0	0	0
Gifts and Donations	1,600	2,900	1,789	(1,111)
Miscellaneous	54,681	54,681	60,306	5,625
Total Revenues	<u>14,787,419</u>	<u>14,822,458</u>	<u>15,388,635</u>	<u>566,177</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,878,884	6,818,188	6,737,374	80,814
Special	1,284,020	1,357,020	1,363,076	(6,056)
Vocational	301,719	302,404	243,447	58,957
Support Services:				
Pupils	816,351	816,351	832,610	(16,259)
Instructional Staff	263,450	388,610	534,476	(145,866)
Board of Education	23,878	23,878	14,524	9,354
Administration	1,002,745	1,099,995	1,056,923	43,072
Fiscal	352,594	352,594	341,689	10,905
Business	2,822	2,822	1,122	1,700
Operation and Maintenance of Plant	620,804	622,404	636,306	(13,902)
Pupil Transportation	642,377	731,492	724,387	7,105
Central	312,897	187,897	144,356	43,541
Extracurricular Activities	352,278	352,278	408,819	(56,541)
Capital Outlay	9,001	58,801	54,658	4,143
Rotary				
Instructional Staff	14,606	14,606	12,711	1,895
Emergency Levy				
Instruction:				
Regular	196,050	196,050	272,568	(76,518)
Special	199,753	199,753	195,902	3,851
Vocational	111,850	111,850	71,211	40,639
Support Services:				
Pupils	282,553	282,553	275,285	7,268
Instructional Staff	40,606	40,606	49,180	(8,574)
Fiscal	26,807	26,807	24,377	2,430
Operation and Maintenance of Plant	517,895	517,895	704,992	(187,097)
Pupil Transportation	4,955	5,840	43,504	(37,664)
Capital Outlay	792,331	792,331	436,475	355,856
Academic Incentives				
Administration	60,862	73,462	74,915	(1,453)

(continued)



Liberty-Benton Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2018  
(continued)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
District Support				
Instruction:				
Regular	\$120,042	\$120,042	\$26,995	\$93,047
Support Services:				
Pupils	0	0	710	(710)
Pupil Transportation	0	0	27	(27)
Total Expenditures	<u>15,232,130</u>	<u>15,496,529</u>	<u>15,282,619</u>	<u>213,910</u>
Excess of Revenues Over (Under) Expenditures	<u>(444,711)</u>	<u>(674,071)</u>	<u>106,016</u>	<u>780,087</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	0	0	2,275	2,275
Refund of Prior Year Expenditures	15,780	15,780	243,749	227,969
Other Financing Sources	0	0	11,918	11,918
Transfers In	800	800	0	(800)
Transfers Out	(530,118)	(500,118)	(525,613)	(25,495)
Total Other Financing Sources (Uses)	<u>(513,538)</u>	<u>(483,538)</u>	<u>(267,671)</u>	<u>215,867</u>
Changes in Fund Balance	(958,249)	(1,157,609)	(161,655)	995,954
Fund Balance at Beginning of Year	6,825,899	6,825,899	6,825,899	0
Prior Year Encumbrances Appropriated	687,936	687,936	687,936	0
Fund Balance at End of Year	<u>\$6,555,586</u>	<u>\$6,356,226</u>	<u>\$7,352,180</u>	<u>\$995,954</u>

See Accompanying Notes to the Basic Financial Statements

**Liberty-Benton Local School District  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2018**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$1,722	\$111,334
<u>Liabilities:</u>		
Undistributed Assets		\$1,499
Due to Students	0	109,835
Total Liabilities		\$111,334
<u>Net Position:</u>		
Held in Trust for Scholarships	\$1,722	

See Accompanying Notes to the Basic Financial Statements

**Liberty-Benton Local School District**  
**Statement of Change in Fiduciary Net Position**  
**Private Purpose Trust Fund**  
**For the Fiscal Year Ended June 30, 2018**

Additions:

Gifts and Donations	\$1,200
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Deductions:

Non-Instructional Services	1,200
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Change in Net Position	0
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Net Position at Beginning of Year	1,722
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Net Position at End of Year	<u><u>\$1,722</u></u>
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See Accompanying Notes to the Basic Financial Statements

**Note 1 - Description of the School District and Reporting Entity**

Liberty-Benton Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1954. It is located in Hancock County and includes all of the Village of Benton Ridge, and part of Blanchard, Eagle, and Liberty Townships. It is staffed by sixty-six classified employees, ninety-nine certified teaching personnel, and eight administrative employees who provide services to one thousand two hundred and one students and other community members. The School District currently operates two instructional buildings.

**Reporting Entity**

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

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

The School District participates in four jointly governed organizations and three insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Career and Technology Center, Hancock County Local Professional Development Committee, Bay Area Council of Governments, Schools of Ohio Risk Sharing Authority, Hancock County Schools Health Benefit Fund, and the Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 21 and 22 to the basic financial statements.

## **Note 2 - Summary of Significant Accounting Policies**

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

### **A. Basis of Presentation**

The School District's basic financial statements consist 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 School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest 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 School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

#### **Fund Financial Statements**

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

**Note 2 - Summary of Significant Accounting Policies** (continued)

**B. Fund Accounting**

The School 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 School District are reported in two categories, governmental and fiduciary.

**Governmental Funds**

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The School District's major governmental funds are the General Fund, the Bond Retirement debt service fund, and the Permanent Improvement capital projects fund.

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

**Bond Retirement Fund** - The Bond Retirement Fund is used to account for property taxes and other revenues restricted for the payment of principal, interest, and related costs on general obligation bonds.

**Permanent Improvement Fund** - The Permanent Improvement Fund is used to account for transfers and other resources assigned for the acquisition, construction, or improvement of capital facilities.

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

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various non-instructional faculty-related activities and student-managed activities.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**C. Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, recording of deferred outflows and deferred inflows 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income 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. Revenue from income taxes is recognized in the fiscal year in which the income is earned. 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the 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 both measurable and available at fiscal year end: property taxes available as an advance, income taxes, payment in lieu of taxes, grants, interest, tuition, student fees, and charges for services.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the School District, deferred outflows of resources includes a deferred charge on refunding reported on the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the life of the old debt or the life of the new debt, whichever is shorter. Deferred outflows of resources are also reported on the government-wide statement of net position for pension and OPEB and explained in Note 14 and Note 15 to the basic financial statements.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources consists of property taxes, payment in lieu of taxes, unavailable revenue, pension and OPEB. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows 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 fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes accrued interest, intergovernmental revenue including grants, income taxes, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position and explained in Note 14 and Note 15 to the basic financial statements.



**Note 2 - Summary of Significant Accounting Policies** (continued)

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of 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 amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

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

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

**F. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**Note 2 - Summary of Significant Accounting Policies** (continued)

During fiscal year 2018, investments included mutual funds, negotiable certificates of deposit, federal agency securities, United States Treasury Notes/Bonds, and STAR Ohio. Investments are reported at fair value or amortized cost. Investments reported at fair value are based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board (GASB) Statement No.79, "Certain External Investment Pools and Pool Participants". The School District measures the investment in STAR Ohio at net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million requiring the excess amount to be transacted the following business day(s) but only to the \$100 million limit. All accounts of the participant will be combined for this purpose.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2018 was \$37,521, which included \$17,415 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

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

**I. Capital Assets**

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements.

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**Note 2 - Summary of Significant Accounting Policies** (continued)

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition value on the date donated. The School District maintains a capitalization threshold of one thousand five hundred dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Useful Lives
Land Improvements	20 years
Buildings and Building Improvements	18 - 109 years
Furniture, Fixtures, and Equipment	5 - 40 years
Vehicles	10 - 15 years

**J. Deferred Charge on Refunding**

For advance refundings resulting in the defeasance of debt, 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 deferred amount 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 outflows of resources on the statement of net position.

**K. Compensated Absences**

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

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

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent 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 who have accumulated unpaid leave are paid.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on 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, net pension/OPEB liability and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

**M. Unamortized Premiums**

On government-wide financial statements, premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period in which the debt is issued.

**N. Net Position**

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

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**O. Fund Balance**

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

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

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

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. Fund balance policy of the Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated. The Board of Education also assigned fund balance to cover a gap between estimated resources and appropriations in the fiscal year 2019 budget. Certain resources have also been assigned for extracurricular activities and permanent improvements.

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

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

**P. Interfund Transactions**

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**Q. Pension/Other Postemployment Benefits**

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans, and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB systems report investments at fair value.

**R. Estimates**

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

**Note 3 - Change in Accounting Principles and Restatement of Net Position**

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

For fiscal year 2018, the School District also implemented GASB Implementation Guide No. 2017-1. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. The implementation of this statement had the following effect on net position as previously reported.

Net Position (Deficit) June 30, 2017	(\$2,311,365)
Net OPEB Liability	(4,567,639)
Deferred Outflows - Payments Subsequent to the Measurement Date	<u>31,777</u>
Restated Net Position (Deficit) June 30, 2017	<u><u>(\$6,847,227)</u></u>

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

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

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 4 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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 as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	\$207,497
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2017, Received in Cash FY 2018	1,520,581
Accrued FY 2018, Not Yet Received in Cash	(1,119,262)
Expenditure Accruals:	
Accrued FY 2017, Paid in Cash FY 2018	(1,805,079)
Accrued FY 2018, Not Yet Paid in Cash	1,384,477
Cash Adjustments:	
Unrecorded Activity FY 2017	(5,735)
Unrecorded Activity FY 2018	14,622
Prepaid Items	1,212
Materials and Supplies Inventory	(1,186)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(358,782)
Budget Basis	(\$161,655)

**Note 5 - Deposits and Investments**

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

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

Inactive deposits are public deposits 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.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio and, within certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);



Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 5 - Deposits and Investments** (continued)

7. The State Treasurer’s investment pool (STAR Ohio); and
8. Commercial paper and bankers’ acceptances if training requirements have been met.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$2,979,266 of the School District’s bank balance of \$8,046,189 was exposed to custodial credit risk because it was uninsured and uncollateralized. Two of the School District’s financial institutions participating in OPCS were approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured or by participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

Investments are reported at fair value or amortized cost. As of June 30, 2018, the School District had the following investments.

Measurement/Investment	Measurement Amount	Maturity
Fair Value - Level One Inputs		
Mutual Funds	\$4,189	39 days

(continued)

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 5 - Deposits and Investments** (continued)

Measurement/Investment	Measurement Amount	Maturity
Fair Value - Level Two Inputs		
Negotiable Certificate of Deposit	\$19,975	1/28/19
Negotiable Certificate of Deposit	147,575	2/4/19
Negotiable Certificate of Deposit	114,503	2/19/19
Negotiable Certificate of Deposit	246,368	6/7/19
Negotiable Certificate of Deposit	243,683	1/6/20
Negotiable Certificate of Deposit	249,748	5/11/20
Negotiable Certificate of Deposit	245,365	3/29/21
Negotiable Certificate of Deposit	29,729	4/25/22
Federal Home Loan Bank Notes	99,361	3/18/18
Federal Home Loan Mortgage Corporation Notes	98,418	7/19/19
Federal National Mortgage Association Notes	98,982	11/26/19
United States Treasury Notes/Bonds	250,000	6/30/18
United States Treasury Notes/Bonds	249,609	9/30/18
United States Treasury Notes/Bonds	99,672	12/31/18
Net Value Per Share		
STAR Ohio	666,832	48.9 days
Total Investments	<u>\$2,864,009</u>	

The School District has categorized 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. The above chart identifies the School District's recurring fair value measurements as of June 30, 2018. The School District's investment in mutual funds is measured at fair value using quoted market prices (Level 1 inputs). The remainder of the School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (Level 2 inputs).

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**Note 5 - Deposits and Investments** (continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of purchase unless they are matched to a specific obligation or debt of the School District.

The mutual funds carry a rating of Aaa by Moody's. The negotiable certificates of deposit are generally covered by SIPC insurance. The Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and United States Treasury Notes/Bonds carry a rating of Aaa by Moody's or AAA or AA+ by Standard and Poor's. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that no-load money market mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District places no limit on the amount it may invest in any one issuer or investment type. The following table indicates the percentage of investments to the School District's total portfolio:

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Negotiable Certificates of Deposit	\$1,296,946	45.3%
Federal Home Loan Bank	99,361	3.5
Federal Home Loan Mortgage Corporation	98,418	3.4
Federal National Mortgage Association	98,982	3.5
United States Treasury Notes/Bonds	599,281	20.9

**Note 6 - Receivables**

Receivables at June 30, 2018, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, property taxes, and payment in lieu of taxes. 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. All receivables, except income taxes and property taxes, are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 6 - Receivables** (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Bureau of Workers' Compensation	\$32,988
State of Ohio	2,255
Schools of Ohio Risk Sharing Authority	1,160
Total General Fund	36,403
Other Governmental Funds	
Food Service	7,563
Title I	16,645
Total Other Governmental Funds	24,208
Total Governmental Activities	\$60,611

**Note 7 - Income Taxes**

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1995, and was renewed in 2010 for a ten year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**Note 8 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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.

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 8 - Property Taxes** (continued)

Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, 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 School District receives property taxes from Hancock County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2018, and for which there was 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 were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

The amount available as an advance at June 30, 2018, was \$348,852 in the General Fund and \$33,952 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2017, was \$730,470 in the General Fund and \$73,302 in the Bond Retirement debt service fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on an accrual basis. On a modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

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

	2017 Second- Half Collections		2018 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$160,246,140	80.03%	\$162,324,390	79.83%
Industrial/Commercial	28,356,220	14.16	28,890,030	14.21
Public Utility	11,637,500	5.81	12,121,100	5.96
Total Assessed Value	<u>\$200,239,860</u>	<u>100.00%</u>	<u>\$203,335,520</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.32		\$40.22	

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 9 - Payment in Lieu of Taxes**

In accordance with agreements related to tax increment financing districts, the City of Findlay and Hancock County have entered into agreements with a number of property owners under which the City and County have granted property tax exemptions to those property owners. The property owners have agreed to make payments to the City and County which reflect all or a portion of the property taxes which the property owners would have paid if the taxes had not been exempted. The agreements provide for a portion of these payments to be paid to the School District. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

**Note 10 - Tax Abatements**

The School District's property taxes were reduced as follows under community reinvestment area agreements entered into by overlapping governments.

Overlapping Government	Amount of Fiscal Year 2018 Taxes Abated
Community Reinvestment Area	
City of Findlay	\$75,438

**Note 11 - Capital Assets**

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

	Balance at 6/30/17	Additions	Reductions	Balance at 6/30/18
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$930,570	\$0	\$0	\$930,570
Depreciable Capital Assets				
Land Improvements	1,316,220	0	0	1,316,220
Buildings and Building Improvements	15,806,442	11,902	(22,010)	15,796,334
Furniture, Fixtures, and Equipment	1,961,791	243,205	(325,670)	1,879,326
Vehicles	1,192,742	172,975	(112,638)	1,253,079
Total Depreciable Capital Assets	20,277,195	428,082	(460,318)	20,244,959
Less Accumulated Depreciation				
Land Improvements	(799,178)	(71,114)	0	(870,292)
Buildings and Building Improvements	(9,657,532)	(340,592)	7,861	(9,990,263)
Furniture, Fixtures, and Equipment	(1,301,537)	(117,269)	304,641	(1,114,165)
Vehicles	(620,317)	(66,271)	112,638	(573,950)
Total Accumulated Depreciation	(12,378,564)	(595,246)	425,140	(12,548,670)
Depreciable Capital Assets, Net	7,898,631	(167,164)	(35,178)	7,696,289
Governmental Activities Capital Assets, Net	\$8,829,201	(\$167,164)	(\$35,178)	\$8,626,859

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**Note 11 - Capital Assets** (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$216,467
Special	14,047
Vocational	17,896
Support Services:	
Pupils	15,124
Instructional Staff	17,078
Administration	15,985
Fiscal	3,670
Operation and Maintenance of Plant	88,579
Pupil Transportation	66,569
Central	9,199
Non-Instructional Services	12,163
Extracurricular Activities	118,469
Total Depreciation Expense	\$595,246

**Note 12 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the School District contracted for the following insurance coverage:

Coverage provided by The Schools of Ohio Risk Sharing Authority is as follows:

Building and Contents	\$46,017,382
General School District Liability	
Per Occurrence	15,000,000
Aggregate	17,000,000
Automobile Liability	15,000,000
Uninsured Motorists	1,000,000

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

For fiscal year 2018, the School District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to the SORSA based on the types and limits of coverage and deductibles selected by the participant.

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**Note 12 - Risk Management** (continued)

The School District participates in the Hancock County Schools Health Benefit Fund (Fund), a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Developmental Disabilities. The School District pays monthly premiums to the Fund for employee medical, dental, and vision insurance benefits. The Fund is responsible for the management and operations of the program. Upon withdrawal from the Fund, a participant is responsible for the payment of all Fund liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participants' claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

**Note 13 - Contractual Commitments**

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2019 are as follows:

General Fund	\$358,782
Permanent Improvement	346,331
Other Governmental Funds	37,213
Total	<u>\$742,326</u>

**Note 14 - Defined Benefit Pension Plans**

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

**Net Pension Liability**

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



**Note 14 - Defined Benefit Pension Plans** (continued)

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

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

GASB Statements No. 68 and No. 75 assume 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 the employers. All pension contributions to date have come solely from the employer (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care cost in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within thirty years. If the amortization period exceeds thirty years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits but does not require the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the fiscal year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting. The remainder of this note includes the required pension disclosures. See Note 15 for the required OPEB disclosures.

**Plan Description - School Employees Retirement System (SERS)**

Plan Description - School District nonteaching 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. The report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 14 - Defined Benefit Pension Plans** (continued)

Age and service requirements for retirement are as follows.

	Eligible to retire on or before August 1, 2017 *	Eligible to retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; 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; Age 60 with 25 years of service credit

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over thirty years. 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 3 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 School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$254,617 for fiscal year 2018. Of this amount, \$44,582 is reported as an intergovernmental payable.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description - School District licensed teachers and other certified 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 publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). Benefits are established by Ohio Revised Code Chapter 3307.

**Note 14 - Defined Benefit Pension Plans** (continued)

The DBP 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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost of living adjustment was reduced to zero. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-six years of service credit, or thirty-one years of service credit regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty.

The DCP allows members to place all their member contributions and 9.5 percent of the 14 percent employer contribution 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CP offers features of both the DBP and the DCP. In the CP, 12 percent of the 14 percent member rate goes to the DCP and the remaining 2 percent goes to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age fifty or later.

New members who choose the DCP or CP 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 CP 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 Statement No. 68 reporting purposes.

A DBP or CP 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 to apply for disability benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP 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. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$896,898 for fiscal year 2018. Of this amount, \$168,356 is reported as an intergovernmental payable.

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 14 - Defined Benefit Pension Plans** (continued)

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

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School 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>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.05623430%	0.05499964%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.05742740%</u>	<u>0.05602550%</u>	
Change in Proportionate Share	<u>0.00119310%</u>	<u>0.00102586%</u>	
Proportionate Share of the Net Pension			
Liability	\$3,431,160	\$13,308,978	\$16,740,138
Pension Expense	(\$5,056)	(\$5,121,836)	(\$5,126,892)

At June 30, 2018, the School 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	\$147,665	\$513,929	\$661,594
Changes of Assumptions	177,428	2,910,820	3,088,248
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	213,235	245,475	458,710
School District Contributions Subsequent to the Measurement Date	<u>254,617</u>	<u>896,898</u>	<u>1,151,515</u>
Total Deferred Outflows of Resources	<u>\$792,945</u>	<u>\$4,567,122</u>	<u>\$5,360,067</u>
<b>Deferred Inflows of Resources</b>			
Differences Between Expected and Actual Experience	\$0	\$107,265	\$107,265
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	16,287	439,212	455,499
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	<u>0</u>	<u>81,986</u>	<u>81,986</u>
Total Deferred Inflows of Resources	<u>\$16,287</u>	<u>\$628,463</u>	<u>\$644,750</u>

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 14 - Defined Benefit Pension Plans** (continued)

\$5,360,067 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

Fiscal Year Ended June 30,	SERS	STRS	Total
2019	\$264,133	\$623,410	\$887,543
2020	271,048	1,220,890	1,491,938
2021	66,849	903,593	970,442
2022	(79,989)	293,868	213,879
Total	<u>\$522,041</u>	<u>\$3,041,761</u>	<u>\$3,563,802</u>

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the 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 terminations). Actuarially determined amounts are subject to continual review and potential modifications as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of June 30, 2017, are presented below.

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 14 - Defined Benefit Pension Plans** (continued)

Prior to 2017, an assumption of 3 percent was used for COLA and Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Mortality among service retired members and beneficiaries were based on the RP-2014 Blue Collar Mortality Table with fully generational projections with Scale BB; 120 percent of male rates and 110 percent of female rates. Mortality among disabled members was based on the RP-2000 Disabled Mortality Table; 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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

Discount Rate - The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.5 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.

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 14 - Defined Benefit Pension Plans** (continued)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net Pension Liability	\$4,761,559	\$3,431,160	\$2,316,680

**Actuarial Assumptions - STRS**

Key methods and assumptions used in the latest actuarial valuation reflecting experience study results used in the July 1, 2017, actuarial valuation compared with July 1, 2016, are presented below.

	July 1, 2017	July 1, 2016
Inflation	2.5 percent	2.75 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017	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 commences on fifth anniversary of retirement date

For the July 1, 2017, actuarial valuation, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table projected forward generationally using Mortality Improvement Scale MP-2016.

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 14 - Defined Benefit Pension Plans** (continued)

For the July 1, 2016, actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages were set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty were set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Actuarial assumptions used in the July 1, 2017, valuation are based on the results of an actuarial experience study for the period July 2, 2011, through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience effective July 1, 2012.

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.



Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**Note 14 - Defined Benefit Pension Plans** (continued)

Sensitivity of the School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent as well as what the School 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 (6.45 percent) or one percentage point higher (8.45 percent) than the current rate.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District’s Proportionate Share of the Net Pension Liability	\$19,077,966	\$13,308,978	\$8,449,469

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2018, four of the Board of Education members have elected Social Security. The Board’s liability is 6.2 percent of wages paid.

**Note 15 - Postemployment Benefits**

See Note 14 for a description of the net OPEB liability.

**School Employees Retirement System (SERS)**

Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for nonteaching retirees and their beneficiaries. For GASB Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. The SERS Health Care Plan provides health care benefits to eligible individuals receiving retirement, disability and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need ten years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS’ health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree are eligible for SERS’ health care coverage. Most retirees and dependents choosing SERS’ health care coverage are over the age of sixty-five and, therefore, enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by State statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

**Note 15 - Postemployment Benefits** (continued)

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). The SERS Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount; prorated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$31,903.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$41,333 for fiscal year 2018. Of this amount, \$33,554 is reported as an intergovernmental payable.

**State Teachers Retirement System (STRS)**

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

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

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 15 - Postemployment Benefits** (continued)

**Net OPEB Liability**

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

Following is information related to the proportionate share and OPEB expense.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability Prior Measurement Date	.05705380%	.05499964%	
Proportion of the Net OPEB Liability Current Measurement Date	<u>.05827850%</u>	<u>.05602550%</u>	
Change in Proportionate Share	<u>.00122470%</u>	<u>.00102586%</u>	
Proportionate Share of the Net OPEB Liability	\$1,564,042	\$2,185,908	\$3,749,950
OPEB Expense	\$100,987	(\$659,183)	(\$558,196)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB 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	\$0	\$126,184	\$126,184
Changes in Proportionate Share and Difference			
Between School District Contributions and Proportionate Share of Contributions	21,138	47,025	68,163
School District Contributions Subsequent to the Measurement Date	41,333	0	41,333
Total Deferred Outflows of Resources	<u>\$62,471</u>	<u>\$173,209</u>	<u>\$235,680</u>
<b>Deferred Inflows of Resources</b>			
Changes of Assumptions	\$148,420	\$176,082	\$324,502
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	4,130	93,431	97,561
Total Deferred Inflows of Resources	<u>\$152,550</u>	<u>\$269,513</u>	<u>\$422,063</u>

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 15 - Postemployment Benefits** (continued)

\$41,333 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

Fiscal Year Ended June 30,	SERS	STRS	Total
2019	(\$47,149)	(\$23,836)	(\$70,985)
2020	(47,149)	(23,836)	(70,985)
2021	(36,082)	(23,836)	(59,918)
2022	(1,032)	(23,836)	(24,868)
2023	0	(478)	(478)
2024	0	(482)	(482)
Total	<u>(\$131,412)</u>	<u>(\$96,304)</u>	<u>(\$227,716)</u>

**Actuarial Assumptions - SERS**

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

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

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

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**Note 15 - Postemployment Benefits** (continued)

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

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.5 to 5 percent
Pre-Medicare	7.5 to 5 percent

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

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.5 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a ten year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 15 - Postemployment Benefits** (continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017, was 3.63 percent. The discount rate used to measure the total OPEB liability prior to June 30, 2017, was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the retirement system at the State statute contribution rate of 2 percent of projected covered employee payroll each year which includes a 1.5 percent payroll surcharge and .5 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation Twenty-Year Municipal Bond Index Rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rate - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS and what SERS' net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63 percent) or one percentage point higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are one percentage point lower (6.5 percent decreasing to 4 percent) and one percentage point higher (8.5 percent decreasing to 6 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's Proportionate Share of the Net OPEB Liability	\$1,888,780	\$1,564,042	\$1,306,767
	1% Decrease (6.5% Decreasing to 4%)	Current Trend Rate (7.53% Decreasing to 5%)	1% Increase (8.5% Decreasing to 6%)
School District's Proportionate Share of the Net OPEB Liability	\$1,269,103	\$1,564,042	\$1,954,399

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**Note 15 - Postemployment Benefits** (continued)

**Actuarial Assumptions - STRS**

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

Inflation	2.5 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65
Investment Rate of Return	7.45 percent net of investment expenses, including inflation
Payroll Increases	3 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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

For healthy retirees, the mortality rates were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016.

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

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

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

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 15 - Postemployment Benefits** (continued)

The STRS Health Care Plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

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

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

	1% Decrease (3.13%)	Current Discount Rate (4.16%)	1% Increase (5.13%)
School District's Proportionate Share of the Net OPEB Liability	\$2,934,547	\$2,185,908	\$1,594,239
		Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$1,518,675	\$2,185,908	\$3,064,065



Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 16 - Other Employee Benefits**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred twenty-five days for all employees other than the superintendent which is a maximum of two hundred twenty days. Upon retirement, payment is made for one-fourth of accrued but unused sick leave to a maximum of forty-five or fifty-six and one-fourth days for all employees depending on their classification.

**B. Health Care Benefits**

The School District provides medical, dental, and vision insurance to all employees through the Hancock County Schools Health Benefit Fund. The School District offers life insurance to all employees through American United Life Insurance. Depending upon the plan chosen, the employees share the cost of monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

**Note 17 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2018 were as follows:

	Restated Balance at 6/30/17	Additions	Reductions	Balance at 6/30/18	Amounts Due Within One Year
General Obligation Bonds					
FY 2010 School Improvement Refunding					
Term Bonds 3.65% - 4.00%	\$1,570,000	\$0	\$525,000	\$1,045,000	\$545,000
Premium	48,032	0	16,062	31,970	0
Total General Obligation Bonds	<u>1,618,032</u>	<u>0</u>	<u>541,062</u>	<u>1,076,970</u>	<u>545,000</u>
Net Pension Liability					
SERS	4,115,831	0	684,671	3,431,160	0
STRS	18,410,039	0	5,101,061	13,308,978	0
Total Net Pension Liability	<u>22,525,870</u>	<u>0</u>	<u>5,785,732</u>	<u>16,740,138</u>	<u>0</u>
Net OPEB Liability					
SERS	1,626,244	0	62,202	1,564,042	0
STRS	2,941,395	0	755,487	2,185,908	0
Total Net OPEB Liability	<u>4,567,639</u>	<u>0</u>	<u>817,689</u>	<u>3,749,950</u>	<u>0</u>
Compensated Absences Payable	<u>788,102</u>	<u>135,965</u>	<u>27,705</u>	<u>896,362</u>	<u>49,442</u>
Total Governmental Activities Long-Term Liabilities	<u>\$29,499,643</u>	<u>\$135,965</u>	<u>\$7,172,188</u>	<u>\$22,463,420</u>	<u>\$594,442</u>

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 17 - Long-Term Obligations** (continued)

FY 2010 School Improvement Refunding Bonds - On December 16, 2009, the School District issued bonds, in the amount of \$1,570,000, to partially refund bonds previously issued in 1998 for constructing, furnishing, and equipping a new high school and improvements to other School District buildings. The refunding bond issue consists of term bonds, in the original amount of \$1,570,000. The bonds were issued for a ten year period, with final maturity during fiscal year 2020.

There is no repayment schedule for the net pension/OPEB liability; however, employer contributions are made from the General Fund and the Food Service special revenue fund. For additional information related to the net pension liability and net OPEB liability, see Note 14 and Note 15 to the basic financial statements.

Compensated absences will be paid from the General Fund.

The School District's overall debt margin was \$16,721,454 with an unvoted debt margin of 191,246 at June 30, 2018.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2018, were as follows:

Fiscal Year Ending June 30,	General Obligations Bonds		
	Term	Interest	Total
2019	\$545,000	\$28,946	\$573,946
2020	500,000	9,500	509,500
	\$1,045,000	\$38,446	\$1,083,446

**Note 18 - Fund Balance**

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

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

Fund Balance	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
Nonspendable for:					
Materials and Supplies					
Inventory	\$6,937	\$0	\$0	\$1,742	\$8,679
Prepaid Items	11,920	0	0	264	12,184
Total Nonspendable	18,857	0	0	2,006	20,863

(continued)

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**Note 18 - Fund Balance** (continued)

Fund Balance	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
Restricted for:					
Athletics and Music	\$0	\$0	\$0	\$53,833	\$53,833
Debt Retirement	0	554,282	0	0	554,282
Food Service Operations	0	0	0	52,675	52,675
Inventory Held for Resale	0	0	0	4,849	4,849
Regular Instruction	0	0	0	12,607	12,607
School Aged Childcare	0	0	0	29,939	29,939
Vocational Instruction	0	0	0	499	499
Total Restricted	<u>0</u>	<u>554,282</u>	<u>0</u>	<u>154,402</u>	<u>708,684</u>
Committed for:					
Termination Benefits	62,864	0	0	0	62,864
Assigned for:					
Extracurricular Activities	36,082	0	0	0	36,082
Permanent Improvements	0	0	1,531,470	0	1,531,470
Projected Budget Shortage	86,290	0	0	0	86,290
Unpaid Obligations	304,787	0	0	0	304,787
Total Assigned	<u>427,159</u>	<u>0</u>	<u>1,531,470</u>	<u>0</u>	<u>1,958,629</u>
Unassigned	6,941,102	0	0	0	6,941,102
Total Fund Balance	<u>\$7,449,982</u>	<u>\$554,282</u>	<u>\$1,531,470</u>	<u>\$156,408</u>	<u>\$9,692,142</u>

**Note 19 - Set Asides**

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

The following cash basis information identifies the change in the fund balance set aside for capital improvements during fiscal year 2018.

	Capital Improvements
Balance June 30, 2017	\$0
Current Year Set Aside Requirement	241,870
Current Year Offsets	(241,870)
Reserve Balance June 30, 2018	<u>\$0</u>

**Note 20 - Interfund Transfers**

During fiscal year 2018, the General Fund made transfers to the Permanent Improvement capital projects fund and other governmental funds, in the amounts of \$496,513 and \$29,100 to subsidize permanent improvements and operations of other governmental funds.

**Note 21 - Jointly Governed Organizations**

**A. Northwest Ohio Area Computer Services Cooperative**

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Seneca, Van Wert, Wood, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from Hancock, Paulding, Allen, Mercer, Putnam, and Van Wert counties and two at large members. During fiscal year 2018, the School District paid \$39,231 to NOACSC for various services. Financial information can be obtained from NOACSC, 4277 East Road, Elida, Ohio 45807.

**B. Millstream Career and Technology Center**

The Millstream Career and Technology Center is a distinct political subdivision of the State of Ohio established under Section 3313.90 of the Ohio Revised Code. The Career Center provides vocational instruction to students. The Career Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. Financial information can be obtained from the Findlay City School District, 1100 Broad Avenue, Findlay, Ohio 45840-3377.

**C. Hancock County Local Professional Development Committee**

The Hancock County Local Professional Development Committee (HCLPDC) was established in 1999 to plan, promote, and facilitate effective and efficient professional educator license renewal standards and staff development activities. The HCLPDC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its members. The HCLPDC is governed by a fourteen member Executive Board. Financial information can be obtained from the Hancock County Educational Service Center, who serves as fiscal agent, 7746 County Road 140, Findlay, Ohio 45840.

**Note 21 - Jointly Governed Organizations** (continued)

**D. Bay Area Council of Governments**

The Bay Area Council of Governments (Council) is a jointly governed organization among school districts which was formed to purchase quality products and services at the lowest possible cost to the participants. The Council is governed by a board consisting of seven superintendents from the participating school districts. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained from the Bay Area Council of Governments, North Point Educational Service Center, 1210 East Bogart Road, Sandusky, Ohio 44870.

The School District participates in the Council's prepaid natural gas program. This program allows the School District to purchase natural gas at reduced rates. The School District makes monthly payments based on estimated usage. Each month the estimates are compared to actual usage and adjustments are made.

**Note 22 - Insurance Pools**

**A. Schools of Ohio Risk Sharing Authority**

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a board consisting of superintendents, treasurers, and business managers. Carter Raynes Claims Service, Inc. is responsible for processing claims between SORSA and its members. Financial information can be obtained from SORSA, 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

**B. Hancock County Schools Health Benefit Fund**

The Hancock County Schools Health Benefit Fund is a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Developmental Disabilities. The Fund is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the consultant concerning aspects of the administration of the Fund.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Fund is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**Note 22 - Insurance Pools** (continued)

**C. Ohio Association of School Business Officials Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, President-Elect, and the Immediate Past President of the OSBA. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**Note 23 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2018.

**B. School Foundation**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 have been finalized and resulted in a payable to the School District totaling \$6,029 which has since been repaid.

**C. Litigation**

There are currently no matters in litigation with the School District as defendant.

**Note 24 - Subsequent Events**

At the September 4, 2018 Special Meeting, the Board of Education authorized the Superintendent to make an offer to purchase ten acres of undeveloped land in the amount of \$115,000, and to issue payment of earnest money in the amount of \$5,000 each to owners Larry Porter and Diane Snyder. Additionally, the Superintendent was authorized to have the land surveyed and to negotiate the purchase agreement. \$10,000 in earnest money was paid to the owners in September 2018. At the November 19, 2018 Board meeting, the Board accepted the purchase agreement and authorized the Superintendent and Treasurer to execute the terms. The District paid the remaining balance, totaling \$107,830, which included closing costs and survey fees, in November of 2018. Payment was made from the District's Permanent Improvement Fund.

Liberty-Benton Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

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**Note 24 - Subsequent Events** (continued)

On May 7, 2019, District voters approved a bond issue and a tax levy. The bond issue, in the amount of 6.8 mills, is for the purpose of constructing, furnishing, and equipping a new Pre-K through 8th grade school building and improving existing buildings and facilities, and improving and equipping their sites in the principal amount of \$25,594,646, to be repaid annually over a maximum period of 35 years. The levy, totaling 0.5 mill, is an additional property tax to provide funds for the acquisition, construction, enlargement, renovation, and financing of general permanent improvements, and is for a continuing period of time.

Liberty-Benton Local School District  
Required Supplementary Information  
Schedule of the School District's Proportionate Share of the Net Pension Liability  
School Employees Retirement System of Ohio  
Last Five Fiscal Years (1)

	2018	2017	2016	2015
School District's Proportion of the Net Pension Liability	0.05742740%	0.05623430%	0.05273670%	0.04875700%
School District's Proportionate Share of the Net Pension Liability	\$3,431,160	\$4,115,831	\$3,009,207	\$2,467,564
School District's Employee Payroll	\$1,877,786	\$1,756,264	\$1,597,193	\$1,583,924
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	182.72%	234.35%	188.41%	155.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%

(1) Information prior to 2014 is not available.

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

See Accompanying Notes to the Required Supplementary Information



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2014

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0.04587570%

\$2,899,422

\$1,594,695

181.82%

65.52%

**Liberty-Benton Local School District  
Required Supplementary Information  
Schedule of the School District's Proportionate Share of the Net OPEB Liability  
School Employees Retirement System of Ohio  
Last Two Fiscal Years (1)**

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	2018	2017
School District's Proportion of the Net OPEB Liability	0.05827850%	0.05705380%
School District's Proportionate Share of the Net OPEB Liability	\$1,564,042	\$1,626,244
School District's Employee Payroll	\$1,877,786	\$1,756,264
School District's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	83.29%	92.60%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See Accompanying Notes to the Required Supplementary Information

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Liberty-Benton Local School District  
 Required Supplementary Information  
 Schedule of the School District's Proportionate Share of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Five Fiscal Years (1)

	2018	2017	2016	2015
School District's Proportion of the Net Pension Liability	0.05602550%	0.05499964%	0.05506630%	0.05554252%
School District's Proportionate Share of the Net Pension Liability	\$13,308,978	\$18,410,039	\$15,218,715	\$13,509,863
School District's Employee Payroll	\$6,196,771	\$5,679,329	\$5,766,814	\$5,698,431
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	214.77%	324.16%	263.90%	237.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%

(1) Information prior to 2014 is not available.

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

See Accompanying Notes to the Required Supplementary Information

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2014

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0.05554252%

\$16,092,861

\$5,411,062

297.41%

69.30%

**Liberty-Benton Local School District  
Required Supplementary Information  
Schedule of the School District's Proportionate Share of the Net OPEB Liability  
State Teachers Retirement System of Ohio  
Last Two Fiscal Years (1)**

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	2018	2017
School District's Proportion of the Net OPEB Liability	0.05602550%	0.05499964%
School District's Proportionate Share of the Net OPEB Liability	\$2,185,908	\$2,941,395
School District's Employee Payroll	\$6,196,771	\$5,679,329
School District's Proportionate Share of the Net OPEB Liability as a Percentage of Employee Payroll	35.27%	51.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See Accompanying Notes to the Required Supplementary Information

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Liberty-Benton Local School District  
Required Supplementary Information  
Schedule of the School District's Contributions  
School Employees Retirement System of Ohio  
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$254,617	\$262,890	\$245,877	\$210,510
Contributions in Relation to the Contractually Required Contribution	<u>(254,617)</u>	<u>(262,890)</u>	<u>(245,877)</u>	<u>(210,510)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll (1)	\$1,886,052	\$1,877,786	\$1,756,264	\$1,597,193
Pension Contributions as a Percentage of Employee Payroll	13.50%	14.00%	14.00%	13.18%
<b>Net OPEB Liability</b>				
Contractually Required Contribution (2)	\$41,333	\$31,777	\$29,155	\$41,388
Contributions in Relation to the Contractually Required Contribution	<u>(41,333)</u>	<u>(31,777)</u>	<u>(29,155)</u>	<u>(41,388)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	<u>2.19%</u>	<u>1.69%</u>	<u>1.66%</u>	<u>2.59%</u>
Total Contributions as a Percentage of Employee Payroll (2)	<u>15.69%</u>	<u>15.69%</u>	<u>15.66%</u>	<u>15.77%</u>

(1) The School District's covered payroll is the same for Pension and OPEB

(2) Includes Surcharge

See Accompanying Notes to the Required Supplementary Information



<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$219,532	\$220,706	\$215,183	\$187,292	\$199,335	\$148,612
<u>(219,532)</u>	<u>(220,706)</u>	<u>(215,183)</u>	<u>(187,292)</u>	<u>(199,335)</u>	<u>(148,612)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,583,924	\$1,594,695	\$1,599,874	\$1,489,992	\$1,472,191	\$1,510,286
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%
\$27,070	\$25,954	\$29,736	\$45,321	\$36,216	\$93,034
<u>(27,070)</u>	<u>(25,954)</u>	<u>(29,736)</u>	<u>(45,321)</u>	<u>(36,216)</u>	<u>(93,034)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.71%</u>	<u>1.63%</u>	<u>1.86%</u>	<u>3.04%</u>	<u>2.46%</u>	<u>6.16%</u>
<u>15.57%</u>	<u>15.47%</u>	<u>15.31%</u>	<u>15.61%</u>	<u>16.00%</u>	<u>16.00%</u>

Liberty-Benton Local School District  
Required Supplementary Information  
Schedule of the School District's Contributions  
State Teachers Retirement System of Ohio  
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$896,898	\$867,548	\$795,106	\$807,354
Contributions in Relation to the Contractually Required Contribution	<u>(896,898)</u>	<u>(867,548)</u>	<u>(795,106)</u>	<u>(807,354)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$6,406,414	\$6,196,771	\$5,679,329	\$5,766,814
Pension Contributions as a Percentage of Employee Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Employee Payroll	0.00%	0.00%	0.00%	0.00%
Total Contributions as a Percentage of Employee Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See Accompanying Notes to the Required Supplementary Information

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$740,796	\$703,438	\$691,668	\$684,992	\$678,285	\$695,306
<u>(740,796)</u>	<u>(703,438)</u>	<u>(691,668)</u>	<u>(684,992)</u>	<u>(678,285)</u>	<u>(695,306)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,698,431	\$5,411,062	\$5,320,523	\$5,269,169	\$5,217,577	\$5,348,508
<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$56,984	\$54,111	\$53,205	\$52,692	\$52,176	\$53,485
<u>(56,984)</u>	<u>(54,111)</u>	<u>(53,205)</u>	<u>(52,692)</u>	<u>(52,176)</u>	<u>(53,485)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Liberty-Benton Local School District  
Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2018

**Net Pension Liability**

Changes in Assumptions - SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below.

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and Prior</u>
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, Including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Amounts reported for fiscal year 2016 and prior use mortality assumptions that were based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used the period after disability retirement.

Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below.

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.5 percent	2.75 percent
Projected Salary Increases	12.5 percent at age 20 to 2.5 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost of Living Adjustments (COLA)	0 percent effective July 1, 2017	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 commences on fifth anniversary of retirement date

Liberty-Benton Local School District  
Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2018

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For fiscal year 2018, postretirement mortality rates for healthy retirees were based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age sixty-nine, 70 percent of rates between ages seventy and seventy-nine, 90 percent of rates between ages eighty and eighty-four, and 100 percent of rates thereafter, projected forward generationally using Mortality Improvement Scale MP-2016. Postretirement disabled mortality rates were based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using Mortality Improvement Scale MP-2016. Preretirement mortality rates were based on the RP-2014 Employee Mortality Table projected forward generationally using Mortality Improvement Scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages were set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty were set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

### **Net OPEB Liability**

#### **Changes in Assumptions - SERS**

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below.

Municipal Bond Index Rate	
Fiscal Year 2018	3.56 percent
Fiscal Year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense including inflation	
Fiscal Year 2018	3.63 percent
Fiscal Year 2017	2.98 percent

#### **Changes in Assumptions - STRS**

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)", and the long-term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal, and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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# OHIO AUDITOR OF STATE KEITH FABER



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Suite 1420  
Toledo, Ohio 43604-2246  
(419) 245-2811 or (800) 443-9276  
NorthwestRegion@ohioauditor.gov

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

Liberty-Benton Local School District  
Hancock County  
9190 County Road 9  
Findlay, Ohio 45840

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty-Benton Local School District, Hancock County, Ohio (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 31, 2019, wherein we noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber  
Auditor of State

Columbus, Ohio

May 31, 2019



# OHIO AUDITOR OF STATE KEITH FABER



**LIBERTY BENTON LOCAL SCHOOL DISTRICT**

**HANCOCK 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  
JUNE 20, 2019**