



Dave Yost • Auditor of State

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Liberty Center Local School District
Henry County
103 West Young Street
P.O. Box 434
Liberty Center, Ohio 43532-0434

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 25, 2015

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**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

The discussion and analysis of the financial performance of Liberty Center Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

In total, net position increased \$1,395,431.

General revenues accounted for \$11,032,320, or 76 percent of all revenues. Program specific revenues in the form of, charges for services, operating grants and contributions and capital grants accounted for \$3,538,953 or 24 percent of total revenues of \$14,571,273.

The District's only major fund is the General Fund.

The General Fund had \$12,516,737 in revenues and \$11,627,585 in expenditures and other financing uses. The General Fund's balance increased \$889,152 from the prior fiscal year

Using the Basic Financial Statements

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

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

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

For the District, the General Fund is by far the most significant fund. The General Fund is the only major fund.

Reporting the District as a Whole

Statement of Net position and Statement of Activities

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2014. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the General fund. While the District uses many funds to account for its financial transactions, this General fund is the most significant.

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

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

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

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2014 compared to fiscal year 2013.

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)

Table 1
Net position
Governmental Activities

	2014	2013
<u>Assets:</u>		
Current and Other Assets	\$13,374,602	\$11,967,369
Capital Assets, Net	6,916,433	7,223,548
Total Assets	<u>20,291,035</u>	<u>19,190,917</u>
<u>Deferred Outflows of Resources:</u>		
Deferred Charge on Refunding	157,422	167,313
<u>Liabilities:</u>		
Current and Other Liabilities	1,499,351	1,388,128
Long-Term Liabilities	2,523,751	2,937,662
Total Liabilities	<u>4,023,102</u>	<u>4,325,790</u>
<u>Deferred Inflows of Resources:</u>		
Property Taxes Levied for the Next Fiscal Year	4,310,800	4,313,316
<u>Net position:</u>		
Invested in Capital Assets, Net	5,252,104	5,190,873
Restricted	1,219,030	808,943
Unrestricted	5,643,421	4,720,028
Total	<u>\$12,114,555</u>	<u>\$10,719,124</u>

Total assets increased by \$1,100,118 (6 percent). This was primarily attributed to an increase in cash and investments and taxes receivable. Total liabilities decreased by \$302,688 (7 percent). This was primarily attributed to a decrease in accrued wages and benefits; debt payments on the school improvement bonds; and compensated absences. Net position increased by \$1,395,431 (13 percent). This was primarily attributed to positive net changes in fund balances in the General fund and the other non-major funds as compared to 2013 when net changes in fund balances were both negative.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Table 2 reflects the changes in net position for fiscal year 2014 compared to fiscal year 2013.

**Table 2
Change in Net position
Governmental Activities**

	2014	2013
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$1,807,744	\$1,669,881
Operating Grants, Contributions and Interest	1,731,209	841,295
Total Program Revenues	3,538,953	2,511,176
General Revenues:		
Property Taxes	3,094,427	2,763,929
Income Taxes	2,136,929	2,251,303
Grants and Entitlements	5,323,276	5,596,546
Investment Earnings	11,193	19,893
Gifts and Donations	347,158	86,589
Miscellaneous	119,337	24,182
Proceeds from Sale of Capital Assets		5,476
Total General Revenues	11,032,320	10,747,918
Total Revenues	14,571,273	13,259,094
<u>Expenses:</u>		
Instruction	7,432,510	8,058,966
Support Services:		
Pupils	734,756	717,085
Instructional Staff	409,735	455,543
Board of Education	77,773	69,992
Administration	926,188	902,381
Fiscal	428,830	407,307
Operation and Maintenance of Plant	875,218	949,855
Pupil Transportation	576,168	578,304
Central	207,588	316,258
Non-Instructional	727,348	568,719
Extracurricular Activities	644,143	560,862
Capital Outlay	92,995	79,688
Interest and Fiscal Charges	42,590	67,488
Total Expenses	13,175,842	13,732,448
Change in Net position	\$1,395,431	(\$473,354)

Total revenues increased by \$1,312,179 (10 percent). This was primarily attributed to increases in program and general intergovernmental revenues and property taxes.

Program revenues account for 24 percent of total revenues and are primarily represented by restricted intergovernmental revenues, charges for tuition and fees, extracurricular activities, and food service sales.

Total expenditures only decreased \$556,606 (4 percent).

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

The major program expenses for governmental activities are instruction, which accounts for 56 percent of all governmental expenses. Other programs, which support the instruction process, including pupils, instructional staff, operation and maintenance of plant, and pupil transportation, account for 20 percent of governmental expenses. Therefore, over 76 percent of the District's expenses are related to the primary functions of providing facilities and delivering education. As can be seen, these costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

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

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u> <u>2014</u>	<u>Net Cost of Services</u> <u>2014</u>	<u>Total Cost of Services</u> <u>2013</u>	<u>Net Cost of Services</u> <u>2013</u>
Instruction	\$7,432,510	\$5,028,761	\$8,058,966	\$6,268,712
Support Services:				
Pupils	734,756	732,316	717,085	715,005
Instructional Staff	409,735	201,501	455,543	396,301
Board of Education	77,773	77,773	69,992	69,992
Administration	926,188	663,147	902,381	894,121
Fiscal	428,830	428,072	407,307	407,307
Operation and Maintenance of Plant	875,218	875,218	949,855	949,855
Pupil Transportation	576,168	554,717	578,304	578,304
Central	207,588	194,198	316,258	310,858
Non-Instructional	727,348	257,492	568,719	76,966
Extracurricular Activities	644,143	488,109	560,862	406,675
Capital Outlay	92,995	92,995	79,688	79,688
Interest and Fiscal Charges	42,590	42,590	67,488	67,488
Total Expenses	<u>\$13,175,842</u>	<u>\$9,636,889</u>	<u>\$13,732,448</u>	<u>\$11,221,272</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 67 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 73 percent. The remaining 27 percent is derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's only major governmental fund is the General Fund. Total governmental funds had revenues of \$14,631,370 and expenditures of \$13,325,197. The net positive change of \$1,306,173 in fund balance for the year indicates that the District was able to meet current costs.

In fiscal year 2014, General Fund revenues increased by 7 percent which was primarily due to an increase in property and other local taxes revenues and intergovernmental revenue. General Fund expenditures only decreased by 4 percent. The General Fund balance increased \$889,152 (17 percent) due to overall receipts and other financing sources increasing and overall expenditures and other financing decreasing from 2013.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2014, the District amended its General Fund budget as needed.

General Fund original and final budgeted revenues and other financing sources were \$11,360,256 and \$12,070,034, an increase of \$709,778 (6 percent). The increase is primarily due to increasing anticipated property and other local taxes and intergovernmental revenues. Actual revenues and other financing sources were \$12,252,480. This represents an increase of \$182,446 (less than 2 percent).

General Fund original appropriations and other financing uses of \$12,750,760 were increased to \$12,807,760 in the final budget (\$57,000 or less than 1 percent). The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$11,677,624, which was \$1,130,136 (9 percent) less than the final budget appropriations. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$6,916,433 invested in capital assets (net of accumulated depreciation) for governmental activities.

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

Debt

At June 30, 2014, the District had \$905,002 in school improvement general obligation bonds for building improvements. The bonds were originally issued in 1994 for a twenty-five year period. In 2003, the bonds were refunded and issued with final maturity on December 1, 2017. The bonds are being retired through the Bond Retirement Fund.

The District had \$624,180 in Energy Conservation Notes. The notes were issued in 2010 with final maturity on December 1, 2023. The notes are being retired through the General Fund.

At June 30, 2014, the District's overall legal debt margin was \$9,463,743, with an un-voted debt margin of \$120,394.

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

Current Issues

Liberty Center is a small rural community of 1,180 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a major influence on the economy.

In fiscal year 2014, the District was operating in the second year of the state biennium budget. 52 percent of District revenue sources are from local funds, 44 percent is from state funds and with 4 percent from federal funds. The total expenditure per pupil was calculated at \$10,426 for fiscal year 2013. The official reports for fiscal year 2014 have not been released.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

The financial position of the District in fiscal year 2014 increased over the previous year. The District ended the year with positive excess revenues over expenditures of \$1,306,173. This increased the carryover balance of the District to \$7,218,927. This was an increase of 22% in cash balance. This increase was possible due to a savings of approximately \$400,000 in costs for students at the Liberty Education Center; an increase in income tax revenue of 4% (on a cash basis); and a 2.8% increase in state foundation funding.

However, like all school districts in Ohio, the District will be faced with financial challenges to state funding, the long-term effects of public utility deregulation, and the reduction of personal property for business inventory. The five year forecast for fiscal year 2015 through fiscal year 2019 is currently showing deficit spending beginning with fiscal year 2015 and increasing throughout the forecast, but a positive cash balance is projected through 2019. A new state biennial budget will be passed July, 2015. The current projections are for increases in state funding. The forecast does not include any increase in state funding until the state budget is known. The school district income tax is also projected to be on the rise throughout the forecast. A modest 1% increase is projected for FY16-FY19. As additional state funding and local school district income tax revenue is received it is possible the projected deficit spending will not occur for three to four years. The Board and administration will be monitoring the effects of new state laws and federal regulations and will be poised to act as necessary to maintain fiscal stability.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jenell Buenger, Interim Treasurer, Liberty Center Local School District, P. O. Box 434, Liberty Center, Ohio 43532-0434.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2014**

		<u>Governmental Activities</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	5,345,648
Investments		1,800,000
Materials and Supplies Inventory		26,383
Accrued Interest Receivable		9,198
Accounts Receivable		48,275
Intergovernmental Receivable		139,006
Taxes Receivable		5,118,826
Income Taxes Receivable		887,266
Capital Assets:		
Non-Depreciable Capital Assets		1,014,877
Depreciable Capital Assets, net		5,901,556
<i>Total Assets</i>		<u>20,291,035</u>
 Deferred Outflows of Resources:		
Deferred Charge on Refunding		<u>157,422</u>
 Liabilities:		
Accounts Payable		1,020
Accrued Wages and Benefits		1,228,466
Intergovernmental Payable		269,865
Long-Term Liabilities:		
Due Within One Year		421,928
Due in More Than One Year		2,101,823
<i>Total Liabilities</i>		<u>4,023,102</u>
 Deferred Inflows of Resources:		
Property Taxes Levied for the Next Fiscal Year		<u>4,310,800</u>
 <i>Total Liabilities and Deferred Inflows of Resources</i>		 <u>8,333,902</u>
 Net Position:		
Investment in Capital Assets, Net		5,252,104
Restricted for Debt Service		468,813
Restricted for Capital Outlay		563,591
Restricted for Other Purposes		186,626
Unrestricted		5,643,421
<i>Total Net Position</i>	\$	<u><u>12,114,555</u></u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
Instruction:			
Regular	\$ 4,910,721	\$ 711,338	\$ 24,404
Special	1,983,816	464,769	1,162,179
Vocational	197,437		41,059
Student Intervention Services	51,194		(51,194)
Other	289,342		(289,342)
Support Services:			
Pupils	734,756		2,440
Instructional Staff	409,735		208,234
Board of Education	77,773		(77,773)
Administration	926,188	262,736	305
Fiscal	428,830		758
Operation and Maintenance of Plant	875,218		(875,218)
Pupil Transportation	576,168		21,451
Central	207,588		13,390
Operation of Non-Instructional Services	727,348	216,297	253,559
Extracurricular Activities	644,143	152,604	3,430
Capital Outlay	92,995		(92,995)
Debt Service:			
Interest and Fiscal Charges	42,590		(42,590)
Totals	\$ 13,175,842	\$ 1,807,744	\$ 1,731,209

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	2,671,985
Property Taxes, Levied for Capital Outlay	145,428
Property Taxes, Levied for Debt Service	277,014
Income Taxes	2,136,929
Grants and Entitlements not Restricted to Specific Programs	5,323,276
Gifts and Donations	347,158
Investment Earnings	11,193
Miscellaneous	119,337
Total General Revenues	11,032,320
<i>Change in Net Position</i>	1,395,431
Net Position Beginning of Year	10,719,124
<i>Net Position End of Year</i>	\$ 12,114,555

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Current Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 4,234,190	\$ 1,111,458	\$ 5,345,648
Investments	1,800,000		1,800,000
Materials and Supplies Inventory	20,623	5,760	26,383
Accrued Interest Receivable	9,198		9,198
Accounts Receivable	48,275		48,275
Intergovernmental Receivable	48,028	90,978	139,006
Taxes Receivable	4,722,018	396,808	5,118,826
Income Taxes Receivable	887,266		887,266
<i>Total Assets</i>	\$ 11,769,598	\$ 1,605,004	\$ 13,374,602
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 1,020	\$	\$ 1,020
Accrued Wages and Benefits	1,137,289	91,177	1,228,466
Intergovernmental Payable	250,540	19,325	269,865
Matured Compensated Absences Payable	32,760		32,760
<i>Total Liabilities</i>	1,421,609	110,502	1,532,111
Deferred Inflow of Resources:			
Property Levied for the Next Fiscal Year	4,146,284	310,637	4,456,921
Unavailable Revenue	164,761	1,882	166,643
<i>Total Deferred Inflows of Resources</i>	4,311,045	312,519	4,623,564
<i>Total Liabilities and Deferred Inflows of Resources</i>	5,732,654	423,021	6,155,675
Fund Balances:			
Nonspendable	20,623	5,760	26,383
Restricted		1,185,706	1,185,706
Assigned	862,122		862,122
Unassigned (Deficit)	5,154,199	(9,483)	5,144,716
<i>Total Fund Balances</i>	6,036,944	1,181,983	7,218,927
<i>Total Liabilities, Deferred Inflows, and Fund Balances</i>	\$ 11,769,598	\$ 1,605,004	\$ 13,374,602

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014**

Total Governmental Fund Balances	\$	7,218,927
<p>Amounts reported for governmental activities on the statement of Net Position are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		6,916,433
Deferred inflows that do not provide financial resources are not reported as revenues in governmental fund.		312,764
Unamortized deferred amounts on refundings are not recognized in the funds		157,422
Unamortized premiums on bonds are not recognized in the funds		(206,869)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	\$	(905,002)
Note Payable		(624,180)
Capital Leases Payable		(85,700)
Compensated Absences Payable		(669,240)
		<u>(2,284,122)</u>
Net Position of Governmental Activities	\$	<u><u>12,114,555</u></u>

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property and Other Local Taxes	\$ 2,680,107	\$ 425,764	\$ 3,105,871
Income Tax	2,132,690		2,132,690
Intergovernmental	6,117,328	936,619	7,053,947
Interest	11,109	84	11,193
Tuition and Fees	1,124,562		1,124,562
Rent	51,545		51,545
Extracurricular Activities	3,340	152,604	155,944
Gifts and Donations	62,041	285,117	347,158
Customer Sales and Services	262,826	216,297	479,123
Miscellaneous	71,189	48,148	119,337
<i>Total Revenues</i>	<u>12,516,737</u>	<u>2,064,633</u>	<u>14,581,370</u>
Expenditures:			
Current:			
Instruction:			
Regular	4,864,103	24,450	4,888,553
Special	1,585,620	340,253	1,925,873
Vocational	188,591		188,591
Student Intervention Services	51,194		51,194
Other	289,346		289,346
Support Services:			
Pupils	711,814	1,897	713,711
Instructional Staff	221,931	196,701	418,632
Board of Education	77,773		77,773
Administration	929,383	305	929,688
Fiscal	402,423	12,273	414,696
Operation and Maintenance of Plant	842,971		842,971
Pupil Transportation	470,818	103,543	574,361
Central	215,222	13,390	228,612
Operation of Non-Instructional Services	229,265	481,675	710,940
Extracurricular Activities	359,324	215,535	574,859
Capital Outlay	34,461		34,461
Debt Service:			
Principal	103,346	265,000	368,346
Interest		42,590	42,590
<i>Total Expenditures</i>	<u>11,577,585</u>	<u>1,697,612</u>	<u>13,275,197</u>
<i>Excess of Revenues Over Expenditures</i>	<u>939,152</u>	<u>367,021</u>	<u>1,306,173</u>
Other Financing Sources and (Uses):			
Transfers In		50,000	50,000
Transfers Out	(50,000)		(50,000)
<i>Total Other Financing Sources and (Uses)</i>	<u>(50,000)</u>	<u>50,000</u>	<u></u>
<i>Net Change in Fund Balances</i>	889,152	417,021	1,306,173
Fund Balances at Beginning of Year	5,147,792	764,962	5,912,754
<i>Fund Balances at End of Year</i>	<u>\$ 6,036,944</u>	<u>\$ 1,181,983</u>	<u>\$ 7,218,927</u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balances - Total Governmental Funds \$ 1,306,173

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

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current year.

Capital Outlay - Depreciable Capital Assets	\$ 107,168	
Depreciation	(414,283)	
		(307,115)

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

Intergovernmental	(2,892)	
Income Taxes	4,239	
Delinquent Property Taxes	(11,444)	
		(10,097)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.

368,346

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

38,124

Change in Net Position of Governmental Activities \$ 1,395,431

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
Revenues:				
Property and Other Local Taxes	\$ 2,099,208	\$ 2,306,208	\$ 2,425,129	\$ 118,921
Income Tax	2,217,048	2,248,517	2,255,694	7,177
Intergovernmental	5,759,000	5,959,009	6,069,300	110,291
Interest	20,000	20,000	9,658	(10,342)
Tuition and Fees	1,165,500	1,165,500	1,083,529	(81,971)
Rent	52,000	52,000	48,859	(3,141)
Gifts and Donations	42,500	52,500	42,099	(10,401)
Customer Sales and Service		211,300	262,301	51,001
Miscellaneous	5,000	5,000	8,077	3,077
<i>Total Revenues</i>	<u>11,360,256</u>	<u>12,020,034</u>	<u>12,204,646</u>	<u>184,612</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,206,349	5,156,125	4,874,107	282,018
Special	1,981,804	1,798,487	1,477,307	321,180
Vocational	203,179	195,679	187,251	8,428
Student Intervention Services	56,660	59,241	51,194	8,047
Other	369,582	343,030	292,571	50,459
Support Services:				
Pupils	688,973	752,644	712,651	39,993
Instructional Staff	249,439	340,831	303,906	36,925
Board of Education	96,815	97,388	78,783	18,605
Administration	921,010	944,290	921,432	22,858
Fiscal	417,002	419,867	403,455	16,412
Operation and Maintenance of Plant	1,010,474	1,019,785	900,568	119,217
Pupil Transportation	595,411	595,868	522,343	73,525
Central	176,667	240,239	235,246	4,993
Operation of Non-Instructional Services	211,300	211,300	189,428	21,872
Extracurricular Activities	388,952	392,881	377,503	15,378
Capital Outlay	64,725	77,687	37,461	40,226
Principal	62,418	62,418	62,418	
<i>Total Expenditures</i>	<u>12,700,760</u>	<u>12,707,760</u>	<u>11,627,624</u>	<u>1,080,136</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,340,504)</u>	<u>(687,726)</u>	<u>577,022</u>	<u>1,264,748</u>
Other Financing Sources and (Uses):				
Advances In		50,000		(50,000)
Refund of Prior Year Expenditures			47,834	47,834
Transfer Out		(50,000)	(50,000)	
Advances Out	(50,000)	(50,000)		50,000
<i>Total Other Financing Sources and (Uses)</i>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(2,166)</u>	<u>47,834</u>
<i>Net Change in Fund Balance</i>	<u>(1,390,504)</u>	<u>(737,726)</u>	<u>574,856</u>	<u>1,312,582</u>
Fund Balance at Beginning of Year	5,113,057	5,113,057	5,113,057	
Prior Year Encumbrances Appropriated	133,099	133,099	133,099	
<i>Fund Balance at End of Year</i>	<u>\$ 3,855,652</u>	<u>\$ 4,508,430</u>	<u>\$ 5,821,012</u>	<u>\$ 1,312,582</u>

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>2,958</u>	\$ <u>39,395</u>
Liabilities:		
Undistributed Monies		\$ <u>39,395</u>
Net Position:		
Held in Trust for Scholarships	\$ <u>2,958</u>	

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust</u>
Additions:	
Miscellaneous	\$ <u>1,078</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>3,584</u>
<i>Change in Net Position</i>	(2,506)
Net Position Beginning of Year	<u>5,464</u>
<i>Net Position End of Year</i>	<u><u>\$ 2,958</u></u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Liberty Center Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Liberty Center Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 57 non-certified and 88 certified full-time teaching personnel who provide services to 1,152 students and other community members.

The Reporting Entity

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statement of net position presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund is the only major governmental 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 is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Inflows of Resources and Deferred Outflows 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 District, deferred outflows of resources consists of 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.

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as a deferred inflow. Special assessments and sales taxes not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as a deferred inflow in the governmental funds.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as a deferred inflow.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Expenditures/Expenses

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

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

E. Budgetary Process

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2014 is as follows:

1. The Treasurer submits an annual tax budget for the following fiscal year to the Board by January 15, for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the Council Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following year.
2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2014.
3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education. (State statute permits temporary appropriation to be effective until no later than October 1 of each year.)

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

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

F. Cash and Investments

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

During fiscal year 2014, investments were limited to STAR Ohio, Federal Home Loan Bank Bonds, negotiable certificates of deposit, and nonnegotiable certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2014.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$11,109, which included \$1,534 from other District funds.

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

G. Inventory

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Restricted Assets

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

I. Capital Assets

General capital assets are those assets not specifically related to activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported on the fund financial statements.

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

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

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

J. Compensated

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

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

L. Net position

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

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

M. Fund Balance

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

N. Estimates

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2014.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING

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

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 a reservation of fund balance (GAAP basis).

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

Net Change in Fund Balance Major Governmental Fund	
	General
GAAP Basis	\$889,152
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2013, Received In Cash FY 2014	1,177,766
Accrued FY 2014, Not Yet Received in Cash	(1,451,574)
Expenditure Accruals:	
Accrued FY 2013, Paid in Cash FY 2014	(1,293,729)
Accrued FY 2014, Not Yet Paid in Cash	1,448,820
Non General Fund Activity	(10,126)
Encumbrances Outstanding at Year End (Budget Basis)	(185,453)
Budget Basis	\$574,856

4. DEPOSITS AND INVESTMENTS

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

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

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FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).
7. Commercial paper and bankers acceptances if trading requirements and Board approval have been met, for a period not to exceed 180 days from the purchase date in an amount not to exceed 25 percent of interim monies available for investment at any one time.

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$4,608,094 of the District's bank balance of \$5,445,556 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2014, the District had the following investments:

	Balance at Fair Value	Less than One year	25 to 60 Months
Federal Home Loan Bank Notes	\$200,006		\$200,006
Negotiable Certificates of Deposit	1,594,808	\$248,000	1,346,808
Money Market	5,186	5,186	
STAR Ohio	51,461	51,461	
Total Investments	<u>\$1,851,461</u>	<u>\$304,647</u>	<u>\$1,546,814</u>

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

Credit Risk - Federal Home Loan Banks Bonds carry a rating of AAA by Moody's and AA+ by Standard and Poor's. STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk - The District's investment policy places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investment in the Federal Home Loan Banks Notes, negotiable certificates of deposit, Money Market/Cash, and Star Ohio represent 11 percent, 86 percent, less than 1 percent, and 3 percent, respectively, of the District's total investments

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes for 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012 and were levied after April 1, 2013 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. PROPERTY TAXES - (Continued)

	<u>2013 Second- Half Collections</u>		<u>2014 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$104,348,040	88%	\$104,570,120	87%
Industrial/Commercial	7,378,600	6%	7,669,700	6%
Public Utility	6,629,040	6%	8,218,470	7%
Total Assessed Value	<u>\$118,355,680</u>	<u>100%</u>	<u>\$120,458,290</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$44.60		\$44.60	

6. INCOME TAX

In 1995, the voters of the Liberty Center Local School District passed a 1 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2014, the District recorded income tax revenue of \$2,132,690 in the General Fund, of which \$887,266 is recorded as a receivable at June 30, 2014.

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

7. RECEIVABLES

Receivables at June 30, 2014, consisted of property, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General	\$48,028
Schools that Work Grant	1,717
Straight A Grant	1,000
Title VI-B Grant	54,346
Title I Grant	33,915
Total Intergovernmental Receivables	<u>\$139,006</u>

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. CAPITAL ASSETS - (Continued)

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

	<u>Balance at 7/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2014</u>
Governmental Activities				
Non Depreciable Capital Assets				
Land	\$1,014,877			\$1,014,877
Depreciable Capital Assets				
Land Improvements	451,481			451,481
Buildings and Building Improvements	11,346,736			11,346,736
Permanent Fixtures	759,979			759,979
Equipment	452,780	\$16,048		468,828
Computers	185,180	25,930	\$6,834	204,276
Musical Instruments	11,401			11,401
Vehicles	1,385,642	65,190	97,527	1,353,305
Total Depreciable Capital Assets	<u>14,593,199</u>	<u>107,168</u>	<u>104,361</u>	<u>14,596,006</u>
Less Accumulated Depreciation				
Land Improvements	(259,303)	(21,491)		(280,794)
Buildings and Building Improvements	(6,457,263)	(226,681)		(6,683,944)
Permanent Fixtures	(527,420)	(39,691)		(567,111)
Equipment	(242,310)	(30,153)		(272,463)
Computers	(105,673)	(23,893)	6,834	(122,732)
Musical Instruments	(10,022)	(570)		(10,592)
Vehicles	(782,537)	(71,804)	97,527	(756,814)
Total Accumulated Depreciation	<u>(8,384,528)</u>	<u>(414,283)</u>	<u>\$104,361</u>	<u>(8,694,450)</u>
Depreciable Capital Assets, Net	<u>6,208,671</u>	<u>(307,115)</u>		<u>5,901,556</u>
Governmental Activities Capital Assets, Net	<u>\$7,223,548</u>	<u>(\$307,115)</u>		<u>\$6,916,433</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$92,892
Special	18,896
Vocational	6,372
Support Services:	
Pupil	14,252
Instructional Staff	6,747
Administration	11,911
Fiscal	12,695
Operation and Maintenance of Plant	32,782
Pupil Transportation	71,234
Central	4,754
Non-Instructional Services	11,541
Extracurricular	71,673
Capital Outlay	58,534
Total Depreciation Expense	<u>\$414,283</u>

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. RISK MANAGEMENT

A. Schools of Ohio Risk Sharing Authority

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

Property Insurance	\$38,538,238
Equipment Breakdown	50,000,000
Crime Coverage	100,000
General Liability:	
Per Occurrence	15,000,000
Total Per Year	17,000,000
Educators' Legal Liability - Wrongful Acts	15,000,000
Automobile Liability	15,000,000

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

B. Employee Insurance Benefits Program

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

C. Workers' Compensation Group Program

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. DEFINED PENSION BENEFIT PLANS

A. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. A member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - . Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$727,611, \$670,096, and \$611,912, respectively; 83 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions made to the DB, DC, and CP plans for fiscal year 2014 were \$558,871 made by the District and \$711,291 made by the plan members.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. DEFINED PENSION BENEFIT PLANS - (Continued)

B. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the 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, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$250,813, \$240,659 and \$157,341, respectively; 88 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2014, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

11. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

11. POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2014, this amount was \$20,250.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$26,554, \$26,814, and \$6,814 respectively; 9 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 was \$14,551, \$13,594 and \$9,292, respectively; 88 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$55,970, \$51,546 and \$47,070 respectively; 83 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

12. COMPENSATED ABSENCES

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

12. COMPENSATED ABSENCES

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 55 days for non-union employees, 55 days for certified and 53 days for classified union employees.

13. CAPITALIZED LEASES - LESSEE DISCLOSURE

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

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

Capital assets acquired by the leases have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. Principal payments in the 2014 fiscal year totaled \$40,928.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2014:

<u>General Long-Term Obligations</u>	
<u>Year Ending June 30,</u>	<u>Equipment</u>
2015	\$44,853
2016	44,853
Total Future Minimum Lease Payments	89,706
Less: Amount Representing Interest	(4,006)
Present Value of Future Minimum Lease Payments	<u>\$85,700</u>

14. LONG-TERM OBLIGATIONS

During the year ended June 30, 2014, the following changes occurred in obligations reported in the Government -Wide Financial Statements:

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

14. LONG-TERM OBLIGATIONS - (Continued)

	<u>Balance at 06/30/2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 06/30/2014</u>	<u>Amount Due In one Year</u>
General Obligation School Improvement Refunding Bonds					
Series 2003 – Current Interest	\$1,170,002		\$265,000	\$905,002	\$275,000
Energy Conservation Notes 2010	686,598		62,418	624,180	62,418
Capital Leases	126,628		40,928	85,700	42,196
Compensated Absences	737,674		35,674	702,000	42,314
Total Government Activities	<u>\$2,720,902</u>		<u>\$404,020</u>	2,316,882	<u>\$421,928</u>
Add: Amortized Premium on Refunding				<u>206,869</u>	
Total on Statement of Net position				<u>\$2,523,751</u>	

Proceeds from the outstanding bonds were used for the purpose of refunding general obligation bonds, dated March 1, 1994, which were issued for the purpose of financing school permanent improvements. The bonds were issued on September 1, 2003. The bonds consisted of \$2,985,000 in Current Interest bonds and \$139,998 in Capital Appreciation bonds.

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

The Current Interest bonds shall bear interest at the rates per year and will mature in the principal amounts and on the principal payment dates as follows:

<u>Principal Payment Due</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
December 1, 2014	\$275,000	4.00%
December 1, 2015	275,000	4.10%
December 1, 2016	250,000	4.20%
December 1, 2017	105,000	4.30%

The Current Interest bonds maturing on or after December 1, 2014, are subject to prior optional redemption, by and at the sole option of the Board, either in whole or in part (as selected by the Board and in integral multiples of \$5,000) on any date on or after December 1, 2014, at par, plus interest accrued to the redemption date.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

14. LONG-TERM OBLIGATIONS - (Continued)

The District has defeased a debt issue by placing cash with a trustee in an amount sufficient to pay all debt principal and interest when they come due. The principal amount of the defeased debt outstanding at June 30, 2014, was \$904,999. The cash and investments held by the trustees are not included in the District's assets nor are the outstanding bonds included above.

Total expenditures for interest for the above debt for the period ended June 30, 2014 was \$42,590.

The scheduled payments of principal and interest on debt outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$337,418	\$31,790	\$369,208
2016	337,418	20,652	358,070
2017	312,418	9,765	322,183
2018	167,418	2,258	169,676
2019	62,418		62,418
2020-2024	312,092		312,090
Total	<u>\$1,529,182</u>	<u>\$64,465</u>	<u>\$1,593,645</u>

15. SET-ASIDE CALCULATIONS

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

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

	Capital Acquisition
Set-aside Balance as of June 30, 2013	
Current Year Set-aside Requirement	\$192,093
Current Year Offsets	(155,240)
Qualifying Expenditures	(158,934)
Total	<u>(\$122,081)</u>

Although the District had qualifying disbursements and current year offsets during the fiscal year that reduced the set-aside amount below zero, this amount may not be used to reduce the set-aside requirements of future years. This negative balance is therefore not presented as being carried forward to future fiscal years.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total fees paid by the District to NWOCA during this fiscal year were \$179,871. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

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

C. Four County Career Center

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

D. Northwestern Ohio Educational Research Council, Inc.

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

17. GROUP PURCHASING POOLS

A. Employee Insurance Benefits Program

The District participates in a group health insurance pool through the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Pool). NBHP is a joint self-insurance arrangement created pursuant to the authority vested in Ohio Revised Code § 9.833. The Pool is a public entity shared risk pool consisting of educational entities throughout the State. The Pool is governed by OHI and its participating members. The District contributed a total of \$1,258,069 to Northern Buckeye Health Plan, Northwest Division of OHI, during this fiscal year for all four plans. Financial information for the period can be obtained from Northern Buckeye Health Plan/OHI, Jenny Jostworth, Treasurer, at 10999 Reed Hartman Hwy., Suite 304E, Cincinnati, Ohio 45242.

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

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

NBHP has retained Sheakley UniService as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District paid an enrollment fee of \$1,154 to WCGRP to cover the costs of administering the program.

C. Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code - Non-Profit Corporations and functioning under authority granted by Section 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons, which might result in claims being made against members of SORSA, their employees or officers. The District paid \$73,542 for these services to SORSA in fiscal year 2014.

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

18. RELATED ORGANIZATION

Liberty Center Public Library

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

19. CONTINGENCIES

A. Federal and State Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

B. Litigation

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

20. DEFICIT FUND BALANCES

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

<u>Nonmajor Funds</u>	<u>Deficit</u>
Food Service	\$3,520
Race to the Top	70
Title II-A	133

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

21. FUND BALANCE

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

21. FUND BALANCE - (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Nonspendable for:			
Materials and Supplies	\$20,623	\$5,760	\$26,383
Restricted for:			
Regular Instruction		14,161	14,161
Special Instruction		30,139	30,139
Athletics		126,451	126,451
Debt Retirement		457,508	457,508
Permanent Improvements		557,447	557,447
Total Restricted		1,185,706	1,185,706
Assigned for:			
Rotary Fund	208		208
Principal Funds	27,519		27,519
Encumbrances	184,443		184,443
Appropriations	649,952		649,962
Total Assigned	862,122		862,132
Unassigned (Deficit)	5,154,199	(9,483)	5,144,716
Total Fund Balance	\$6,036,944	\$1,181,983	\$7,218,937

22. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2014, the District implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees". The statement provides accounting and financial reporting guidance to state and local governments that offer non-exchange financial guarantees to others and for governments that receive guarantees on their obligations.

A non-exchange transaction occurs when a government gives value or benefit, such as providing a guarantee of an obligation, to another party without receiving equal value in exchange. Because no value is exchanged, the transaction is not often recorded on the financial statements of the government. However, GASB 70 now defines circumstances that require the government to recognize a liability. The statement addresses the guarantee of an obligation by the government entity with a legally separate entity or individual, including another government, a not-for profit organization, a private entity or blended or discretely presented component unit.

The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

23. SUBSEQUENT EVENTS

Ohio School Facilities Commission Project

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

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LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
National School Lunch Program			
Cash Assistance	10.555	\$168,549	\$168,549
Non-Cash Assistance (Food Distribution)	10.555	30,025	30,025
Total National School Lunch Program		<u>198,574</u>	<u>198,574</u>
School Breakfast Program	10.553	<u>51,425</u>	<u>51,425</u>
Total Nutrition Cluster		249,999	249,999
State Administrative Expenses for Child Nutrition	10.560		<u>2,370</u>
Total United States Department of Agriculture		<u>249,999</u>	<u>252,369</u>
UNITES STATES DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	177,021	174,765
Special Education Cluster:			
Special Education Grants to States	84.027	152,216	148,784
Special Education Preschool Grants	84.173	<u>17,490</u>	<u>17,490</u>
Total Special Education Cluster		169,706	166,274
Education Technology State Grants	84.318	26,187	24,404
ARRA - Race to the Top Incentive Grants	84.395	1,731	
ARRA - Race to the Top Incentive Grants - Resident Educator Program	84.395	<u>1,400</u>	<u>1,400</u>
Total ARRA - Race to the Top Incentive Grants		<u>3,131</u>	<u>1,400</u>
Total United States Department of Education		<u>376,045</u>	<u>366,843</u>
Total Federal Financial Assistance		<u><u>\$626,044</u></u>	<u><u>\$619,212</u></u>

The accompanying notes are an integral part of this schedule.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Liberty Center Local School District
Henry County
103 West Young Street
P.O. Box 434
Liberty Center, Ohio 43532-0434

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Liberty Center Local School District, Henry County, Ohio, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 25, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-002 described in the accompanying schedule of findings to be a significant deficiency.

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 communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 25, 2015



Dave Yost • Auditor of State

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

Liberty Center Local School District
Henry County
103 West Young Street
P.O. Box 434
Liberty Center, Ohio 43532-0434

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance of the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Liberty Center Local School District, Henry County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affects its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

March 25, 2015

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Grants to States CFDA #84.027 and Special Education Preschool Grants CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2014-001

Material Weakness

Financial Reporting

The following discrepancies were noted in the District's GAAP financial statements:

- Negotiable Certificates of Deposit, Federal Home Loan Bank Bonds, Money Market Investment accounts totaling \$1,800,000 were misclassified as "Cash and Cash Equivalents" instead of "Investments" on the District's financial statements in the General fund.
- Program and General revenues reported on the Statement of Activities were misposted by a total of \$1,282,921.

Adjustments were recorded to the financial statements to correct these posting entries.

Additionally, immaterial errors not requiring adjustment to the financial statements were noted in the classification of certain receivables, capital assets, and equity ranging from \$3,165 to \$157,422.

Sound financial reporting is the responsibility of the Treasurer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate

To ensure the District's financial statements and notes to the statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and the Board of Education, to identify and correct errors and omissions.

FINDING NUMBER 2014-002

Significant Deficiency

Budgetary Reporting

Section 2400.102 of the Codification of Governmental Accounting and Financial Reporting Standards requires budgetary comparisons to be presented for the General fund and for each major Special Revenue fund which has a legally adopted annual budget.

The budgetary comparison schedule should present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the government's budgetary basis. A separate column to report the variance between the final budget and actual amounts is encouraged but not required.

FINDING NUMBER 2014-002 (Continued)

Significant Deficiency (Continued)

Budgetary Reporting (Continued)

The *original budget* is the first complete appropriated budget. The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes *before* the beginning of the fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law.

The *final budget* is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.

The *actual amounts* are the amounts the District received or spent, based on what the Board legally authorized or approved the District to spend.

The District did not properly report its original budgeted revenue amounts in its budgetary statement.

An adjustment to various original budgeted revenue line items totaling \$539,769 was posted to the District's budgetary statement.

We recommend original budgeted amounts be presented on the budgetary statement in accordance with Board approved amounts.

Officials' Response:

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

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

LIBERTY CENTER LOCAL SCHOOL DISTRICT

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 7, 2015**