



Dave Yost • Auditor of State

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

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LIBERTY-BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty-Benton Local School District, Hancock County, Ohio (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty-Benton Local School District, Hancock County, Ohio, as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the School District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Federal Awards Receipts and Expenditures Schedule 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 schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules 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, these schedules are 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 3, 2016, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School 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 3, 2016

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Liberty Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The discussion and analysis of Liberty Benton Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2015 were as follows:

Net position increased \$1,306,820, or almost 27 percent.

General revenues were \$12,488,345, or 80 percent of total revenues, and demonstrate the School District's significant dependence on property taxes and income taxes as well as State funding.

Using the Basic Financial Statements

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

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

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

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2015. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

Liberty Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

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

Reporting the School District's Most Significant Funds

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2015 and fiscal year 2014:

Table 1
Net Position

	Governmental Activities		
	2015	2014	Change
<u>Assets</u>			
Current and Other Assets	\$14,967,361	\$14,075,658	\$891,703
Capital Assets, Net	8,390,851	8,733,940	(343,089)
Total Assets	23,358,212	22,809,598	548,614
			(continued)

Liberty Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 1
Net Position
(continued)

	Governmental Activities		
	2015	2014	Change
<u>Deferred Outflows of Resources</u>			
Pension	\$1,168,928	\$938,446	\$230,482
Other Amounts	10,281	10,281	0
Total Deferred Outflows of Resources	<u>1,179,209</u>	<u>948,727</u>	<u>230,482</u>
<u>Liabilities</u>			
Current and Other Liabilities	1,623,416	1,741,433	118,017
Long-Term Liabilities			
Pension	15,977,427	18,992,283	3,014,856
Other Amounts	3,306,538	3,864,989	558,451
Total Liabilities	<u>20,907,381</u>	<u>24,598,705</u>	<u>3,691,324</u>
<u>Deferred Inflows of Resources</u>			
Pension	2,899,869	0	(2,899,869)
Other Amounts	4,179,214	3,915,483	(263,731)
Total Deferred Inflows of Resources	<u>7,079,083</u>	<u>3,915,483</u>	<u>(3,163,600)</u>
<u>Net Position</u>			
Net Investment in Capital Assets	6,719,705	7,022,632	(302,927)
Restricted	683,820	668,319	15,501
Unrestricted (Deficit)	<u>(10,852,568)</u>	<u>(12,446,814)</u>	<u>1,594,246</u>
Total Net Position (Deficit)	<u>(\$3,449,043)</u>	<u>(\$4,755,863)</u>	<u>\$1,306,820</u>

During fiscal year 2015, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions", which significantly revises accounting for pension costs and liabilities. For reasons discussed below, end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Liberty Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB Statement No. 68, the net pension liability equals the School District's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange", that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer as to the employee because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB Statement No. 68, the School District is reporting a net pension liability and deferred outflows/inflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$13,297,974 to (\$4,755,863).

Liberty Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The above table reflects several significant changes from the prior fiscal year. The increase in current and other assets was primarily due to an increase in cash and cash equivalents and the receivable for both property taxes and income taxes. The increase in cash and cash equivalents is generally the result of an increase in income tax revenue during the fiscal year (economic improvement) and a reduction in expenses for fiscal year 2015. The increase in the receivable for property taxes is the continuing effect of a property reevaluation as total assessed value increased approximately \$2.6 million. The income tax receivable is based on continued economic improvement expectations. The decrease in net capital assets and the investment in capital assets is generally due to annual depreciation expense. In the prior fiscal year, the School District had higher payables due to small equipment purchases and the timing of those payments, as a result, current and other liabilities were lower for fiscal year 2015. Lastly, the decrease in other long-term liabilities is simply due to debt retirement. The combination of these factors (with the exception of those related to capital assets) resulted in the increase in unrestricted net position.

Table 2 reflects the change in net position for fiscal year 2015 and fiscal year 2014:

Table 2
Change in Net Position

	Governmental Activities		
	2015	2014	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$2,015,153	\$1,932,308	\$82,845
Operating Grants, Contributions, and Interest	1,179,451	1,145,149	34,302
Total Program Revenues	<u>3,194,604</u>	<u>3,077,457</u>	<u>117,147</u>
General Revenues			
Property Taxes	5,081,720	5,141,057	(59,337)
Income Taxes	1,786,416	1,624,446	161,970
Payment in Lieu of Taxes	18,091	15,998	2,093
Grants and Entitlements	5,393,256	5,421,860	(28,604)
Interest	32,893	5,612	27,281
Gifts and Donations	1,430	3,617	(2,187)
Miscellaneous	174,539	95,353	79,186
Total General Revenues	<u>12,488,345</u>	<u>12,307,943</u>	<u>180,402</u>
Total Revenues	<u>15,682,949</u>	<u>15,385,400</u>	<u>297,549</u>

(continued)

Liberty Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		
	2015	2014	Change
<u>Expenses</u>			
Instruction:			
Regular	\$6,415,546	\$6,588,456	\$172,910
Special	1,415,802	1,498,607	82,805
Vocational	499,367	317,530	(181,837)
Support Services:			
Pupils	1,123,264	1,060,027	(63,237)
Instructional Staff	473,802	996,899	523,097
Board of Education	15,303	25,681	10,378
Administration	972,810	1,017,569	44,759
Fiscal	335,427	322,305	(13,122)
Business	1,830	1,645	(185)
Operation and Maintenance of Plant	1,152,415	1,221,340	68,925
Pupil Transportation	547,769	577,404	29,635
Central	174,883	148,422	(26,461)
Non-Instructional Services	509,132	529,350	20,218
Extracurricular Activities	496,313	532,219	35,906
Interest and Fiscal Charges	242,466	299,614	57,148
Total Expenses	<u>14,376,129</u>	<u>15,137,068</u>	<u>760,939</u>
Increase in Net Position	1,306,820	248,332	1,058,488
Net Position (Deficit) at Beginning of Year	<u>(4,755,863)</u>	N/A	
Net Position (Deficit) at End of Year	<u>(\$3,449,043)</u>	<u>(\$4,755,863)</u>	<u>\$1,306,820</u>

The information necessary to restate the fiscal year 2014 beginning balance and the fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB Statement No. 68 is not available. Therefore, fiscal year 2014 functional expenses still include pension expense of \$938,446 computed under GASB Statement No. 27. GASB Statement No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 68, pension expense represents additional amounts earned adjusted by deferred outflows/inflows. The contractually required contribution is no longer a component of pension expense. Under GASB Statement No. 68, the fiscal year 2015 statements report pension expense of \$672,395.

Liberty Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Consequently, in order to compare fiscal year 2015 total program expenses to fiscal year 2014, the following adjustments are needed.

Total 2015 Program Expenses under GASB Statement No. 68	\$14,376,129
Pension Expense under GASB Statement No. 68	(672,395)
2015 Contractually Required Contribution	<u>1,017,864</u>
Adjusted 2015 Program Expenses	14,721,598
Total 2014 Program Expenses under GASB Statement No. 27	<u>(15,137,068)</u>
Decrease in Program Expenses not Related to Pension	<u><u>(\$415,470)</u></u>

There was a modest 2 percent increase in total revenues. Programs revenues increased primarily due to an increase in open enrollment and additional State funding for special education instruction. General revenues increased slightly primarily due to an increase in income tax revenue.

Expenses decreased almost 3 percent. The largest change is reflected in the instructional staff program. The decrease is related to the higher payables from small equipment purchases (not capitalized) that occurred in the prior fiscal year. The increase in the vocational instruction program is related to a judgment payable. As is to be expected, the instruction programs are the School District's largest expense, accounting for 58 percent of all governmental activities expenses. Combined with the support services related to instruction, such as pupils, instructional staff, operation and maintenance of plant, and pupil transportation, 81 percent of all of the School District's expenses are directly related to delivering education and maintaining facilities.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction:				
Regular	\$6,415,546	\$6,588,456	\$4,897,610	\$5,198,218
Special	1,415,802	1,498,607	420,167	480,019
Vocational	499,367	317,530	448,792	267,018

(continued)

Liberty Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 3
Governmental Activities
(continued)

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Support Services:				
Pupils	1,123,264	1,060,027	1,117,864	1,054,627
Instructional Staff	473,802	996,899	473,802	996,899
Board of Education	15,303	25,681	15,303	25,681
Administration	972,810	1,017,569	972,810	1,017,569
Fiscal	335,427	322,305	335,427	322,305
Business	1,830	1,645	1,830	1,645
Operation and Maintenance of Plant	1,152,415	1,221,340	1,152,415	1,221,340
Pupil Transportation	547,769	577,404	538,000	566,346
Central	174,883	148,422	174,883	148,422
Non-Instructional Services	509,132	529,350	(4,088)	41,128
Extracurricular Activities	496,313	532,219	394,244	418,780
Interest and Fiscal Charges	242,466	299,614	242,466	299,614
Total Expenses	<u>\$14,376,129</u>	<u>\$15,137,068</u>	<u>\$11,181,525</u>	<u>\$12,059,611</u>

The above table demonstrates that 78 percent of all of the School District's costs for fiscal year 2015 were provided for through general revenues (80 percent in fiscal year 2014). Only several of the School District's programs receive significant support from program revenues. For instance, the regular instruction program paid for 24 percent of its costs through program revenues (primarily open enrollment tuition). The special instruction program paid for 70 percent of its costs through program revenues, those generally being operating grants restricted to special instruction programs. Program revenues paid for the entire non-instructional program in fiscal year 2015. These revenues consists of cafeteria sales, state and federal subsidies, and donated commodities for food service operations.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Fund balance in the General Fund increased 4 percent. Despite revenues increasing 2 percent and expenditures increasing 5 percent, revenues remained in excess of expenditures which contributed to the increase in fund balance.

The change in fund balance in the Bond Retirement Fund was not significant.

Liberty Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

General Fund Budgeting Highlights

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

During fiscal year 2015, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant. The same can be said for expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the School District had \$8,390,851 invested in capital assets (net of accumulated depreciation). Additions and disposals were not significant. For further information regarding the School District's capital assets, refer to Note 11 to the basic financial statements.

Debt

At June 30, 2015, the School District had outstanding general obligation bonds, in the amount of \$2,606,129. The School District's long-term obligations also include the net pension liability and compensated absences. For further information regarding the School District's long-term obligations, refer to Note 18 to the basic financial statements.

Current Issues

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

Contacting the School District's Financial Management

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

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Liberty Benton Local School District
Statement of Net Position
June 30, 2015

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$9,047,687
Accounts Receivable	26,655
Accrued Interest Receivable	2,883
Intergovernmental Receivable	24,369
Income Taxes Receivable	782,205
Inventory Held for Resale	6,439
Materials and Supplies Inventory	10,234
Property Taxes Receivable	5,050,168
Payment in Lieu of Taxes Receivable	16,721
Nondepreciable Capital Assets	930,570
Depreciable Capital Assets, Net	7,460,281
Total Assets	23,358,212
<u>Deferred Outflows of Resources:</u>	
Deferred Charge on Refunding	10,281
Pension	1,168,928
Total Deferred Outflows of Resources	1,179,209
<u>Liabilities:</u>	
Accounts Payable	265,645
Accrued Wages and Benefits Payable	900,508
Intergovernmental Payable	301,918
Matured Compensated Absences Payable	4,487
Judgments Payable	146,099
Accrued Interest Payable	4,759
Long-Term Liabilities:	
Due Within One Year	54,991
Due in More Than One Year	
Net Pension Liability	15,977,427
Other Amounts Due in More Than One Year	3,251,547
Total Liabilities	20,907,381
<u>Deferred Inflows of Resources:</u>	
Property Taxes	4,170,906
Payment in Lieu of Taxes	8,308
Pension	2,899,869
Total Deferred Inflows of Resources	7,079,083
<u>Net Position:</u>	
Net Investment in Capital Assets	6,719,705
Restricted For:	
Capital Projects	707
Debt Service	577,431
Food Service	14,122
Athletics and Music	67,666
Other Purposes	23,894
Unrestricted (Deficit)	(10,852,568)
Total Net Position (Deficit)	(\$3,449,043)

See Accompanying Notes to Basic Financial Statements

Liberty Benton Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues	
	Charges for Services	Operating Grants, Contributions, and Interest
Expenses		
<u>Governmental Activities:</u>		
Instruction:		
Regular	\$6,415,546	\$1,479,830
Special	1,415,802	154,994
Vocational	499,367	0
Support Services:		
Pupils	1,123,264	0
Instructional Staff	473,802	0
Board of Education	15,303	0
Administration	972,810	0
Fiscal	335,427	0
Business	1,830	0
Operation and Maintenance of Plant	1,152,415	0
Pupil Transportation	547,769	0
Central	174,883	0
Non-Instructional Services	509,132	279,554
Extracurricular Activities	496,313	100,775
Interest and Fiscal Charges	242,466	0
Total Governmental Activities	<u>\$14,376,129</u>	<u>\$2,015,153</u>

General Revenues:

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

Change in Net Position

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

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in
Net Position

Governmental
Activities

(\$4,897,610)
(420,167)
(448,792)

(1,117,864)
(473,802)
(15,303)
(972,810)
(335,427)
(1,830)

(1,152,415)
(538,000)
(174,883)
4,088

(394,244)
(242,466)

(11,181,525)

4,547,844
533,876
1,786,416
18,091
5,393,256
32,893
1,430
174,539

12,488,345

1,306,820

(4,755,863)
(4,755,863)
(\$3,449,043)

Liberty Benton Local School District
Balance Sheet
Governmental Funds
June 30, 2015

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$7,321,111	\$488,359	\$1,238,217	\$9,047,687
Accounts Receivable	26,551	0	104	26,655
Accrued Interest Receivable	2,883	0	0	2,883
Interfund Receivable	204	0	0	204
Intergovernmental Receivable	799	0	23,570	24,369
Income Taxes Receivable	782,205	0	0	782,205
Inventory Held for Resale	0	0	6,439	6,439
Materials and Supplies Inventory	8,318	0	1,916	10,234
Property Taxes Receivable	4,522,687	527,481	0	5,050,168
Payment in Lieu of Taxes Receivable	14,978	1,743	0	16,721
Total Assets	<u>\$12,679,736</u>	<u>\$1,017,583</u>	<u>\$1,270,246</u>	<u>\$14,967,565</u>
<u>Liabilities:</u>				
Accounts Payable	\$34,134	\$0	\$231,511	\$265,645
Accrued Wages and Benefits Payable	874,419	0	26,089	900,508
Interfund Payable	0	0	204	204
Intergovernmental Payable	288,974	0	12,944	301,918
Matured Compensated Absences Payable	4,487	0	0	4,487
Judgments Payable	146,099	0	0	146,099
Total Liabilities	<u>1,348,113</u>	<u>0</u>	<u>270,748</u>	<u>1,618,861</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes	3,736,389	434,517	0	4,170,906
Payment in Lieu of Taxes	7,432	876	0	8,308
Unavailable Revenue	160,006	2,149	23,570	185,725
Total Deferred Inflows of Resources	<u>3,903,827</u>	<u>437,542</u>	<u>23,570</u>	<u>4,364,939</u>
<u>Fund Balances:</u>				
Nonspendable	8,318	0	1,916	10,234
Restricted	0	580,041	81,932	661,973
Assigned	376,863	0	893,109	1,269,972
Unassigned (Deficit)	7,042,615	0	(1,029)	7,041,586
Total Fund Balances	<u>7,427,796</u>	<u>580,041</u>	<u>975,928</u>	<u>8,983,765</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$12,679,736</u>	<u>\$1,017,583</u>	<u>\$1,270,246</u>	<u>\$14,967,565</u>

See Accompanying Notes to the Basic Financial Statements

Liberty Benton Local School District
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances		\$8,983,765
<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, are not reported in the funds.		8,390,851
Deferred outflows of resources consists of deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds.		10,281
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Accounts Receivable	26,323	
Accrued Interest Receivable	1,837	
Intergovernmental Receivable	23,570	
Income Taxes Receivable	113,786	
Delinquent Property Taxes Receivable	20,209	
		185,725
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued Interest Payable	(4,759)	
General Obligation Bonds Payable	(2,606,129)	
Compensated Absences Payable	(700,409)	
		(3,311,297)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows/inflows are not reported in the governmental funds.		
Deferred Outflows - Pension	1,168,928	
Deferred Inflows - Pension	(2,899,869)	
Net Pension Liability	(15,977,427)	
		(17,708,368)
Net Position of Governmental Activities		(\$3,449,043)

See Accompanying Notes to the Basic Financial Statements

Liberty Benton Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$4,552,033	\$534,408	\$0	\$5,086,441
Income Taxes	1,746,575	0	0	1,746,575
Payment in Lieu of Taxes	16,227	1,864	0	18,091
Intergovernmental	5,840,631	120,159	577,472	6,538,262
Interest	34,352	0	245	34,597
Tuition and Fees	1,629,966	0	0	1,629,966
Extracurricular Activities	0	0	100,775	100,775
Charges for Services	0	0	279,554	279,554
Gifts and Donations	1,430	0	1,294	2,724
Miscellaneous	131,025	0	56,694	187,719
Total Revenues	<u>13,952,239</u>	<u>656,431</u>	<u>1,016,034</u>	<u>15,624,704</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,515,596	0	28,106	6,543,702
Special	1,336,221	0	108,192	1,444,413
Vocational	487,882	0	0	487,882
Support Services:				
Pupils	899,340	0	225,191	1,124,531
Instructional Staff	412,177	0	104,591	516,768
Board of Education	15,303	0	0	15,303
Administration	998,206	0	0	998,206
Fiscal	324,755	11,476	0	336,231
Business	1,830	0	0	1,830
Operation and Maintenance of Plant	1,028,324	0	68,855	1,097,179
Pupil Transportation	658,458	0	0	658,458
Central	169,289	0	0	169,289
Non-Instructional Services	0	0	501,395	501,395
Extracurricular Activities	309,406	0	98,314	407,720
Capital Outlay	0	0	1,660	1,660
Debt Service:				
Principal Retirement	0	40,162	0	40,162
Interest and Fiscal Charges	0	59,893	0	59,893
Interest on Capital Appreciation Bonds	0	529,838	0	529,838
Total Expenditures	<u>13,156,787</u>	<u>641,369</u>	<u>1,136,304</u>	<u>14,934,460</u>
Excess of Revenues Over (Under) Expenditures	<u>795,452</u>	<u>15,062</u>	<u>(120,270)</u>	<u>690,244</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	0	487,978	487,978
Transfers Out	(487,978)	0	0	(487,978)
Total Other Financing Sources (Uses)	<u>(487,978)</u>	<u>0</u>	<u>487,978</u>	<u>0</u>
Changes in Fund Balances	307,474	15,062	367,708	690,244
Fund Balances at Beginning of Year	<u>7,120,322</u>	<u>564,979</u>	<u>608,220</u>	<u>8,293,521</u>
Fund Balances at End of Year	<u>\$7,427,796</u>	<u>\$580,041</u>	<u>\$975,928</u>	<u>\$8,983,765</u>

See Accompanying Notes to the Basic Financial Statements

Liberty Benton Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2015

Changes in Fund Balances - Total Governmental Funds \$690,244

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

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

Capital Outlay - Depreciable Capital Assets	226,444	
Depreciation	(538,023)	
		(311,579)

The book value of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a gain or a loss on disposal of capital assets on the statement of activities.

Gain on Disposal of Capital Assets	2,500	
Loss on Disposal of Capital Assets	(34,010)	
		(31,510)

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

Delinquent Property Taxes	(4,721)	
Income Taxes	39,841	
Intergovernmental	17,226	
Interest	(1,459)	
Tuition and Fees	4,858	
		55,745

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position. 40,162

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position.

Annual Accretion on Capital Appreciation Bonds	(182,573)	
Payment of Accretion of Capital Appreciation Bonds	529,838	
		347,265

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 171,024

Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as pension expense on the statement of activities. (672,395)

Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows. 1,017,864

Change in Net Position of Governmental Activities \$1,306,820

Liberty Benton Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$4,294,982	\$4,393,633	\$4,560,633	\$167,000
Income Taxes	1,682,147	1,635,823	1,696,518	60,695
Payment in Lieu of Taxes	11,100	11,100	14,978	3,878
Intergovernmental	5,883,142	6,015,707	5,839,832	(175,875)
Interest	6,000	6,000	24,029	18,029
Tuition and Fees	1,576,248	1,651,026	1,630,087	(20,939)
Gifts and Donations	3,250	3,250	1,430	(1,820)
Miscellaneous	57,941	57,941	58,422	481
Total Revenues	<u>13,514,810</u>	<u>13,774,480</u>	<u>13,825,929</u>	<u>51,449</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,349,624	6,345,792	6,427,109	(81,317)
Special	1,214,800	1,214,800	1,185,748	29,052
Vocational	262,129	262,129	254,697	7,432
Support Services:				
Pupils	692,573	692,573	690,324	2,249
Instructional Staff	268,389	271,889	371,714	(99,825)
Board of Education	29,420	29,420	18,290	11,130
Administration	939,788	939,789	1,009,223	(69,434)
Fiscal	335,210	335,208	310,999	24,209
Business	2,109	2,109	1,877	232
Operation and Maintenance of Plant	610,717	611,046	563,103	47,943
Pupil Transportation	563,636	733,635	703,004	30,631
Central	292,012	292,012	172,070	119,942
Extracurricular Activities	319,616	319,614	314,453	5,161
Capital Outlay	13,107	13,107	0	13,107
Adult Education				
Adult/Continuing	216	216	0	216
Rotary				
Instructional Staff	25,017	25,017	11,668	13,349
Emergency Levy				
Instruction:				
Regular	173,290	208,004	189,362	18,642
Special	157,739	165,360	162,851	2,509
Vocational	104,134	112,834	112,754	80
Support Services:				
Pupils	202,082	224,269	219,027	5,242
Instructional Staff	45,427	45,427	46,265	(838)
Fiscal	28,225	28,225	26,289	1,936
Operation and Maintenance of Plant	480,653	543,652	566,743	(23,091)
Pupil Transportation	2,394	2,394	1,834	560
Academic Incentives				
Administration	58,910	58,910	56,001	2,909
District Support				
Administration	100	100	347	(247)
Total Expenditures	<u>13,171,317</u>	<u>13,477,531</u>	<u>13,415,752</u>	<u>61,779</u>

(continued)

Liberty Benton Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015
(continued)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Excess of Revenues Over Expenditures	\$343,493	\$296,949	\$410,177	\$113,228
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	13,200	13,200	68,692	55,492
Other Financing Sources	0	0	4,739	4,739
Transfers Out	(423,407)	(423,407)	(487,978)	(64,571)
Total Other Financing Sources (Uses)	(410,207)	(410,207)	(414,547)	(4,340)
Changes in Fund Balance	(66,714)	(113,258)	(4,370)	108,888
Fund Balance at Beginning of Year	6,645,977	6,645,977	6,645,977	0
Prior Year Encumbrances Appropriated	313,881	313,881	313,881	0
Fund Balance at End of Year	<u>\$6,893,144</u>	<u>\$6,846,600</u>	<u>\$6,955,488</u>	<u>\$108,888</u>

See Accompanying Notes to the Basic Financial Statements

Liberty Benton Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$3,742	\$94,122
<u>Liabilities:</u>		
Undistributed Assets		\$2,620
Due to Students	0	91,502
Total Liabilities		\$94,122
<u>Net Position:</u>		
Held in Trust for Scholarships	\$3,742	

See Accompanying Notes to the Basic Financial Statements

Liberty Benton Local School District
Statement of Change in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

Additions:

Gifts and Donations	\$5,200
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Deductions:

Non-Instructional Services	<u>5,800</u>
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Change in Net Position	(600)
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Net Position at Beginning of Year	<u>4,342</u>
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Net Position at End of Year	<u><u>\$3,742</u></u>
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See Accompanying Notes to the Basic Financial Statements

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Note 1 - Description of the School District and Reporting Entity

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

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

Reporting Entity

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

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

The School District participates in five jointly governed organizations and three insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Career and Technology Center, Hancock County Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., Bay Area Council of Governments, Schools of Ohio Risk Sharing Authority, Hancock County Schools Health Benefit Fund, and the Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 22 and 23 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are reported in two categories, governmental and fiduciary.

Governmental Funds

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

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

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

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

Fiduciary Funds

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

Note 2 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources consists of property taxes, payment in lieu of taxes, unavailable revenue, and pension. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes accrued interest, intergovernmental revenue including grants, income taxes, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and explained in Note 15 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies (continued)

Expenses/Expenditures

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

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

E. Budgetary Process

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

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

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

F. Cash and Investments

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

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

During fiscal year 2015, investments included negotiable certificates of deposit, federal agency securities, mutual funds, and STAR Ohio. Investments are reported at fair value, which is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on June 30, 2015.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2015 was \$34,352, which included \$16,371 assigned from other School District funds.

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

G. Inventory

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

H. Capital Assets

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

I. Deferred Charge on Refunding

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position.

J. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from interfund loans and for services provided are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net position.

K. Compensated Absences

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

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

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

L. Accrued Liabilities and Long-Term Obligations

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

M. Unamortized Premiums

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

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

N. Net Position

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

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

O. Fund Balance

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

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

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

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.

Note 2 - Summary of Significant Accounting Policies (continued)

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. Fund balance policy of the Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

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

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

P. Interfund Transactions

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

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

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

Q. Pensions

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

R. Estimates

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

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 3 - Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows and deferred inflows of resources, and pension expenses/expenditures. The implementation of this statement had the following effect on net position as previously reported on June 30, 2014.

Net Position June 30, 2014	\$13,297,974
Net Pension Liability	(18,992,283)
Deferred Outflows - Payments Subsequent to Measurement Date	938,446
Restated Net Position June 30, 2014	<u>(\$4,755,863)</u>

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

Note 4 - Accountability

Accountability

At June 30, 2015, the Title I special revenue fund had a deficit fund balance, in the amount of \$1,029, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

The major differences between the budget basis and the GAAP basis are as follows:

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

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 5 - Budgetary Basis of Accounting (continued)

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

Changes in Fund Balance	
GAAP Basis	\$307,474
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2014, Received in Cash FY 2015	1,403,544
Accrued FY 2015, Not Yet Received in Cash	(1,446,276)
Expenditure Accruals:	
Accrued FY 2014, Paid in Cash FY 2015	(1,249,188)
Accrued FY 2015, Not Yet Paid in Cash	1,348,113
Cash Adjustments:	
Unrecorded Activity FY 2014	(3,315)
Unrecorded Activity FY 2015	(6,832)
Materials and Supplies Inventory	1,105
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(358,995)
Budget Basis	(\$4,370)

Note 6 - Deposits and Investments

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

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

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

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 6 - Deposits and Investments (continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$5,706,278 of the School District's bank balance of \$6,805,521 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 6 - Deposits and Investments (continued)

deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2015, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Negotiable Certificates of Deposit	\$250,567	1/3/17
Negotiable Certificates of Deposit	250,757	5/22/17
Negotiable Certificates of Deposit	250,545	6/20/17
Negotiable Certificates of Deposit	250,828	4/16/18
Negotiable Certificates of Deposit	249,745	5/3/18
Federal National Mortgage Association Notes	500,600	4/20/17
Mutual Funds	15,584	11 days
STAR Ohio	650,251	53.4 Days
Total Investments	<u>\$2,418,877</u>	

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

The negotiable certificates of deposit are covered by FDIC and/or SIPC insurance. The mutual fund is not rated. The Federal National Mortgage Association Note carries a rating of Aaa by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Negotiable Certificates of Deposit	\$1,252,442	51.8%
Federal National Mortgage Association	500,600	20.7

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 7 - Receivables

Receivables at June 30, 2015, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, income taxes, property taxes, and payment in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except income taxes and property taxes, are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
State of Ohio	\$799
Other Governmental Fund	
Title I	<u>23,570</u>
Total Governmental Activities	<u><u>\$24,369</u></u>

Note 8 - Income Taxes

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

Note 9 - Property Taxes

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

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

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Property Taxes (continued)

Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2015, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

The amount available as an advance at June 30, 2015, was \$768,238 in the General Fund and \$90,815 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2014, was \$776,838 in the General Fund and \$95,072 in the Bond Retirement debt service fund.

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

The assessed values upon which fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$139,947,220	79.62%	\$143,093,230	80.22%
Industrial/Commercial	28,064,690	15.97	27,572,510	15.46
Public Utility	7,748,400	4.41	7,718,780	4.32
Total Assessed Value	<u>\$175,760,310</u>	<u>100.00%</u>	<u>\$178,384,520</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.97		\$41.73	

Note 10 - Payment in Lieu of Taxes

According to State law, the City of Findlay and Hancock County have entered into agreements with a number of property owners under which the City and County have granted property tax exemptions to those property owners. The property owners have agreed to make payments to the City and County

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 10 - Payment in Lieu of Taxes (continued)

which reflect all or a portion of the property taxes which the property owners would have paid if the taxes had not been exempted. The agreements provide for a portion of these payments to be paid to the School District. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance at 6/30/14	Additions	Reductions	Balance at 6/30/15
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$930,570	\$0	\$0	\$930,570
Depreciable Capital Assets				
Land Improvements	1,316,220	0	0	1,316,220
Buildings and Building Improvements	14,838,485	0	0	14,838,485
Furniture, Fixtures, and Equipment	1,759,615	56,514	0	1,816,129
Vehicles	1,077,729	181,430	(131,442)	1,127,717
Total Depreciable Capital Assets	18,992,049	237,944	(131,442)	19,098,551
Less Accumulated Depreciation				
Land Improvements	(\$598,182)	(\$64,941)	\$0	(\$663,123)
Buildings and Building Improvements	(8,724,172)	(321,276)	0	(9,045,448)
Furniture, Fixtures, and Equipment	(1,231,788)	(103,464)	0	(1,335,252)
Vehicles	(634,537)	(48,342)	88,432	(594,447)
Total Accumulated Depreciation	(11,188,679)	(538,023)	88,432	(11,638,270)
Depreciable Capital Assets, Net	7,803,370	(300,079)	(43,010)	7,460,281
Governmental Activities Capital Assets, Net	\$8,733,940	(\$300,079)	(\$43,010)	\$8,390,851

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$196,441
Special	24,122
Vocational	17,090
Support Services:	
Pupils	15,636
Instructional Staff	10,793

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 11 - Capital Assets (continued)

Administration	15,144
Fiscal	3,670
Operation and Maintenance of Plant	76,066
Pupil Transportation	45,955
Central	11,199
Non-Instructional Services	13,514
Extracurricular Activities	108,393
Total Depreciation Expense	<u>\$538,023</u>

Note 12 - Interfund Assets/Liabilities

At June 30, 2015, the General Fund had an interfund receivable from other governmental funds, in the amount of \$204, for short-term loans made to those funds. This amount is expected to be repaid within one year.

Note 13 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the School District contracted for the following insurance coverage:

Coverage provided by The Schools of Ohio Risk Sharing Authority is as follows:	
Building and Contents	\$45,035,847
General School District Liability	
Per Occurrence	15,000,000
Aggregate	17,000,000
Automobile Liability	15,000,000
Uninsured Motorists	1,000,000

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

For fiscal year 2015, the School District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to the SORSA based on the types and limits of coverage and deductibles selected by the participant.

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

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 13 - Risk Management (continued)

participant is responsible for the payment of all Fund liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

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

Note 14 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2016 are as follows:

General Fund	\$358,995
Other Governmental Funds	52,192

Note 15 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 15 - Defined Benefit Pension Plans (continued)

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because (1) they benefit from employee services, and (2) State statute requires all funding to come from the employers. All contributions to date have come solely from the employer (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within thirty years. If the amortization period exceeds thirty years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description - School Employees Retirement System (SERS)

Plan Description - School District classified employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. The report can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Age and service requirements for retirement are as follows.

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

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

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

One year after an effective benefit date, a benefit recipient is entitled to a 3 percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution

Note 15 - Defined Benefit Pension Plans (continued)

requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining .82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$210,510 for fiscal year 2015. Of this amount, \$45,876 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - School District licensed teachers and other certified faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). Benefits are established by Ohio Revised Code Chapter 3307. The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-five years of service credit, or thirty years of service credit regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age sixty with thirty-five years of service or age sixty-five with five years of service on August 1, 2026.

The DCP allows members to place all their member contributions and 9.5 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 15 - Defined Benefit Pension Plans (continued)

New members who choose the DCP or CP will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CP account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased 1 percent on July 1, 2014, and will be increased 1 percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$807,354 for fiscal year 2015. Of this amount, \$139,032 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,467,564	\$13,509,863	\$15,977,427
Proportion of the Net Pension Liability	0.04875700%	0.05554252%	
Pension Expense	145,283	527,112	672,395

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 15 - Defined Benefit Pension Plans (continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$21,002	\$130,062	\$151,064
School District contributions subsequent to the measurement date	210,510	807,354	1,017,864
Total Deferred Outflows of Resources	<u>231,512</u>	<u>937,416</u>	<u>1,168,928</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$400,493</u>	<u>\$2,499,376</u>	<u>\$2,899,869</u>

\$1,017,864 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ended June 30,			
2016	(\$94,820)	(\$592,329)	(\$687,149)
2017	(94,820)	(592,329)	(687,149)
2018	(94,820)	(592,329)	(687,149)
2019	(95,031)	(592,327)	(687,358)
Total	<u>(\$379,491)</u>	<u>(\$2,369,314)</u>	<u>(\$2,748,805)</u>

Actuarial Assumptions - SERS

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

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

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

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 15 - Defined Benefit Pension Plans (continued)

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4 percent to 22 percent 3 percent
Investment Rate of Return	7.75 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal

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

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

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

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

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

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 15 - Defined Benefit Pension Plans (continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.75 percent as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$3,520,481	\$2,467,564	\$1,581,970

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study effective July 1, 2012.

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

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

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 15 - Defined Benefit Pension Plans (continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$19,340,842	\$13,509,863	\$8,578,817

Note 16 - Postemployment Benefits

School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for classified retirees and their beneficiaries. For GASB Statement No. 45 purposes, this plan is considered a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS' website at www.ohsers.org under employers/audit resources.

Note 16 - Postemployment Benefits (continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, .82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$28,291.

The School District's contribution for health care for the fiscal years ended June 30, 2015, 2014, and 2013 was \$13,019, \$2,217, and \$2,552, respectively. For fiscal year 2015, 79 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System (STRS)

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the health care plan. All benefit recipients for the most recent year pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$56,964, and \$55,479 respectively. The full amount has been contributed for all three fiscal years.

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 17 - Other Employee Benefits

A. Compensated Absences

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

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

B. Health Care Benefits

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

Note 18 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Balance at 6/30/14	Additions	Reductions	Balance at 6/30/15	Amounts Due Within One Year
General Obligation Bonds					
1998 School Improvement Refunding					
Capital Appreciation Bonds	\$103,557	\$0	\$40,162	\$63,395	\$34,228
Accretion on Capital Appreciation Bonds	1,271,967	182,573	529,838	924,702	0
FY 2010 School Improvement Refunding					
Term Bonds 3.65% - 4.00%	1,570,000	0	0	1,570,000	0
Premium	48,032	0	0	48,032	0
Total General Obligation Bonds	2,993,556	182,573	570,000	2,606,129	34,228

(continued)

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 18 - Long-Term Obligations (continued)

	Balance at 6/30/14	Additions	Reductions	Balance at 6/30/15	Amounts Due Within One Year
Net Pension Liability					
SERS	\$2,899,422	\$0	\$431,858	\$2,467,564	\$0
STRS	16,092,861	0	2,582,998	13,509,863	0
Total Net Pension Liability	<u>18,992,283</u>	<u>0</u>	<u>3,014,856</u>	<u>15,977,427</u>	<u>0</u>
Compensated Absences Payable	871,433	13,123	184,147	700,409	20,763
Total Governmental Activities Long-Term Liabilities	<u>\$22,857,272</u>	<u>\$195,696</u>	<u>\$3,769,003</u>	<u>\$19,283,965</u>	<u>\$54,991</u>

FY 1998 School Improvement Refunding Bonds - On April 1, 1998, the School District issued \$7,303,427 in voted general obligation bonds to pay notes, in the amount of \$700,000, and to refund bonds previously issued in 1994, in the amount of \$6,604,053, for constructing, furnishing, and equipping a new high school and improvements to other School District buildings. The refunding bond issue included serial, term, and capital appreciation bonds, in the original amount of \$5,290,000, \$1,575,000, and \$438,427, respectively. The bonds were issued for a twenty-two year period, with final maturity during fiscal year 2020.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds mature in fiscal years 2010 through 2017. The maturity amount of the bonds is \$4,560,000. For fiscal year 2015, \$182,573 was accreted and \$570,000 was paid on the capital appreciation bonds for a total outstanding bond value of \$988,097 at fiscal year end.

The refunded bonds have been fully retired.

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

The School District pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to the net pension liability, see Note 15 to the basic financial statements.

Compensated absences will be paid from the General Fund.

The School District's overall debt margin was \$14,310,112 with an unvoted debt margin of \$170,705 at June 30, 2015.

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 18 - Long-Term Obligations (continued)

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2015, were as follows:

Fiscal Year Ending June 30,	General Obligations Bonds			Total
	Term	Capital	Interest	
2016	\$0	\$34,228	\$595,664	\$629,892
2017	0	29,167	600,725	629,892
2018	525,000	0	49,393	574,393
2019	545,000	0	28,946	573,946
2020	500,000	0	9,500	509,500
	<u>\$1,570,000</u>	<u>\$63,395</u>	<u>\$1,284,228</u>	<u>\$2,917,623</u>

Note 19 - Fund Balance

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

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Nonspendable for:				
Materials and Supplies Inventory	\$8,318	\$0	\$1,916	\$10,234
Restricted for:				
Athletics and Music	0	0	67,666	67,666
Debt Retirement	0	580,041	0	580,041
Food Service Operations	0	0	5,767	5,767
Inventory Held for Resale	0	0	6,439	6,439
Regular Instruction	0	0	1,561	1,561
Vocational Instruction	0	0	499	499
Total Restricted	<u>0</u>	<u>580,041</u>	<u>81,932</u>	<u>661,973</u>
Assigned for:				
Extracurricular Activities	33,830	0	0	33,830
Permanent Improvements	0	0	893,109	893,109
Projected Budget Shortage	39,439	0	0	39,439
Unpaid Obligations	303,594	0	0	303,594
Total Assigned	<u>376,863</u>	<u>0</u>	<u>893,109</u>	<u>1,269,972</u>
Unassigned (Deficit)	<u>7,042,615</u>	<u>0</u>	<u>(1,029)</u>	<u>7,041,586</u>
Total Fund Balance	<u>\$7,427,796</u>	<u>\$580,041</u>	<u>\$975,928</u>	<u>\$8,983,765</u>

Liberty Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 20 - Set Asides

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

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2015.

	<u>Capital Improvements</u>
Balance June 30, 2014	\$0
Current Year Set Aside Requirement	222,737
Current Year Offsets	(35,890)
Qualifying Expenditures	<u>(186,847)</u>
Reserve Balance June 30, 2015	<u><u>\$0</u></u>

Note 21 - Interfund Transfers

During fiscal year 2015, the General Fund made transfers to other governmental funds, in the amount of \$487,978, to subsidize permanent improvements and operations of other governmental funds.

Note 22 - Jointly Governed Organizations

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Seneca, Van Wert, Wood, and Wyandot Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county. During fiscal year 2015, the School District paid \$52,018 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804-1241.

Note 22 - Jointly Governed Organizations (continued)

B. Millstream Career and Technology Center

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

C. Hancock County Local Professional Development Committee

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

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 in 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., 441 East Market Street, Celina, Ohio, 45822.

E. Bay Area Council of Governments

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

Note 22 - Jointly Governed Organizations (continued)

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

Note 23 - Insurance Pools

A. Schools of Ohio Risk Sharing Authority

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

B. Hancock County Schools Health Benefit Fund

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

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Fund is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Neace Lukens, 285 Cozzins Street, Columbus, Ohio 43215.

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

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

Note 24 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015, foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

C. Litigation

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

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

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.04875700%	0.04875700%
School District's Proportionate Share of the Net Pension Liability	\$2,467,564	\$2,899,422
School District's Covered Employee Payroll	\$1,583,924	\$1,594,695
School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	155.79%	181.82%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

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

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

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.05554252%	0.05554252%
School District's Proportionate Share of the Net Pension Liability	\$13,509,863	\$16,092,861
School District's Covered Employee Payroll	\$5,698,431	\$5,411,062
School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	237.08%	297.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

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

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$210,510	\$219,532	\$220,706	\$215,183
Contributions in Relation to the Contractually Required Contribution	<u>(210,510)</u>	<u>(219,532)</u>	<u>(220,706)</u>	<u>(215,183)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Employee Payroll	\$1,597,193	\$1,583,924	\$1,594,695	\$1,599,874
Contributions as a Percentage of Covered Employee Payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$187,292	\$199,335	\$148,612	\$145,340	\$137,697	\$150,895
<u>(187,292)</u>	<u>(199,335)</u>	<u>(148,612)</u>	<u>(145,340)</u>	<u>(137,697)</u>	<u>(150,895)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,489,992	\$1,472,191	\$1,510,286	\$1,480,044	\$1,289,298	\$1,426,229
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$807,354	\$740,796	\$703,438	\$691,668
Contributions in Relation to the Contractually Required Contribution	<u>(807,354)</u>	<u>(740,796)</u>	<u>(703,438)</u>	<u>(691,668)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
School District Covered Employee Payroll	\$5,766,814	\$5,698,431	\$5,411,062	\$5,320,523
Contributions as a Percentage of Covered Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$684,992	\$678,285	\$695,306	\$647,400	\$628,848	\$628,017
<u>(684,992)</u>	<u>(678,285)</u>	<u>(695,306)</u>	<u>(647,400)</u>	<u>(628,848)</u>	<u>(628,017)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,269,169	\$5,217,577	\$5,348,508	\$4,980,000	\$4,837,292	\$4,830,900
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**LIBERTY-BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
National School Lunch Program	10.555		
Cash Assistance		\$148,090	\$148,090
Non-Cash Assistance (Commodities)		61,835	61,835
Total National School Lunch Program		<u>209,925</u>	<u>209,925</u>
School Breakfast Program	10.553	<u>20,353</u>	<u>20,353</u>
Total U.S. Department of Agriculture		<u>230,278</u>	<u>230,278</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	117,979	118,298
<u>Special Education Cluster:</u>			
Special Education - Grants to States	84.027	210,407	210,407
Special Education - Preschool Grants	84.173	4,229	4,229
Total Special Education Cluster:		<u>214,636</u>	<u>214,636</u>
Improving Teacher Quality State Grants	84.367	<u>22,426</u>	<u>22,426</u>
Total U.S. Department of Education		<u>355,041</u>	<u>355,360</u>
Total Federal Awards Receipts and Expenditures		<u>\$585,319</u>	<u>\$585,638</u>

The accompanying notes are an integral part of this Schedule.

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Liberty-Benton Local School District (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-Benton Local School District
Hancock County
9190 County Road 9
Findlay, Ohio 45840

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty-Benton Local School District, Hancock County, Ohio (the School District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 3, 2016, wherein we noted the School District adopted Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School 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 3, 2016



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Liberty-Benton Local School District, Hancock County, Ohio's (the School 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 School District's major federal program for the year ended June 30, 2015. The *Summary of Audit Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

The School 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 School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and 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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Liberty-Benton Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with 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 School District's internal control over compliance.

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

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

This report only describes the scope of our internal control 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 3, 2016

LIBERTY-BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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LIBERTY BENTON LOCAL SCHOOL DISTRICT

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 22, 2016**