



Dave Yost • Auditor of State

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

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HENRY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 22 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*". 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 District's basic financial statements taken as a whole.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

June 7, 2016

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**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED**

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

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

In total, net position increased \$4,548,837.

General revenues accounted for \$16,792,823, or 87 percent of all revenues. Program specific revenues in the form of, charges for services, operating grants and contributions and capital grants accounted for \$2,505,825 or 13 percent of total revenues of \$19,298,648.

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

The General Fund had \$12,373,598 in revenues and \$12,283,749 in expenditures and other financing uses. The General Fund's balance increased \$89,849 from the prior fiscal year. The Bond Retirement Fund had \$1,500,739 in revenues and other financing sources and \$1,439,776 in expenditures and other financing uses. The Bond Retirement Fund's balance increased \$60,963 from the prior fiscal year. The Building Fund had \$19,140,670 in revenues and other financing sources and \$13,956,251 in expenditures and other financing uses. The Building Fund's balance increased \$5,184,419 from the prior fiscal year. The Classroom Facilities Fund had \$17,916,078 in revenues and other financing sources and \$1,005,839 in expenditures. The Classroom Facilities Fund's balance increased \$16,910,239 from the prior fiscal year

Using the Basic Financial Statements

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

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

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

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

Reporting the District as a Whole

Statement of Net position and Statement of Activities

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

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

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2015 compared to 2014.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

**Table 1
Net position
Governmental Activities**

	2015	2014
Assets		
Current and Other Assets	\$37,244,256	\$13,374,602
Capital Assets	7,554,631	6,916,433
Total Assets	44,798,887	20,291,035
Deferred Outflows of Resources		
Deferred Charge on Refunding	8,242	157,422
Pension	1,070,793	878,631
Total Deferred Outflows of Resources	1,079,035	1,036,053
Liabilities		
Current and Other Liabilities	1,752,779	1,499,351
Long-Term Liabilities :		
Due Within One Year	362,026	421,928
Due Within More Than One Year:		
Net Pension Liability	14,882,423	17,686,468
Other Amounts	20,760,334	2,101,823
Total Liabilities	37,757,562	21,709,570
Deferred Inflows of Resources		
Property Taxes	5,569,546	4,310,800
Pension	2,695,259	
Total Deferred Inflows of Resources	8,264,805	4,310,800
Net Position		
Net Investment in Capital Assets	6,545,609	5,252,104
Restricted	4,600,220	1,219,030
Unrestricted	(11,290,274)	(11,164,416)
Total Net Position	(\$144,445)	(\$4,693,282)

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and net pension liability to the reported net position and subtracting deferred outflows related to the pension.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

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

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

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

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

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

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$12,114,555 to (\$4,693,282).

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

Total assets increased by \$24,507,852 (121 percent). This was primarily attributed to an increase in cash and investments, bond and note proceeds, construction in progress,, and taxes receivable pertaining to the new OSFC school project. Total liabilities increased by \$16,047,992 (74 percent). This was primarily attributed to an increase in debt attributed to construction costs related to the new OSFC school project. Net position increased by \$4,548,837 (97 percent). This was primarily attributed to positive net changes in fund balances in the General fund, Building Fund and the Classroom Facilities as compared to 2014 net changes in fund balances. The largest net increase in fund balances in the Building Fund and Classroom Facilities Fund pertained to the new OSFC school project.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

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

	<u>2015</u>	<u>2014</u>
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$1,735,734	\$1,807,744
Operating Grants, Contributions and Interest	770,091	1,731,209
Total Program Revenues	<u>2,505,825</u>	<u>3,538,953</u>
General Revenues:		
Property Taxes	3,598,893	3,094,427
Income Taxes	2,283,845	2,136,929
Grants and Entitlements	10,726,290	5,323,276
Investment Earnings	103,406	11,193
Gifts and Donations	43,452	347,158
Miscellaneous	36,937	119,337
Total General Revenues	<u>16,792,823</u>	<u>11,032,320</u>
Total Revenues	<u>19,298,648</u>	<u>14,571,273</u>
<u>Expenses:</u>		
Instruction	7,996,424	7,432,510
Support Services:		
Pupils	656,095	734,756
Instructional Staff	346,765	409,735
Board of Education	62,205	77,773
Administration	873,805	926,188
Fiscal	456,432	428,830
Operation and Maintenance of Plant	841,734	875,218
Pupil Transportation	581,513	576,168
Central	159,904	207,588
Non-Instructional	812,184	727,348
Extracurricular Activities	705,338	644,143
Capital Outlay	203,754	92,995
Issuance Costs	260,129	
Interest and Fiscal Charges	430,144	
Discount on Bonds and Notes Issued	363,385	42,590
Total Expenses	<u>14,749,811</u>	<u>13,175,842</u>
Change in Net position	<u>\$4,548,837</u>	<u>\$1,395,431</u>

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$878,631 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$629,423. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$14,749,811
Pension expense under GASB 68	(629,423)
2015 contractually required contribution	930,371
Adjusted 2015 program expenses	13,190,017
Total 2014 program expenses under GASB 27	13,175,842
Increase in program expenses not related to pension	\$14,175

Total revenues increased by \$4,727,375 (32 percent). This was primarily attributed to increases in grant monies received from the Ohio School Facilities Commission (OSFC) for the construction of the new District school building.

Program revenues account for 13 percent of total revenues and are primarily represented by restricted intergovernmental revenues, charges for tuition and fees, extracurricular activities, and food service sales.

Total expenditures increased \$1,573,969 (12 percent). This was attributed to the increase in capital outlay expenditures for the new District OSFC construction project. In addition, there was an increase in issuance costs, interest, and fiscal charges associated with obtaining the Series 2014 General Obligation Bonds to pay for the OSFC construction project.

The major program expenses for governmental activities are instruction, which accounts for 54 percent of all governmental expenses. Other programs, which support the instruction process, including pupils, instructional staff, operation and maintenance of plant, and pupil transportation, account for 16 percent of governmental expenses. Therefore, over 70 percent of the District's expenses are related to the primary functions of providing facilities and delivering education. As can be seen, these costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2015	2015	2014	2014
Instruction	\$7,996,424	\$6,503,700	\$7,432,510	\$5,028,761
Support Services:				
Pupils	656,095	653,595	734,756	732,316
Instructional Staff	346,765	340,765	409,735	201,501
Board of Education	62,205	62,205	77,773	77,773
Administration	873,805	555,789	926,188	663,147
Fiscal	456,432	444,233	428,830	428,072
Operation and Maintenance of Plant	841,734	841,734	875,218	875,218
Pupil Transportation	581,513	581,513	576,168	554,717
Central	159,904	156,304	207,588	194,198
Non-Instructional	812,184	321,487	727,348	257,492
Extracurricular Activities	705,338	525,249	644,143	488,109
Capital Outlay	203,754	203,754	92,995	92,995
Issuance Costs	260,129	260,129		
Interest and Fiscal Charges	430,144	430,144	42,590	42,590
Discount on Bonds and Notes Issued	363,385	363,385		
Total Expenses	<u>\$14,749,811</u>	<u>\$12,243,986</u>	<u>\$13,175,842</u>	<u>\$9,636,889</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 81 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 83 percent. The remaining 17 percent is derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund, the Bond Retirement Fund, the Building Fund, and the Classroom Facilities Fund. Total governmental funds had revenues of \$52,248,433 and expenditures of \$29,921,255. The net positive change of \$22,327,178 in fund balance for the year indicates that the District was able to meet current costs.

In fiscal year 2015, General Fund revenues decreased by less than 1 percent. General Fund expenditures only increased by 6 percent. The General Fund balance increased \$89,849 (1 percent). The overall receipts and other financing sources had little change and were still able to cover the increase in the overall expenditures and other financing.

In fiscal year 2015, the Bond Retirement Fund revenues increased by 368 percent due to an increase in refunding bonds and premium proceeds to pay off the District's Series 2003 Refunding Bonds. The Bond Retirement expenditures increased by 357 percent due to the pay-off of the Series 2003 Refunding Bonds. The Bond Retirement Fund balance increased by \$60,963 (13 percent) due to property and rollback and homestead taxes being greater than the District's required debt payments.

In fiscal year 2015, the District established a new Building Fund required by the Ohio School Facilities Commission (OSFC) to properly track locally funded initiative expenditures associated with the construction of the District's new school building. The Building Fund balance is currently \$5,184,419.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

In fiscal year 2015, the District established a new Classroom Facilities Fund required by the Ohio School Facilities Commission (OSFC) to properly track the District's portion and State portion of the building costs associated with the construction of the District's new school building. The Building Fund balance is currently \$16,910,239.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2015, the District amended its General Fund budget as needed.

General Fund original and final budgeted revenues and other financing sources were \$12,365,879. Actual revenues and other financing sources were \$12,360,619. This represents a decrease of \$5,260 (less than 1 percent).

General Fund original appropriations and other financing uses of \$13,180,296 were increased to \$13,201,296 in the final budget (\$21,000 or less than 1 percent). The actual budget basis expenditures and other financing uses for fiscal year 2015 totaled \$12,107,571, which was \$1,093,725 (8 percent) less than the final budget appropriations. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$7,554,631 invested in capital assets (net of accumulated depreciation) for governmental activities.

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

Debt

At June 30, 2015, the District had \$18,510,000 in school improvement general obligation bonds for building improvements. The bonds were issued in 2014 for a thirty-seven year period.

At June 30, 2015, the District had \$625,000 in refunding bonds. The bonds were issued to retire the 2003 current bonds. The bonds were issued in 2014 for a four year period.

The District had \$561,762 in Energy Conservation Improvement Bonds. The bonds were issued in 2010 with final maturity on December 1, 2023. The notes are being retired through the General Fund.

At June 30, 2015, the District's overall legal debt margin was (\$6,614,851), with an un-voted debt margin of \$139,594.

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

Current Issues

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

In fiscal year 2015, 83 percent of District revenue sources are from local funds, 16 percent is from state funds and with 1 percent from federal funds. The total expenditure per pupil was calculated at \$11,041 for fiscal year 2014. The official reports for fiscal year 2015 have not been released.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
UNAUDITED
(Continued)**

The financial position of the District in fiscal year 2015 increased over the previous year. The District ended the year with positive excess revenues over expenditures of \$22,327,178. This increased the carryover balance of the District to \$29,546,105. This was an increase of 309% in cash balance. This increase was due to the District receiving bonds proceeds for the Ohio School Facilities Commission (OSFC) construction project for its new school building.

In September 2014, the District approved an agreement with the Ohio School Facilities Commission (OSFC) to build a new school building which will include an elementary, middle, and high school. The total cost of the project is \$41,895,350, which includes a state share of \$23,385,350, local share of \$13,154,260, and the locally funded initiative share of \$5,355,740. In FY 2015, the District received \$18,510,000 in bond proceeds and \$4,718,074 in OSFC grant monies to compensate the construction of the new school building. The District is currently in the preliminary building stages of the construction project.

Contacting the District's Financial Management

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 8,170,537
Investments	21,508,499
Materials and Supplies Inventory	29,712
Accrued Interest Receivable	11,371
Accounts Receivable	75,664
Intergovernmental Receivable	75,461
Taxes Receivable	6,473,164
Income Taxes Receivable	899,848
Capital Assets:	
Non-Depreciable Capital Assets	2,082,801
Depreciable Capital Assets, net	5,471,830
Total Assets	44,798,887
Deferred Outflow of Resources	
Deferred Charges on Refunding Pension	8,242
	1,070,793
Total Deferred Outflows of Resources	1,079,035
Liabilities:	
Accounts Payable	1,864
Accrued Wages and Benefits	1,286,438
Contracts Payable	61,080
Intergovernmental Payable	403,397
Long-Term Liabilities:	
Due Within One Year	362,026
Due in More Than One Year	20,760,334
Net Pension Liability	14,882,423
Total Liabilities	37,757,562
Deferred Inflows of Resources:	
Property Taxes Receivable	5,569,546
Pension	2,695,259
Total Deferred Inflows of Resources	8,264,805
Net Position:	
Invested in Capital Assets, Net	6,545,609
Restricted for Debt Service	551,511
Restricted for Capital Outlay	3,902,688
Restricted for Other Purposes	146,021
Unrestricted	(11,290,274)
Total Net Position	\$ (144,445)

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Program Revenues		Net(Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:			
Instruction:			
Regular	\$ 5,306,730	\$ 783,044	\$ 24,763
Special	2,092,725	253,811	360,468
Vocational	194,534		70,638
Student Intervention Services	44,667		
Other	357,768		
Support Services:			
Pupils	656,095		2,500
Instructional Staff	346,765		6,000
Board of Education	62,205		
Administration	873,805	318,016	
Fiscal	456,432		12,199
Operation and Maintenance of Plant	841,734		
Pupil Transportation	581,513		
Central	159,904		3,600
Operation of Non-Instructional Services	812,184	230,282	260,415
Extracurricular Activities	705,338	150,581	29,508
Capital Outlay	203,754		
Debt Service:			
Issuance Costs	260,129		
Interest and Fiscal Charges	430,144		
Discount on Bonds and Notes Issued	363,385		
Totals	\$ 14,749,811	\$ 1,735,734	\$ 770,091
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes			2,565,485
Property Taxes, Levied for Capital Outlay			156,912
Property Taxes, Levied for Debt Service			842,161
Property Taxes, Levied for Other			34,335
Income Taxes			2,283,845
Grants and Entitlements not Restricted to Specific Programs			10,726,290
Gifts and Donations			43,452
Investment Earnings			103,406
Miscellaneous			36,937
Total General Revenues			16,792,823
Change in Net Position			4,548,837
Net Position Beginning of Year (Restated)			(4,693,282)
Net Position End of Year			\$ (144,445)

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Bond Retirement Fund	Building Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 2,854,300	\$ 357,968		\$ 4,127,786	\$ 830,483	\$ 8,170,537
Investments	3,480,547		5,190,661	12,837,291		21,508,499
Materials and Supplies Inventory	23,154				6,558	29,712
Accrued Interest Receivable	11,371					11,371
Accounts Receivable	75,664					75,664
Interfund Receivable	10,000					10,000
Intergovernmental Receivable					75,461	75,461
Taxes Receivable	5,145,595	1,098,126			229,443	6,473,164
Income Taxes Receivable	899,848					899,848
Total Assets	<u>\$ 12,500,479</u>	<u>\$ 1,456,094</u>	<u>\$ 5,190,661</u>	<u>\$ 16,965,077</u>	<u>\$ 1,141,945</u>	<u>\$ 37,254,256</u>
Liabilities						
Current Liabilities:						
Accounts Payable	\$ 1,152				\$ 712	\$ 1,864
Accrued Wages and Benefits	1,186,902				99,536	1,286,438
Contracts Payable			6,242	54,838		61,080
Interfund Payable					10,000	10,000
Intergovernmental Payable	373,031				30,366	403,397
Matured Compensated Absences Payable	72,236					72,236
Total Liabilities	<u>1,633,321</u>		<u>6,242</u>	<u>54,838</u>	<u>140,614</u>	<u>1,835,015</u>
Deferred Inflow of Resources						
Property Levied for the Next Fiscal Year	4,587,107	937,623			188,618	5,713,348
Delinquent Property Tax Revenue Not Available	153,258				6,530	159,788
Total Deferred Inflows of Resources	<u>4,740,365</u>	<u>937,623</u>			<u>195,148</u>	<u>5,873,136</u>
Total Liabilities and Deferred Inflows of Resources	<u>6,373,686</u>	<u>937,623</u>	<u>6,242</u>	<u>54,838</u>	<u>335,762</u>	<u>7,708,151</u>
Fund Balances						
Nonspendable	23,154				6,558	29,712
Restricted		518,471	5,184,419	16,910,239	848,177	23,461,306
Assigned	612,723					612,723
Unassigned	5,490,916				(48,552)	5,442,364
Total Fund Balances	<u>6,126,793</u>	<u>518,471</u>	<u>5,184,419</u>	<u>16,910,239</u>	<u>806,183</u>	<u>29,546,105</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 12,500,479</u>	<u>\$ 1,456,094</u>	<u>\$ 5,190,661</u>	<u>\$ 16,965,077</u>	<u>\$ 1,141,945</u>	<u>\$ 37,254,256</u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015**

Total Governmental Fund Balances	\$	29,546,105
<p>Amounts reported for governmental activities on the statement of Net Position are different because of the following:</p> <p>The net pension liability is not due in the current period therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:</p>		
Deferred Outflows - Pension	1,070,793	
Deferred Inflows - Pension	(2,695,259)	
Net Pension Liability	(14,882,423)	(16,506,889)
<p>Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.</p>		
		7,554,631
<p>Deferred Inflows that do not provide financial resources are not reported as revenues in governmental fund.</p>		
		303,590
<p>Unamortized deferred amounts on refunding are not recognized in the funds</p>		
		8,242
<p>Unamortized premiums on bonds are not recognized in the funds</p>		
		(602,924)
<p>Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:</p>		
General Obligation Bonds Payable	(19,135,000)	
Note Payable	(561,762)	
Capital Leases Payable	(43,504)	
Compensated Absences Payable	(706,934)	(20,447,200)
Net Position of Governmental Activities	\$	(144,445)

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Bond Retirement Fund	Building Fund	Classroom Facilities Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:						
Property and Other Local Taxes	\$ 2,590,516	\$ 820,426			\$ 190,270	\$ 3,601,212
Income Tax	2,295,348					2,295,348
Intergovernmental	6,012,704	44,740		\$ 4,718,074	685,553	11,461,071
Interest	39,770		\$ 19,892	43,744	65	103,471
Tuition and Fees	986,878					986,878
Rent	49,977					49,977
Extracurricular Activities	3,681				150,581	154,262
Gifts and Donations	43,452				26,736	70,188
Customer Sales and Services	314,335				230,282	544,617
Miscellaneous	36,937				3,861	40,798
Total Revenues	<u>12,373,598</u>	<u>865,166</u>	<u>19,892</u>	<u>4,761,818</u>	<u>1,287,348</u>	<u>19,307,822</u>
EXPENDITURES:						
Current:						
Instruction:						
Regular	5,271,725				25,208	5,296,933
Special	1,693,576				410,184	2,103,760
Vocational	191,133					191,133
Student Intervention Services	44,667					44,667
Other	360,577					360,577
Support Services:						
Pupils	660,232				3,441	663,673
Instructional Staff	321,791				19,545	341,336
Board of Education	62,205					62,205
Administration	878,830					878,830
Fiscal	431,247	18,435			5,515	455,197
Operation and Maintenance of Plant	820,017					820,017
Pupil Transportation	476,833				44,853	521,686
Central	147,661				3,600	151,261
Operation of Non-Instructional Services	294,351				530,898	825,249
Extracurricular Activities	475,541				192,396	667,937
Capital Outlay	16,092		191,213	1,005,839		1,213,144
Debt Service:						
Principal	104,614	-				104,614
Interest	2,657	492,123				494,780
Issuance Costs		12,736	247,393			260,129
Total Expenditures	<u>12,253,749</u>	<u>523,294</u>	<u>438,606</u>	<u>1,005,839</u>	<u>1,235,640</u>	<u>15,457,128</u>
Excess of Revenues Over (Under) Expenditures	<u>119,849</u>	<u>341,872</u>	<u>(418,714)</u>	<u>3,755,979</u>	<u>51,708</u>	<u>3,850,694</u>
OTHER FINANCING SOURCES AND USES:						
Transfers In				13,154,260	30,000	13,184,260
General Obligation Bonds Issued			18,510,000			18,510,000
Refunding Bonds Issued		625,000				625,000
Premium on Bonds and Notes Issued			610,778			610,778
Premium on Refunding Bonds Issued		10,573				10,573
Discount on Bonds and Notes Issued			(363,385)			(363,385)
Transfers Out	(30,000)		(13,154,260)			(13,184,260)
Payment to Refund Bond Escrow Agent		(916,482)				(916,482)
Total Other Financing Sources and Uses	<u>(30,000)</u>	<u>(280,909)</u>	<u>5,603,133</u>	<u>13,154,260</u>	<u>30,000</u>	<u>18,476,484</u>
Net Change in Fund Balances	89,849	60,963	5,184,419	16,910,239	81,708	22,327,178
Fund Balance at Beginning of Year	<u>6,036,944</u>	<u>457,508</u>	<u>5,184,419</u>	<u>16,910,239</u>	<u>724,475</u>	<u>7,218,927</u>
Fund Balance at End of Year	<u>\$ 6,126,793</u>	<u>\$ 518,471</u>	<u>\$ 5,184,419</u>	<u>\$ 16,910,239</u>	<u>\$ 806,183</u>	<u>\$ 29,546,105</u>

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Net Change in Fund Balances - Total Governmental Funds	\$	22,327,178
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
<p>Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.</p>		
		930,371
<p>Except for amounts reported as deferred inflows/outflows, changes in the net position liability are reported as pension expense in the statement of activities.</p>		
		(629,423)
<p>Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current year.</p>		
Capital Outlay - Depreciable Capital Assets	1,051,549	
Depreciation	<u>(413,351)</u>	638,198
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Intergovernmental	35,310	
Income Taxes	(11,503)	
Delinquent Property Taxes	<u>(36,654)</u>	(12,847)
<p>Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to the bond refunding are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred the year:</p>		
Bonds refunded	967,420	
Unamortized premium on refunded bonds removed	49,447	
Deferred charges on refunding	<u>11,480</u>	1,028,347
<p>Premium on bonds issued are recorded as other financing sources in the statement of activities; however, they are not reported as other financing sources as they increase liabilities on the statement of net position.</p>		
General obligation bonds	(610,778)	
Refunding bonds	<u>(10,573)</u>	(621,351)
<p>Repayment of capital lease principal is an expenditure in the funds but repayment reduces long-term liabilities on the statement of net position. The payment on the capital lease was:</p>		
		42,196
<p>Issuance of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.</p>		
General obligation bonds	(18,510,000)	
Refunding bonds	<u>(625,000)</u>	(19,135,000)
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:</p>		
Amortization of bond premiums	18,427	
Amortization of deferred charges on refunding	<u>(3,238)</u>	15,189
<p>Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:</p>		
Compensated Absences Payable	<u>(34,021)</u>	(34,021)
Change in Net Position of Governmental Activities:	\$	<u><u>4,548,837</u></u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
REVENUES:				
Property and Other Local Taxes	\$ 2,371,820	\$ 2,371,820	\$ 2,607,762	\$ 235,942
Income Tax	2,300,100	2,300,100	2,271,263	(28,837)
Intergovernmental	6,204,959	6,204,959	6,060,732	(144,227)
Interest	10,000	10,000	37,581	27,581
Tuition and Fees	1,108,200	1,108,200	958,296	(149,904)
Rent	52,000	52,000	52,663	663
Gifts and Donations	40,500	40,500	32,859	(7,641)
Customer Sales and Services	223,300	223,300	313,776	90,476
Miscellaneous	5,000	5,000	2,467	(2,533)
Total Revenues	12,315,879	12,315,879	12,337,399	21,520
EXPENDITURES:				
Current:				
Instruction:				
Regular	5,406,428	5,406,428	5,213,225	193,203
Special	1,868,407	1,868,407	1,654,656	213,751
Vocational	201,486	201,486	191,484	10,002
Student Intervention Services	55,945	59,145	44,629	14,516
Other	319,000	368,800	363,471	5,329
Support Services:				
Pupils	730,719	731,719	677,580	54,139
Instructional Staff	446,645	446,645	326,867	119,778
Board of Education	81,120	83,785	75,441	8,344
Administration	911,535	911,535	837,856	73,679
Fiscal	456,884	457,344	406,109	51,235
Operation and Maintenance of Plant	1,071,189	1,051,189	839,108	212,081
Pupil Transportation	572,684	547,669	504,931	42,738
Central	179,171	171,571	143,094	28,477
	282,611	289,101	286,453	2,648
Extracurricular Activities	459,141	459,141	418,249	40,892
Capital Outlay	24,913	44,913	22,000	22,913
Principal	62,418	62,418	62,418	
Total Expenditures	13,130,296	13,161,296	12,067,571	1,093,725
Excess of Revenues Over (Under) Expenditures	(814,417)	(845,417)	269,828	1,115,245
Other Financing Uses:				
Advances In	50,000	50,000		(50,000)
Refund of Prior Year Expenditures			23,220	23,220
Transfer Out		(30,000)	(30,000)	
Advances Out	(50,000)	(10,000)	(10,000)	
Total Other Financing Uses	(50,000)	10,000	(16,780)	(26,780)
Net Change in Fund Balances	(814,417)	(835,417)	253,048	1,088,465
Fund Balance at Beginning of Year	5,821,012	5,821,012	5,821,012	
Prior Year Encumbrances Appropriated	185,453	185,453	185,453	
Fund Balance at End of Year	\$ 5,192,048	\$ 5,171,048	\$ 6,259,513	\$ 1,088,465

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>4,637</u>	\$ <u>43,320</u>
Liabilities		
Current Liabilities:		
Undistributed Monies		\$ <u>43,320</u>
Net Position		
Held in Trust for Scholarships	\$ <u>4,637</u>	

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

		<u>Private Purpose Trust</u>
ADDITIONS:		
Gifts and Donations	\$	2,088
Miscellaneous		<u>1,348</u>
Total Additions		<u>3,436</u>
 DEDUCTIONS:		
Payments in Accordance with Trust Agreements		<u>1,757</u>
Change in Net Position		1,679
Net Position Beginning of Year		<u>2,958</u>
Net Position End of Year	\$	<u><u>4,637</u></u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Liberty Center Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Liberty Center Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 55 non-certified and 88 certified full-time teaching personnel who provide services to 1,135 students and other community members.

The Reporting Entity

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Government-Wide Financial Statements

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. Following are the District's major governmental funds:

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 10.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10).

Pensions

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

Expenditures/Expenses

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

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

E. Budgetary Process

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2015 is as follows:

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2015.

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

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

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

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

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Investments

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

During fiscal year 2015, investments were limited to STAR Ohio, Federal Home Loan Bank Bonds, negotiable certificates of deposit, and nonnegotiable certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2015.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$39,770, which included \$6,648 from other District funds.

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

G. Inventory

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

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

H. Restricted Assets

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

I. Capital Assets

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

J. Compensated Absences

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

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

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

L. Net Position

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

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

M. Fund Balance

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

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

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

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

N. Estimates

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2015.

3. BUDGETARY BASIS OF ACCOUNTING

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance Major Governmental Fund	General
GAAP Basis	\$89,849
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2014, Received In Cash FY 2015	1,452,772
Accrued FY 2015, Not Yet Received in Cash	(1,474,365)
Expenditure Accruals:	
Accrued FY 2014, Paid in Cash FY 2015	(1,400,986)
Accrued FY 2015, Not Yet Paid in Cash	1,633,387
Non General Fund Activity	(3,915)
Encumbrances Outstanding at Year End (Budget Basis)	(43,694)
Budget Basis	\$253,048

4. DEPOSITS AND INVESTMENTS

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).
7. Commercial paper and bankers acceptances if trading requirements and Board approval have been met, for a period not to exceed 270 days and 180 days, respectively, from the purchase date in an amount not to exceed 40 percent of interim monies available for investment at any one time.

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

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$7,147,812 of the District's bank balance of \$8,688,342 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

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

Investments

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

	Balance at Fair Value	Less than One year	25 to 60 Months
Federal Home Loan Bank Notes	\$4,698,279	\$914,607	\$3,783,672
Federal National Mortgage Association Notes	2,740,574	761,962	1,978,611
Federal Home Loan Mortgage Corporation Notes	1,628,593	899,901	728,693
Federal Farm Credit Bank Notes	556,250		556,250
Commercial Paper	8,288,464	8,288,464	
Negotiable Certificates of Deposit	3,224,826	250,103	2,974,723
Money Market	365,894	365,894	
STAR Ohio	5,619	5,619	
Total Investments	<u>\$21,508,499</u>	<u>\$11,486,550</u>	<u>\$10,021,949</u>

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

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk - The District's investment policy places no limit on the amount it may invest in any one issuer; however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investment in the Federal Home Loan Banks Notes, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, Federal Farm Credit Bank Notes, negotiable certificates of deposit, commercial paper, money market/cash, r, and Star Ohio represent 22 percent, 13 percent, 8 percent, 3 percent, 15 percent, , 39 percent, less than 2 percent, and less than 1 percent, respectively, of the District's total investments

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes for 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.

Public utility real and tangible personal property taxes for 2015 were levied after April 1, 2014, on the assessed values as of December 31, 2013, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The District receives property taxes from Henry and Fulton counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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 delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2015 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred inflow for that portion not intended to finance current year operations.

The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2015 was \$558,488 in the General Fund, \$160,503 in the Bond Retirement Fund, and \$40,825 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2014, was \$575,734 in the General Fund, \$55,829 in the Bond Retirement Fund, and \$30,342 in the Permanent Improvement Fund.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

5. PROPERTY TAXES - (Continued)

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

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$104,570,120	87%	\$122,441,280	88%
Industrial/Commercial	7,669,700	6%	7,772,630	5%
Public Utility	8,218,470	7%	9,379,870	7%
Total Assessed Value	<u>\$120,458,290</u>	<u>100%</u>	<u>\$139,593,780</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$44.60		\$50.00	

6. INCOME TAX

In 1995, the voters of the Liberty Center Local School District passed a 1 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2015, the District recorded income tax revenue of \$2,295,348 in the General Fund, of which \$899,848 is recorded as a receivable at June 30, 2015.

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

7. RECEIVABLES

Receivables at June 30, 2015, consisted of property taxes, income taxes, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

	Amount
Accounts Receivable:	
General Fund:	
Tuition and Fees	\$72,964
Miscellaneous	<u>2,700</u>
Total Accounts Receivable	<u>\$75,644</u>
Intergovernmental Receivables:	
All Other Governmental Funds:	
Food Service Fund	\$51,352
Title I Grant Fund	6,181
Title IV-B Grant Fund	15,205
High Schools That Work Fund	<u>2,723</u>
Total Intergovernmental Receivable	<u>\$75,461</u>

8. CAPITAL ASSETS

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

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HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

8. CAPITAL ASSETS – (Continued)

	<u>Balance at 7/1/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2015</u>
Governmental Activities:				
Non Depreciable Capital Assets				
Land	\$1,014,877			\$1,014,877
Construction In Progress		\$1,067,924		1,067,924
Total Non Depreciable Capital Assets	<u>1,014,877</u>	<u>1,067,924</u>		<u>2,082,801</u>
Depreciable Capital Assets				
Land Improvements	451,481			451,481
Buildings and Building Improvements	11,346,736		\$55,837	11,290,899
Permanent Fixtures	759,979		5,790	754,189
Equipment	468,828	\$45,252		514,080
Computers	204,276		7,500	196,776
Musical Instruments	11,401			11,401
Vehicles	1,353,305		144,032	1,209,273
Total Depreciable Capital Assets	<u>14,596,006</u>	<u>45,252</u>	<u>213,159</u>	<u>14,428,099</u>
Less Accumulated Depreciation				
Land Improvements	(280,794)	(21,491)		(302,285)
Buildings and Building Improvements	(6,683,944)	(226,681)		(6,910,625)
Permanent Fixtures	(567,111)	(39,423)		(606,534)
Equipment	(272,463)	(30,618)		(303,081)
Computers	(122,732)	(24,325)	7,500	(139,557)
Musical Instruments	(10,592)	(570)		(11,162)
Vehicles	(756,814)	(70,243)	144,032	(683,025)
Total Accumulated Depreciation	<u>(8,694,450)</u>	<u>(413,351)</u>	<u>151,532</u>	<u>(8,956,269)</u>
Depreciable Capital Assets, Net	<u>5,901,556</u>	<u>(368,099)</u>	<u>(61,627)</u>	<u>5,471,830</u>
Governmental Activities Capital Assets, Net	<u>\$6,916,433</u>	<u>\$699,825</u>	<u>(61,627)</u>	<u>\$7,554,631</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$92,892
Special	18,896
Vocational	6,372
Support Services:	
Pupil	14,717
Instructional Staff	7,482
Administration	11,911
Fiscal	11,031
Operation and Maintenance of Plant	32,005
Pupil Transportation	70,184
Central	5,186
Non-Instructional Services	12,299
Extracurricular	71,842
Capital Outlay	58,534
Total Depreciation Expense	<u>\$413,351</u>

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

9. RISK MANAGEMENT

A. Schools of Ohio Risk Sharing Authority

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

Property Insurance	\$39,455,373
Equipment Breakdown	50,000,000
Crime Coverage	100,000
General Liability:	
Per Occurrence	15,000,000
Total Per Year	17,000,000
Educators' Legal Liability - Wrongful Acts	15,000,000
Automobile Liability	15,000,000

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

B. Employee Insurance Benefits Program

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

C. Workers' Compensation Group Program

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

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

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(Continued)**

10. DEFINED PENSION BENEFIT PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

10. DEFINED PENSION BENEFIT PLANS - (Continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$225,732 for fiscal year 2014. Of this amount \$46,260 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

10. DEFINED PENSION BENEFIT PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

10. DEFINED PENSION BENEFIT PLANS - (Continued)

The District's contractually required contribution to STRS was \$779,404 for fiscal year 2015. Of this amount \$116,338 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected 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	\$2,556,991	\$12,325,432	\$14,882,423
Proportion of the Net Pension Liability	0.050524%	0.0506730%	
Pension Expense	\$134,850	494,573	629,423

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$21,763	\$118,659	\$140,422
District contributions subsequent to the measurement date	<u>199,325</u>	<u>731,046</u>	<u>930,371</u>
Total Deferred Outflows of Resources	<u>\$221,088</u>	<u>\$849,705</u>	<u>\$1,070,793</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$415,007</u>	<u>\$2,280,252</u>	<u>\$2,695,259</u>

\$930,371 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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(Continued)**

10. DEFINED PENSION BENEFIT PLANS - (Continued)

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	(\$98,311)	(\$540,398)	(\$638,709)
2017	(98,311)	(540,398)	(638,709)
2018	(98,311)	(540,398)	(638,709)
2019	(98,311)	(540,399)	(638,710)
Total	<u>(\$393,244)</u>	<u>(\$2,161,593)</u>	<u>(\$2,554,837)</u>

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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(Continued)**

10. DEFINED PENSION BENEFIT PLANS - (Continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></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 earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease █ (6.75%)	Current Discount Rate █ (7.75%)	1% Increase █ (8.75%)
School District's proportionate share of the net pension liability	\$3,468,066	\$2,556,991	\$1,639,302

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(Continued)**

10. DEFINED PENSION BENEFIT PLANS - (Continued)

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, or later, 2 percent COLA paid on fifth anniversary of retirement date

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

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

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 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 payment to determine the total pension liability as of June 30, 2014.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

10. DEFINED PENSION BENEFIT PLANS - (Continued)

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

	1% Decrease █ (6.75%)	Current Discount Rate █ (7.75%)	1% Increase █ (8.75%)
District's proportionate share of the net pension liability	\$17,645,200	\$12,325,432	\$7,826,699

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2015, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

11. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

11. POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required 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, 0.82 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. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$32,940

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$38,696, \$26,554, and \$26,814, respectively. For fiscal year 2015, 81 percent has been contributed, with the balance being reported as intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

Plan Description – The District participates in the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. 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 law authorizes STRS Ohio 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 Ohio. Active employee members do not contribute to the health care plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS did not allocate any employer contributions to post-employment health care.. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$55,970 and \$51,546 respectively; The full amount has been contributed for all three fiscal years..

12. COMPENSATED ABSENCES

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

13. LONG-TERM OBLIGATIONS

During the year ended June 30, 2015, the following changes occurred in obligations reported in the Government -Wide Financial Statements:

	<u>Restated Balance at 06/30/2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 06/30/2015</u>	<u>Amount Due In one Year</u>
Series 2014 Bonds					
General Obligation Bonds		\$18,235,000		\$18,235,000	\$5,000
Capital Appreciation Bonds		275,000		275,000	
Refunding Bonds		625,000		625,000	140,000
General Obligation School					
Improvement Refunding Bonds	\$905,002		\$905,002		
Energy Conservation Improvement Bonds, Series 2009	624,180		62,418	561,762	62,418
Capital Leases	85,700		42,196	43,504	43,504
Net Pension Liability	17,686,468		2,804,045	14,882,423	
Compensated Absences	702,000		42,314	779,170	111,104
Total Government Activities	<u>\$19,963,350</u>	<u>\$19,135,000</u>	<u>\$3,855,975</u>	<u>35,404,859</u>	<u>\$362,026</u>
Add: Unamortized Bond Premiums				602,924	
Total on Statement of Net position				<u>\$36,004,783</u>	

Ohio School Facilities Commission Project Bonds, Series 2014

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

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

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

13. LONG-TERM OBLIGATIONS – (Continued)

Maturity Date (November 1)	Principal Amount	Interest Rate
2015	\$145,000	1.00%
2016	290,000	1.25%
2017	295,000	1.50%
2020	175,000	2.00%
2021	300,000	2.50%
2022	300,000	3.00%
2023	300,000	3.00%
2024	300,000	3.00%
2025	300,000	3.00%
2026	300,000	3.00%

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

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

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

Total accreted interest of \$600,000 has been included in the value. Capital Appreciation Bonds are not subject to redemption prior to maturity. The value of the capital appreciation bonds reported at June 30, 2015 was \$275,000.

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

13. LONG-TERM OBLIGATIONS – (Continued)

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

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

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

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

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

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

13. LONG-TERM OBLIGATIONS – (Continued)

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

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

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

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

Total expenditures for interest for the above debt for the period ended June 30, 2015 was \$494,780.

The scheduled payments of principal and interest on debt outstanding at June 30, 2015 are as follows:

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

13. LONG-TERM OBLIGATIONS - (Continued)

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$207,418	\$707,931	\$915,349
2017	352,418	705,394	1,057,812
2018	357,418	701,369	1,058,787
2019	116,508	699,156	815,664
2020	98,370	699,156	797,526
2021 - 2025	1,634,630	3,413,281	5,047,911
2026 - 2030	1,680,000	3,184,506	4,864,506
2031 - 2035	2,215,000	2,858,216	5,073,216
2036 - 2040	2,810,000	2,382,350	5,192,350
2041 - 2045	3,570,000	1,744,534	5,314,534
2046 - 2050	4,540,000	921,113	5,461,113
2051 - 2052	2,115,000	88,997	2,203,997
Total	<u>\$19,696,762</u>	<u>\$18,106,003</u>	<u>\$37,802,765</u>

14. CAPITALIZED LEASES - LESSEE DISCLOSURE

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

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

Capital assets acquired by the leases have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. Principal payments in the 2015 fiscal year totaled \$42,196.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2015:

<u>General Long-Term Obligations</u>	
<u>Year Ending June 30,</u>	<u>Vehicles</u>
2016	\$44,853
Less: Amount Representing Interest	(1,349)
Present Value of Future Minimum Lease Payments	<u>\$43,504</u>

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

15. SET-ASIDE CALCULATIONS

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

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

	Capital Acquisition
Set-aside Balance as of June 30, 2014	
Current Year Set-aside Requirement	\$192,932
Current Year Offsets	(\$192,932)
Total	-----

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

16. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total fees paid by the District to NWOCA during this fiscal year were \$51,378. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS – (Continued)

C. Four County Career Center

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

D. Northwestern Ohio Educational Research Council, Inc.

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

17. GROUP PURCHASING POOLS

A. Employee Insurance Benefits Program

The District participates in a group health insurance pool through the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Pool). NBHP is a joint self-insurance arrangement created pursuant to the authority vested in Ohio Revised Code § 9.833. The Pool is a public entity shared risk pool consisting of educational entities throughout the State. The Pool is governed by OHI and its participating members. The District contributed a total of \$1,369,678 to Northern Buckeye Health Plan, Northwest Division of OHI, during this fiscal year for all four plans. Financial information for the period can be obtained from Northern Buckeye Health Plan/OHI, Jenny Jostworth, Treasurer, at 10999 Reed Hartman Hwy., Suite 304E, Cincinnati, Ohio 45242.

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

17. GROUP PURCHASING POOLS – (Continued)

NBHP has retained Sheakley UniService as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District paid an enrollment fee of \$1,276 to WCGRP to cover the costs of administering the program.

C. Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code - Non-Profit Corporations and functioning under authority granted by Section 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons, which might result in claims being made against members of SORSA, their employees or officers. The District paid \$74,940 for these services to SORSA in fiscal year 2015.

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

18. RELATED ORGANIZATION

Liberty Center Public Library

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

19. CONTINGENCIES

A. Federal and State Grants

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

B. Litigation

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

20. DEFICIT FUND BALANCES

Fund balances at June 30, 2015 included the following individual fund deficits:

Nonmajor Funds	Deficit
Food Service Fund	\$13,721
Title VI-B Fund	21,741
Title I Fund	6,471
Title II-A Fund	61

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

21. FUND BALANCE

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

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

Fund Balance	General Fund	Bond Retirement Fund	Building Fund	Classroom Facilities Fund	Other Governmental Funds	Total
Nonspendable:						
Materials and Supplies Inventory	\$23,154				\$6,558	\$29,712
Restricted for:						
Regular					3,075	3,075
Athletic					114,144	114,144
Facilities Maintenance					46,550	46,550
Debt Retirement Permanent Improvements		\$518,471			684,408	684,408
Building Construction			\$5,184,419	\$16,910,239		22,094,658
Total Restricted		518,471	5,184,419	16,910,239	848,177	23,461,306
Assigned to:						
Principal Funds	32,896					32,896
Encumbrances	43,223					43,223
Appropriations	536,604					536,604
Total Assigned	612,723					612,723
Unassigned	5,490,916				(48,552)	5,442,364
Total Fund Balance	\$6,126,793	\$518,471	\$5,184,419	\$16,910,239	\$806,183	\$29,546,105

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

22. CHANGE IN ACCOUNTING PRINCIPLE

Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", 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. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 12 to the financial statements, and added required supplementary information which is presented on pages 64-70.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

Net Position June 30, 2014	\$12,114,555
Adjustments:	
Net Pension Liability	(17,686,468)
Deferred Outflow – Payments Subsequent to Measurement Date	878,631
Restated Net Position June 30, 2014	<u><u>(\$4,693,282)</u></u>

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

23. SCHOOL FOUNDATION FUNDING

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 District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

24. INTERFUND TRANSACTIONS

During the year ended June 30, 2015, the following transfers in and out occurred:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$30,000
Other Governmental Funds:		
Special Revenue Funds:		
Food Service Fund	\$30,000	
Capital Projects Funds:		
Building Fund:		13,154,260
Classroom Facilities Project Fund	13,154,260	
Totals	<u>\$13,184,260</u>	<u>\$13,184,260</u>

The \$30,000 transfer was made to move unrestricted balances from the General Fund to support programs and projects accounted for in other funds. The transfer from the Building Fund to the Classroom Facilities Project Fund was to move debt proceeds to cover the District's local share of the Ohio School Facilities Commission school project.

25. CONTRACTUAL COMMITMENTS

As of June 30, 2015, the District had the following contractual purchase commitments for the construction of a new Ohio School Facilities Commission (OSFC) school building:

<u>Company</u>	<u>Amount Remaining</u>
Beilharz Architects	\$228,309
Stan and Associates	71,049
Shook Touchstone VI	10,192,271
Barton Marlow	256,930
Henry County Engineer	80,000
McNerney & Sons	161,869
Mel Lazer Co	14,124
Wenger Corp	28,489
Perry Protech	49,607
Straight Line	13,650
Total	<u>\$11,096,298</u>

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**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

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

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.085447%	0.085447%
District's proportionate share of the net pension liability	\$ 4,324,424	\$ 5,081,259
District's covered-employee payroll	\$ 1,809,618	\$ 1,738,866
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.97%	292.22%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

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

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.08244441%	0.08244441%
District's proportionate share of the net pension liability	\$ 20,053,334	\$ 23,887,397
District's covered-employee payroll	\$ 5,597,008	\$ 5,154,585
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	358.29%	463.42%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 225,732	\$ 250,813	\$ 240,659	\$ 157,341
Contributions in relation to the contractually required contribution	<u>(225,732)</u>	<u>(250,813)</u>	<u>(240,659)</u>	<u>(157,341)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,712,686	\$ 1,809,618	\$ 1,738,866	\$ 1,169,822
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>
\$ 192,160	\$ 120,072	\$ 116,144	\$ 96,386	\$ 104,030	\$ 114,964
<u>(192,160)</u>	<u>(120,072)</u>	<u>(116,144)</u>	<u>(96,386)</u>	<u>(104,030)</u>	<u>(114,964)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,528,719	\$ 886,795	\$ 1,180,325	\$ 981,527	\$ 974,064	\$ 1,086,616
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO
LAST TEN FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 779,404	\$ 727,611	\$ 670,096	\$ 611,912
Contributions in relation to the contractually required contribution	<u>(779,404)</u>	<u>(727,611)</u>	<u>(670,096)</u>	<u>(611,912)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,567,171	\$ 5,597,008	\$ 5,154,585	\$ 4,707,015
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>
\$ 628,767	\$ 594,275	\$ 588,434	\$ 543,391	\$ 518,356	\$ 537,311
<u>(628,767)</u>	<u>(594,275)</u>	<u>(588,434)</u>	<u>(543,391)</u>	<u>(518,356)</u>	<u>(537,311)</u>
<u>\$ -</u>					
\$ 4,836,669	\$ 4,571,346	\$ 4,526,415	\$ 4,179,931	\$ 3,987,354	\$ 4,133,162
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014

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**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
National School Lunch Program			
Cash Assistance	10.555	\$135,708	\$135,708
Non-Cash Assistance (Food Distribution)	10.555	25,728	25,728
Total National School Lunch Program		<u>161,436</u>	<u>161,436</u>
School Breakfast Program	10.553	<u>39,137</u>	<u>39,137</u>
Total United States Department of Agriculture		<u>200,573</u>	<u>200,573</u>
UNITES STATES DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	189,066	170,907
Special Education Cluster:			
Special Education Grants to States	84.027	238,216	239,728
Special Education Preschool Grants	84.173	17,488	17,488
Total Special Education Cluster		<u>255,704</u>	<u>257,216</u>
Improving Teacher Quality State Grants	84.367	<u>24,824</u>	<u>24,824</u>
Total United States Department of Education		<u>469,594</u>	<u>452,947</u>
Total Federal Financial Assistance		<u><u>\$670,167</u></u>	<u><u>\$653,520</u></u>

The accompanying notes are an integral part of this schedule.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Center Local School District, Henry County, Ohio, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 7, 2016, wherein we noted the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*".

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

Compliance and Other Matters

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

Entity's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

June 7, 2016



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Liberty Center Local School District, Henry County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Liberty Center Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects each of its major federal programs for the year ended June 30, 2015.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484
www.ohioauditor.gov

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

June 7, 2016

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education Grants to States CFDA #84.027 and Special Education Preschool Grants CFDA #84.173 Nutrition Cluster: School Breakfast Program CFDA #10.553 and National School Lunch Program CFDA #10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2015-001

Material Weakness

Financial Reporting

The District lacked policies and procedures regarding financial statement review. As such, the following discrepancies were noted in the District's GAAP financial statements:

- The principal amount of \$905,002 on the pay-off on the Series 2003 Refunding bonds was classified as "Debt Service - Principal" instead of "Other Financing Sources - Payment to Refund Bond Escrow Agent" on the modified accrual statements.
- On the Statement of Net Position and Statement of Activities, there was no liability reported for the premium on the new Series 2014 General Obligation bonds (\$610,778) and the new Series 2014 Refunding bonds (\$10,573). In addition, there was no current year amortization on the Series 2014 General Obligation and Refunding bonds (\$18,427).
- The Series 2003 Refunding bond premium (\$196,978) was not removed from the Statement of Net Position and Statement of Activities since it was paid off with the Series 2014 Refunding bonds.
- On the Statement of Net Position and Statement of Activities, deferred charges (\$11,480) on the Series 2003 Refunding Bonds which were paid off with the Series 2014 Refunding bonds were not reported. In addition, there was no current year amortization on the deferred charges (\$3,238).
- The District did not report (\$1,067,924) in Capital Assets - Construction In Progress on the preliminary construction costs of the new Ohio School Facilities Commission (OSFC) school project.
- The Net Investment in Capital Assets was understated by (\$620,765) due to the Capital Asset Construction in Progress adjustment.

Adjustments were recorded to the financial statements to correct these postings.

Sound financial reporting is the responsibility of the Treasurer and Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

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

Officials' Response:

We did not receive a response from Officials to this finding.

3. FINDING FOR FEDERAL AWARDS

None

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Material weakness due to errors in financial statements.	No	Not Corrected. Reissued as finding 2015-001 in this report.
2014-002	Significant deficiency in budgetary reporting.	Yes	



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LIBERTY CENTER LOCAL SCHOOL DISTRICT

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 7, 2016