LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Dave Yost • Auditor of State

LIBERTY CENTER SCHOOL DISTRICT
HENRY COUNTY
JUNE 30, 2016

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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, 2016, 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 (the District), as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2017, 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.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

April 6, 2017

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

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

The discussion and analysis of the financial performance of Liberty Center Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

In total, net position increased $3,503,414.

General revenues accounted for $17,430,631, or 88 percent of all revenues. Program specific revenues in the form of, charges for services, operating grants and contributions and capital grants accounted for $2,286,400 or 12 percent of total revenues of $19,717,031.

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 $12,455,830 in revenues and other financing sources and $12,218,853 in expenditures. The General Fund's balance increased $236,977 from the prior fiscal year. The Bond Retirement Fund had $1,086,447 in revenues and $883,909 in expenditures and other financing uses. The Bond Retirement Fund's balance increased $202,538 from the prior fiscal year. The Building Fund had $30,198 in revenues and $764,904 in expenditures. The Building Fund's balance decreased $734,706 from the prior fiscal year. The Classroom Facilities Fund had $4,828,941 in revenues and $4,232,250 in expenditures. The Classroom Facilities Fund's balance increased $596,691 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 2016. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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 School District's net position for 2016 compared to 2015.

Table 1
Net position
Governmental Activities

	2016	2015
Assets		
Current and Other Assets	$39,325,479	$37,244,256
Capital Assets	10,744,234	7,554,631
Total Assets	50,069,713	44,798,887
Deferred Outflows of Resources		
Deferred Charge on Refunding	18,427	8,242
Pension	2,479,686	1,070,793
Total Deferred Outflows of Resources	2,498,113	1,079,035
Liabilities		
Current and Other Liabilities	3,443,245	1,752,779
Long-Term Liabilities :		
Due Within One Year	408,127	362,026
Due Within More Than One Year:		
Net Pension Liability	20,728,927	14,882,423
Other Amounts	17,487,235	20,760,334
Total Liabilities	42,067,534	37,757,562
Deferred Inflows of Resources		
Property Taxes	5,844,293	5,569,546
Pension	1,297,030	2,695,259
Total Deferred Inflows of Resources	7,141,323	8,264,805
Net Position		
Net Investment in Capital Assets	7,786,247	6,545,609
Restricted	6,015,985	4,600,220
Unrestricted (Deficit)	(10,443,263)	(11,290,274)
Total Net Position	$3,358,969	($144,445)

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 pension.

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

Total assets increased by $5,270,826 (12 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 Ohio Facilities Construction Commission (OFCC) school project. Total liabilities increased by $4,309,972 (11 percent). This was primarily attributed to an increase in debt attributed to construction costs related to the new OFCC school project. Net position increased by $3,503,414 (2,425 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 2015 net changes in fund balances. The largest net increase in fund balances in the Building Fund and Classroom Facilities Fund pertained to the new OFCC 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 2016 and 2015.

Table 2
Change in Net position
Governmental Activities

	2016	2015
Revenues:		
Program Revenues:		
Charges for Services and Sales	$1,598,180	$1,735,734
Operating Grants, Contributions and Interest	688,220	770,091
Total Program Revenues	2,286,400	2,505,825
General Revenues:		
Property Taxes	3,894,484	3,598,893
Income Taxes	2,303,064	2,283,845
Grants and Entitlements	10,980,759	10,726,290
Investment Earnings	189,531	103,406
Gifts and Donations	53,357	43,452
Miscellaneous	9,436	36,937
Total General Revenues	17,430,631	16,792,823
Total Revenues	19,717,031	19,298,648
Expenses:		
Instruction	9,913,008	7,996,424
Support Services:		
Pupils	767,075	656,095
Instructional Staff	339,565	346,765
Board of Education	54,475	62,205
Administration	916,526	873,805
Fiscal	433,107	456,432
Operation and Maintenance of Plant	827,527	841,734
Pupil Transportation	454,046	581,513
Central	183,860	159,904
Non-Instructional	743,829	812,184
Extracurricular Activities	668,509	705,338
Capital Outlay		203,754
Issuance Costs		260,129
Interest and Fiscal Charges	912,090	430,144
Discount on Bonds and Notes Issued		363,385
Total Expenses	16,213,617	14,749,811
Change in Net position	$3,503,414	$4,548,837

Total revenues increased by $418,383 (2 percent). This was primarily attributed to increases in grant monies received from the Ohio Facilities Construction Commission (OFCC) for the construction of the new District school building.

Program revenues account for 12 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 $1,463,806 (10 percent). This was attributed to the increase in capital outlay expenditures for the new District OFCC construction project.

The major program expenses for governmental activities are instruction, which accounts for 61 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 23 percent of governmental expenses. Therefore, over 84 percent of the District's expenses are related to the primary functions of providing facilities and delivering education. As can be seen, these costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

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

Table 3
Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Instruction	$9,913,008	$8,617,201	$7,996,424	$6,503,700
Support Services:				
Pupils	767,075	764,735	656,095	653,595
Instructional Staff	339,565	307,475	346,765	340,765
Board of Education	54,475	54,475	62,205	62,205
Administration	916,526	613,224	873,805	555,789
Fiscal	433,107	433,107	456,432	444,233
Operation and Maintenance of Plant	827,527	827,527	841,734	841,734
Pupil Transportation	454,046	454,046	581,513	581,513
Central	183,860	178,460	159,904	156,304
Non-Instructional	743,829	302,417	812,184	321,487
Extracurricular Activities	668,509	462,460	705,338	525,249
Capital Outlay			203,754	203,754
Issuance Costs			260,129	260,129
Interest and Fiscal Charges	912,090	912,090	430,144	430,144
Discount on Bonds and Notes Issued			363,385	363,385
Total Expenses	$16,213,617	$13,927,217	$14,749,811	$12,243,986

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Nearly 87 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 86 percent. The remaining 14 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 and other financing sources of $19,705,708 and expenditures and other financing uses of $19,589,363. The net positive change of $116,345 in fund balance for the year indicates that the District was able to meet current costs.

In fiscal year 2016, General Fund revenues increased by less than 1 percent. General Fund expenditures only decreased by 1 percent. The General Fund balance increased $236,977 (4 percent). The overall receipts and other financing sources had little change and were able to cover the decrease in the overall expenditures and other financing.

In fiscal year 2016, the Bond Retirement Fund revenues decreased by 27 percent due to a decrease in refunding bonds and premium proceeds to pay off the District's Series 2003 Refunding Bonds in fiscal year 2015. The Bond Retirement expenditures decreased by 39 percent due to the pay-off of the Series 2003 Refunding Bonds in fiscal year 2015. The Bond Retirement Fund balance increased by $202,538 (39 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 Facilities Construction Commission (OFCC) to properly track locally funded initiative expenditures associated with the construction of the District's new school building. The Building Fund balance is currently $4,449,713.

In fiscal year 2015, the District established a new Classroom Facilities Fund required by the Ohio Facilities Construction Commission (OFCC) 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 $17,506,930.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2016, the District amended its General Fund budget as needed.

General Fund original and final budgeted revenues and other financing sources were $12,530,701. Actual revenues and other financing sources were $12,610,129. This represents an increase of $79,428 (1 percent).

General Fund original appropriations and other financing uses of $13,034,499 were decreased to $12,996,305 in the final budget ($38,194 or less than 1 percent). The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled $12,409,965, which was $586,340 (5 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 2016, the District had $10,744,234 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, 2016, the District had $18,405,230 in school improvement general obligation bonds for building improvements and $333,096 in capital appreciation bonds. The bonds were issued in 2014 for a thirty-seven year period.

At June 30, 2016, the District had $485,000 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 $499,344 in Energy Conservation Notes. The notes were issued in 2010 with final maturity on December 1, 2023. The notes are being retired through the General Fund.

At June 30, 2016, the District's overall legal debt margin was ($5,783,357), with an un-voted debt margin of $141,318.

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 2016, 42 percent of the District revenue sources are from local funds, 54 percent is from state funds and with 4 percent from federal funds. The total expenditure per pupil was calculated at $10,651 for fiscal year 2015. The official reports for fiscal year 2016 have not been released.

The financial position of the District in fiscal year 2016 increased over the previous year. The District ended the year with positive excess revenues over expenditures of $116,345. This increased the carryover balance of the District to $29,662,450. This was an increase of less than 1% in cash balance.

In September 2014, the District approved an agreement with the Ohio Facilities Construction Commission (OFCC) 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. The District is currently in the active 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.

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LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

STATEMENT OF NET POSITION
JUNE 30, 2016

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	$	15,307,778
Investments		16,419,069
Materials and Supplies Inventory		21,304
Accrued Interest Receivable		13,850
Accounts Receivable		54,123
Intergovernmental Receivable		30,245
Taxes Receivable		6,545,719
Income Taxes Receivable		933,391
Capital Assets:		
Non-Depreciable Capital Assets		5,464,019
Depreciable Capital Assets, net		5,280,215
Total Assets		50,069,713
Deferred Outflow of Resources:		
Deferred Charges on Refunding		18,427
Pension		2,479,686
Total Deferred Outlfows of Resources		2,498,113
Liabilities:		
Accounts Payable		12,920
Accrued Wages and Benefits		1,290,128
Contracts Payable		1,830,882
Intergovernmental Payable		309,315
Long-Term Liabilities:		
Due Within One Year		408,127
Due in More Than One Year		20,728,927
Net Pension Liability		17,487,235
Total Liabilities		42,067,534
Deferred Inflows of Resources:		
Property Taxes Receivable		5,844,293
Pension		1,297,030
Total Deferred Inflows of Resources		7,141,323
Net Position:		
Invested in Capital Assets, Net		7,786,247
Restricted for Debt Service		172,580
Restricted for Capital Outlay		5,652,590
Restricted for Other Purposes		190,815
Unrestricted (deficit)		(10,443,263)
Total Net Position	$	3,358,969

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, 2016

		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	$ 7,174,898	$ 778,797	$ 22,899	$ (6,373,202)
Special	2,186,421	107,613	354,585	(1,724,223)
Vocational	141,217		31,913	(109,304)
Student Intervention Services	58,313			(58,313)
Other	352,159			(352,159)
Support Services:				
Pupils	767,075		2,340	(764,735)
Instructional Staff	339,565		32,090	(307,475)
Board of Education	54,475			(54,475)
Administration	916,526	303,302		(613,224)
Fiscal	433,107			(433,107)
Operation and Maintenance of Plant	827,527			(827,527)
Pupil Transportation	454,046			(454,046)
Central	183,860		5,400	(178,460)
Operation of Non-Instructional Services	743,829	225,282	216,130	(302,417)
Extracurricular Activities	668,509	183,186	22,863	(462,460)
Debt Service:				
Interest and Fiscal Charges	912,090			(912,090)
Totals	$ 16,213,617	$ 1,598,180	$ 688,220	(13,927,217)

General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	2,641,366
Property Taxes, Levied for Capital Outlay	146,342
Property Taxes, Levied for Debt Service	1,045,987
Property Taxes, Levied for Other	60,789
Income Taxes	2,303,064
Grants and Entitlements not Restricted to Specific Programs	10,980,759
Gifts and Donations	53,357
Investment Earnings	189,531
Miscellaneous	9,436
Total General Revenues	17,430,631
Change in Net Position	3,503,414
Net Position Beginning of Year	(144,445)
Net Position End of Year	$ 3,358,969

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	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	$ 6,666,958	$ 581,956		$ 7,368,456	$ 690,408	$ 15,307,778
Investments			$ 4,640,030	11,779,039		16,419,069
Materials and Supplies Inventory	13,888				7,416	21,304
Accrued Interest Receivable	13,850					13,850
Accounts Receivable	54,123					54,123
Intergovernmental Receivable					30,245	30,245
Taxes Receivable	5,190,096	1,122,644			232,979	6,545,719
Income Taxes Receivable	933,391					933,391
Total Assets	$ 12,872,306	$ 1,704,600	$ 4,640,030	$ 19,147,495	$ 961,048	$ 39,325,479
Liabilities						
Current Liabilities:						
Accounts Payable	$ 1,664				$ 11,256	$ 12,920
Accrued Wages and Benefits	1,191,123				99,005	1,290,128
Contracts Payable			$ 190,317	$ 1,640,565		1,830,882
Intergovernmental Payable	286,283				23,032	309,315
Matured Compensated Absences Payable	55,709					55,709
Total Liabilities	1,534,779		190,317	1,640,565	133,293	3,498,954
Deferred Inflow of Resources						
Property Levied for the Next Fiscal Year	4,808,816	$ 983,591			202,562	5,994,969
Delinquent Property Tax Revenue Not Available	164,941				4,165	169,106
Total Deferred Inflows of Resources	4,973,757	983,591			206,727	6,164,075
Total Liabilities and Deferred Inflows of Resources	6,508,536	983,591	190,317	1,640,565	340,020	9,663,029
Fund Balances						
Nonspendable	13,888				7,416	21,304
Restricted		721,009	4,449,713	17,506,930	667,979	23,345,631
Assigned	163,239					163,239
Unassigned (deficit)	6,186,643				(54,367)	6,132,276
Total Fund Balances	6,363,770	721,009	4,449,713	17,506,930	621,028	29,662,450
Total Liabilities, Deferred Inflows, and Fund Balances	$ 12,872,306	$ 1,704,600	$ 4,640,030	$ 19,147,495	$ 961,048	$ 39,325,479

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, 2016

Total Governmental Fund Balances		$	29,662,450
Amounts reported for governmental activities on the statement of Net Position are different because of the following:			
The net pension liability is not due in the current period therefore, the liability and related deferree inflows/outflows are not reported in governmental funds:			
Deferred Outflows - Pension	2,479,686		
Deferred Inflows - Pension	(1,297,030)		
Net Pension Liability	(17,487,235)		
			(16,304,579)
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.			10,744,234
Deferred Inflows that do not provide financial resources are not reported as revenues in governmental fund.			319,782
Unamortized deferred amounts on refunding are not recognized in the funds			18,427
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:			
General Obligation Bonds Payable	(19,805,918)		
Note Payable	(499,344)		
Compensated Absences Payable	(776,083)		
			(21,081,345)
Net Position of Governmental Activities		$	3,358,969

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, 2016

	General Fund	Bond Retirement Fund	Building Fund	Classroom Facilities Fund	All Other Governmental Funds	Total Governmental Funds
Revenus:						
Property and Other Local Taxes	$ 2,636,319	$ 1,044,634			$ 206,657	$ 3,887,610
Income Tax	2,291,381					2,291,381
Intergovernmental	6,217,088	41,813		$ 4,728,145	661,322	11,648,368
Interest	58,537		$ 30,198	100,796	67	189,598
Tuition and Fees	837,269					837,269
Rent	49,141					49,141
Extracurricular Activities	4,409				183,186	187,595
Gifts and Donations	53,357				20,366	73,723
Customer Sales and Services	298,893				225,282	524,175
Miscellaneous	5,336				2,543	7,879
Total Revenues	12,451,730	1,086,447	30,198	4,828,941	1,299,423	19,696,739
Expenditures:						
Current:						
Instruction:						
Regular	5,227,714				22,899	5,250,613
Special	1,839,660				346,243	2,185,903
Vocational	143,347				1,063	144,410
Student Intervention Services	58,313					58,313
Other	355,218					355,218
Support Services:						
Pupils	751,896				2,575	754,471
Instructional Staff	312,972				27,458	340,430
Board of Education	55,723					55,723
Administration	914,713					914,713
Fiscal	398,510	26,108			5,737	430,355
Operation and Maintenance of Plant	814,632				34,768	849,400
Pupil Transportation	404,215				158,500	562,715
Central	142,787				31,661	174,448
Operation of Non-Instructional Services	276,739				453,529	730,268
Extracurricular Activities	398,911				204,008	602,919
Capital Outlay	16,232		764,904	4,232,250	201,006	5,214,392
Debt Service:						
Principal	105,922	145,000				250,922
Interest	1,349	707,932				709,281
Total Expenditures	12,218,853	879,040	764,904	4,232,250	1,489,447	19,584,494
Excess of Revenues Over (Under) Expenditures	232,877	207,407	(734,706)	596,691	(190,024)	112,245
Other Financing Sources and Uses:						
Transfers In					4,869	4,869
Proceeds from Sale of Capital Assets	4,100					4,100
Transfers Out		(4,869)				(4,869)
Total Other Financing Sources and Uses	4,100	(4,869)			4,869	4,100
Net Change in Fund Balances	236,977	202,538	(734,706)	596,691	(185,155)	116,345
Fund Balance at Beginning of Year	6,126,793	518,471	5,184,419	16,910,239	806,183	29,546,105
Fund Balance at End of Year	$ 6,363,770	$ 721,009	$ 4,449,713	$ 17,506,930	$ 621,028	$ 29,662,450

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, 2016

Net Change in Fund Balances - Total Governmental Funds		$ 116,345
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		1,052,051
Except for amounts reported as deferred inflows/outflows, changes in the net position liability are reported as pension expense in the statement of activities.		(849,741)
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 capital outlay exceeds depreciation in the current year.		
Capital Outlay - Depreciable Capital Assets	3,604,242	
Depreciation	(414,639)	
		3,189,603
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Intergovernmental	(2,365)	
Income Taxes	11,683	
Delinquent Property Taxes	6,874	
		16,192
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		207,418
Repayment of capital lease principal is an expenditure in the funds but the repayment reduces long-term liabilities on the statements of activities. The payment on the capital lease was:		43,504
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following item resulted in less interest being reported In the statement of activities:		
Amortization on bond premiums	18,427	
Accretion on capital appreciation bonds	(233,096)	
		(214,669)
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:		
Compensated Absences Payable	(57,289)	
		(57,289)
Change in Net Position of Governmental Activities		$ 3,503,414

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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
Revenues:				
Property and Other Local Taxes	$ 2,748,064	$ 2,748,064	$ 2,813,527	$ 65,463
Income Tax	2,300,000	2,300,000	2,269,521	(30,479)
Intergovernmental	6,068,262	6,068,262	6,217,088	148,826
Interest	40,000	40,000	56,042	16,042
Tuition and Fees	966,875	966,875	856,203	(110,672)
Rent	52,000	52,000	49,141	(2,859)
Gifts and Donations	40,500	40,500	33,867	(6,633)
Customer Sales and Services	300,000	300,000	298,422	(1,578)
Miscellaneous	5,000	5,000	2,218	(2,782)
Total Revenues	12,520,701	12,520,701	12,596,029	75,328
Expenditures:				
Current:				
Instruction:				
Regular	5,456,043	5,459,094	5,236,017	223,077
Special	1,882,997	1,883,297	1,842,929	40,368
Vocational	150,100	143,000	142,640	360
Student Intervention Services	61,923	59,923	58,351	1,572
Other	383,000	363,000	359,870	3,130
Support Services:				
Pupils	722,188	721,293	711,746	9,547
Instructional Staff	335,150	323,657	313,722	9,935
Board of Education	92,439	92,439	78,067	14,372
Administration	918,848	920,948	961,515	(40,567)
Fiscal	452,628	452,628	443,134	9,494
Operation and Maintenance of Plant	924,978	924,978	826,795	98,183
Pupil Transportation	519,625	519,625	468,715	50,910
Central	143,540	144,383	147,165	(2,782)
Operation of Non-Instructional Services	312,550	312,550	282,856	29,694
Extracurricular Activities	458,164	458,164	457,793	371
Capital Outlay	37,908	37,908	16,232	21,676
Principal	62,418	62,418	62,418	
Total Expenditures	12,914,499	12,879,305	12,409,965	469,340
Excess of Revenues Over (Under) Expenditures	(393,798)	(358,604)	186,064	544,668
Other Financing Sources and Uses:				
Advances In	10,000	10,000	10,000	
Proceeds from Sale of Capital Assets			4,100	4,100
Transfer Out	(50,000)	(50,000)		50,000
Advances Out	(50,000)	(50,000)		50,000
Other Financing Uses:	(20,000)	(17,000)		17,000
Total Other Financing Uses	(110,000)	(107,000)	14,100	121,100
Net Change in Fund Balances	(503,798)	(465,604)	200,164	665,768
Fund Balance at Beginning of Year	6,259,513	6,259,513	6,259,513	
Prior Year Encumbrances Appropriated	43,694	43,694	43,694	
Fund Balance at End of Year	$ 5,799,409	$ 5,837,603	$ 6,503,371	$ 665,768

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private Purpose Trust	Agency Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	$ 5,006	$ 48,720
Liabilities		
Current Liabilities:		
Undistributed Monies		$ 48,720
Net Position		
Held in Trust for Scholarships	$ 5,006	

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, 2016

		Private Purpose Trust
Additions:		
Gifts and Donations	$	250
Miscellaneous		324
Total Additions		574
Deductions:		
Payments in Accordance with Trust Agreements		205
Change in Net Position		369
Net Position Beginning of Year		4,637
Net Position End of Year	$	5,006

See Accompanying Notes to the Basic Financial Statements

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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 1,206 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.

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.

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.

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 11.

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, 2016, but which were levied to finance fiscal year 2016 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 11).

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.

<u>Expenditures/Expenses</u>

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 2016 is as follows:

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

2. 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 2016.

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.

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 2016, 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 (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

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 2016 amounted to $58,537, which included $9,776 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Capital Assets

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

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

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

Description	Estimated Lives
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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Net position

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

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

M. Fund Balance

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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

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

N. Estimates

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

O. Extraordinary and Special Items

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

P. Interfund Transactions

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

3. CHANGE IN ACCOUNTING PRINCIPLES

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

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

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

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

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

4. 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).

4. 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	$236,977
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2015, Received In Cash FY 2016	1,392,113
Accrued FY 2016, Not Yet Received in Cash	(1,217,703)
Expenditure Accruals:	
Accrued FY 2015, Paid in Cash FY 2016	(1,610,167)
Accrued FY 2016, Not Yet Paid in Cash	1,520,891
Advances Net	10,000
Non General Fund Activity	(2,124)
Encumbrances Outstanding at Year End (Budget Basis)	(129,823)
Budget Basis	$200,164

5. 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;

5. 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 in institutions; and

6. The State Treasurer's investment pool (STAR Ohio).

7. Commercial paper and bankers acceptances if training 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.

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited 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, $10,195,891 of the District's bank balance of $11,658,070 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.

5. 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, 2016, the District had the following investments:

	Balance at Fair Value	Less than One year	13 to 24 Months	25 to 60 Months
Federal Home Loan Bank Notes	$3,224,000	$2,745,720	$478,280	
Federal National Mortgage Association Notes	3,741,028	1,678,226	2,062,802	
Federal Home Loan Mortgage Corporation Notes	726,313	726,313		
Federal Farm Credit Bank Notes	1,455,698	799,979	655,719	
Commercial Paper	7,391,790	7,391,790		
Negotiable Certificates of Deposit	3,705,607	1,100,471	1,054,041	$1,551,095
Money Market	88,552	88,552		
STAR Ohio	5,635	5,635		
Total Investments	$20,338,623	$14,536,686	$4,250,842	$1,551,095

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 investment in the federal agency securities and U.S. Government obligations were rated AA+ and Aaa by Standard and 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.

5. 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 and Star Ohio represent 16 percent, 18 percent, 4 percent, 7 percent, 18 percent, 36 percent, less than 1 percent, and less than 1 percent, respectively, of the District's total investments

6. 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 2016 represent the collection of calendar year 2015 taxes. Real property taxes for 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2016 were levied after April 1, 2015, on the assessed values as of December 31, 2014, 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, 2016, are available to finance fiscal year 2016 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, 2016 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 2016 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, 2016 was $381,280 in the General Fund, $139,053 in the Bond Retirement Fund, and $30,417 in the Permanent Improvement Fund. 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.

6. PROPERTY TAXES - (Continued)

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

	2015 Second-Half Collections		2016 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	$122,441,280	88%	$122,809,640	87%
Industrial/Commercial	7,772,630	5%	8,126,340	6%
Public Utility	9,379,870	7%	10,383,220	7%
Total Assessed Value	$139,593,780	100%	$141,319,200	100%
Tax rate per $1,000 of assessed valuation	$50.00		$50.00	

7. 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, 2016, the District recorded income tax revenue of $2,291,381 in the General Fund, of which $933,391 is recorded as a receivable at June 30, 2016.

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.

8. RECEIVABLES

Receivables at June 30, 2016, 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	$53,921
Miscellaneous	202
Total Accounts Receivable	$54,123
Intergovernmental Receivables:	
All Other Governmental Funds:	
Title I Grant Fund	$23,527
Title VI-B Grant Fund	4,295
High Schools That Work Fund	2,423
Total Intergovernmental Receivable	$30,245

9. CAPITAL ASSETS

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

9. CAPITAL ASSETS - (Continued)

	Balance at 7/1/2015	Additions	Reductions	Balance at 6/30/2016
Governmental Activities				
Non Depreciable Capital Assets				
Land	$1,014,877	$320,330		$1,335,207
Construction in Progress	1,067,924	3,060,888		4,128,812
Total Non Depreciable Capital Assets	2,082,801	3,381,218		5,464,019
Depreciable Capital Assets				
Land Improvements	451,481			451,481
Buildings and Building Improvements	11,290,899			11,290,899
Permanent Fixtures	754,189	30,648		784,837
Equipment	514,080	8,500	$6,500	516,080
Computers	196,776		25,578	171,198
Musical Instruments	11,401			11,401
Vehicles	1,209,273	183,876	133,445	1,259,704
Total Depreciable Capital Assets	14,428,099	223,024	165,523	14,485,600
Less Accumulated Depreciation				
Land Improvements	(302,285)	(16,212)		(318,497)
Buildings and Building Improvements	(6,910,625)	(226,681)		(7,137,306)
Permanent Fixtures	(606,534)	(36,979)		(643,513)
Equipment	(303,081)	(34,599)	6,500	(331,180)
Computers	(139,557)	(24,325)	25,578	(138,304)
Musical Instruments	(11,162)	(238)		(11,400)
Vehicles	(683,025)	(75,605)	133,445	(625,185)
Total Accumulated Depreciation	(8,956,269)	(414,639)	$165,523	(9,205,385)
Depreciable Capital Assets, Net	5,471,830	(191,615)		5,280,215
Governmental Activities Capital Assets, Net	$7,554,631	$3,189,603		$10,744,234

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$94,994
Special	18,896
Vocational	6,372
Support Services:	
Pupil	11,469
Instructional Staff	7,482
Administration	11,911
Fiscal	10,699
Operation and Maintenance of Plant	28,129
Pupil Transportation	75,511
Central	5,186
Non-Instructional Services	12,299
Extracurricular	73,157
Capital Outlay	58,534
Total Depreciation Expense	$414,639

10. 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	$40,649,654
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 16). 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.

11. 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.

11. 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, 2016, the allocation to pension, death benefits, and Medicare B was 14.00 percent. The remaining 0.0 percent was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $227,360 for fiscal year 2016. Of this amount $43,531 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.

11. 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, 2016, 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 2016 contribution rates were equal to the statutory maximum rates.

11. DEFINED PENSION BENEFIT PLANS - (Continued)

The District's contractually required contribution to STRS was $824,691 for fiscal year 2016. Of this amount $137,889 is reported as an intergovernmental payable.

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

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:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$3,056,066	$14,431,169	$17,487,235
Proportion of the Net Pension Liability	0.053358%	0.0522167%	
Pension Expense	$210,359	$639,382	$849,741

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$48,285	$655,168	$703,453
Net difference between projected and actual earnings on pension plan investments	241,401		241,401
Difference between School District contributions and proportionate share of contributions	116,366	366,415	482,781
District contributions subsequent to the measurement date	227,360	824,691	1,052,051
Total Deferred Outflows of Resources	$633,412	$1,846,274	$2,479,686
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$311,255	$985,775	$1,297,030

$1,052,051 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

11. DEFINED PENSION BENEFIT PLANS - (Continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	$9,429	($126,148)	($116,719)
2018	9,429	(126,148)	(116,719)
2019	9,428	(126,149)	(116,721)
2020	66,511	414,253	480,764
Total	$94,797	$35,808	$130,605

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.

11. 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:

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

Changes Between Measurement Date and Report Date - In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District's net pension liability is expected to be significant

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.

11. DEFINED PENSION BENEFIT PLANS - (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	$4,237,665	$3,056,066	$2,061,062

Actuarial Assumptions - STRS

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 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:

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described

11. DEFINED PENSION BENEFIT PLANS - (Continued)

above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	$20,045,982	$14,431,169	$9,683,007

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, 2016, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

12. 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 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.

12. 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 2016, 0 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 2016, this amount was $23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was $26,618

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $38,696, and $26,554, respectively. For fiscal year 2016, 0percent has been contributed, with the balance being reported as intergovernmental payable. The full amount has been contributed for fiscal years 2015 and 2014.

B. State Teachers Retirement System

Plan Description – The District participates in the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS 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 2016, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $0 and $55,970 respectively; The full amount has been contributed for all three fiscal years.

13. 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.

14. LONG-TERM OBLIGATIONS

During the year ended June 30, 2016, the following changes occurred in obligations reported in the Government -Wide Financial Statements:

	Balance at 06/30/2015	Increase	Decrease	Balance at 06/30/2016	Amount Due In one Year
Series 2014 Bonds					
General Obligation Bonds	$18,410,000		$5,000	$18,405,000	$35,000
Capital Appreciation Bonds	100,000	$233,096		333,096	
Refunding Bonds	625,000		140,000	485,000	255,000
Energy Conservation Improvement Bonds, Series 2009	561,762		62,418	499,344	62,418
Capital Leases	43,504		43,504		
Net Pension Liability	14,882,423	2,604,812		17,487,235	
Compensated Absences	779,170	55,709	3,087	831,792	55,709
Total Government Activities	$35,401,859	$2,893,617	$254,009	38,041,467	$408,127
Add: Unamortized Bond Premiums				582,822	
Total on Statement of Net position				$38,624,289	

Ohio Facilities Construction 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 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.

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

14. LONG-TERM OBLIGATIONS - (Continued)

Maturity Date (November 1)	Principal Amount	Interest Rate
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, 2016 was $333,096.

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

14. 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:

14. 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, 2016 was $709,281.

The scheduled payments of principal and interest on debt outstanding at June 30, 2016 are as follows:

14. LONG-TERM OBLIGATIONS - (Continued)

Year Ending June 30,	Principal	Interest	Total
2017	$352,418	$705,394	$1,057,812
2018	357,418	701,369	1,058,787
2019	116,508	945,066	1,061,574
2020	98,370	963,204	1,061,574
2021	247,376	812,449	1,059,825
2022 - 2026	1,687,254	3,372,531	5,059,785
2027 - 2031	1,795,000	3,130,253	4,925,253
2032 - 2036	2,290,000	2,776,163	5,066,163
2037 - 2041	2,970,000	2,266,750	5,236,750
2042 - 2046	3,760,000	1,596,978	5,356,978
2047 - 2051	4,715,000	730,227	5,445,227
2052	1,100,000	22,688	1,122,688
Total	$19,489,344	$18,023,072	$37,512,416

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, 2015	
Current Year Set-aside Requirement	$194,047
Current Year Offsets	(506,250)
Total	($312,203)

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 $51,231. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

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

C. Four County Career Center

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

D. Northwestern Ohio Educational Research Council, Inc.

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

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 $1,337,439 to Northern Buckeye Health Plan, Northwest Division of OHI, during this fiscal year for all four plans. Financial information for the period can be obtained from Northern Buckeye Health Plan/OHI, Jenny Jostworth, Treasurer, at 10999 Reed Hartman Hwy., Suite 304E, Cincinnati, Ohio 45242.

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

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

NBHP has retained Sheakley UniService as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District paid an enrollment fee of $1,276 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 $76,173 for these services to SORSA in fiscal year 2016.

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, 2016.

B. Litigation

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

20. DEFICIT FUND BALANCES

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

Nonmajor Funds	Deficit
Food Service Fund	$33,254
Title VI-B Fund	21,113

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:

21. FUND BALANCE - (Continued)

Fund Balance	General Fund	Bond Retirement Fund	Building Fund	Classroom Facilities Fund	Other Governmental Funds	Total
Nonspendable:						
Materials and Supplies Inventory	$13,888				$7,416	$21,304
Restricted for:						
Regular					7,695	7,695
Special					2,261	2,261
Athletic					116,185	116,185
Facilities Maintenance					107,460	107,460
Debt Retirement		$721,009				721,009
Permanent Improvements					434,378	434,378
Building Construction			$4,429,715	$17,506,930		21,936,645
Total Restricted		721,009	4,429,715	17,506,930	667,979	23,325,633
Assigned to:						
Principal Funds	35,019					35,019
Encumbrances	128,220					128,220
Total Assigned	163,239					163,239
Unassigned	6,186,643				(54,367)	6,132,276
Total Fund Balance	$6,363,770	$721,009	$4,429,715	$17,506,930	$621,028	$29,642,452

22. SCHOOL FOUNDATION FUNDING

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

23. INTERFUND TRANSACTIONS

During the year ended June 30, 2016, the following transfer in and out occurred to move monies posted to the Bond Retirement fund in error:

Fund	Transfers In	Transfers Out
Bond Retirement Fund		$4,869
Capital Projects Funds:		
Permanent Improvement Fund	$4,869	
Totals	$4,869	$4,869

24. CONTRACTUAL COMMITMENTS

As of June 30, 2016, the District had the following contractual purchase commitments for the construction of a new Ohio Facilities Construction Commission (OFCC) school building:

Company	Amount Remaining
Garmynn Miller	$1,149,540
Shook Touchstone VI	29,811,681
Quandel	272,194
Four Seasons Environmental, Inc	77,252
Total	$31,310,667

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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 THREE FISCAL YEARS

	2015	2014	2013
District's proportion of the net pension liability	0.053558%	0.085447%	0.085447%
District's proportionate share of the net pension liability	$ 3,056,066	$ 4,324,424	$ 5,081,259
District's covered-employee payroll	$ 1,712,686	$ 1,809,618	$ 1,738,866
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	178.44%	238.97%	292.22%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 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 THREE FISCAL YEARS

	2015	2014	2013
District's proportion of the net pension liability	0.05221670%	0.08244441%	0.08244441%
District's proportionate share of the net pension liability	$ 14,431,169	$ 20,053,334	$ 23,887,397
District's covered-employee payroll	$ 5,567,171	$ 5,597,008	$ 5,154,585
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	259.22%	358.29%	463.42%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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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

	2016	2015	2014	2013
Contractually required contribution	$ 227,360	$ 225,732	$ 250,813	$ 240,659
Contributions in relation to the contractually required contribution	(227,360)	(225,732)	(250,813)	(240,659)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 1,624,000	$ 1,712,686	$ 1,809,618	$ 1,738,866
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

2012	2011	2010	2009	2008	2007
$ 157,341	$ 192,160	$ 120,072	$ 116,144	$ 96,386	$ 104,030
(157,341)	(192,160)	(120,072)	(116,144)	(96,386)	(104,030)
$ -	$ -	$ -	$ -	$ -	$ -
$ 1,169,822	$ 1,528,719	$ 886,795	$ 1,180,325	$ 981,527	$ 974,064
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

	2016	2015	2014	2013
Contractually required contribution	$ 824,691	$ 779,404	$ 727,611	$ 670,096
Contributions in relation to the contractually required contribution	(824,691)	(779,404)	(727,611)	(670,096)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 5,890,650	$ 5,567,171	$ 5,597,008	$ 5,154,585
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
$ 611,912	$ 628,767	$ 594,275	$ 588,434	$ 543,391	$ 518,356
(611,912)	(628,767)	(594,275)	(588,434)	(543,391)	(518,356)
$ -	$ -	$ -	$ -	$ -	$ -
$ 4,707,015	$ 4,836,669	$ 4,571,346	$ 4,526,415	$ 4,179,931	$ 3,987,354
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, 2016

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 years 2014 - 2016.

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

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

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 6, 2017.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. We consider findings 2016-001 through 2016-003 described in the accompanying schedule of findings to be material weaknesses.

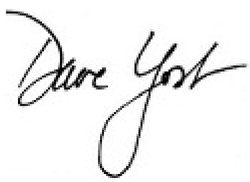
A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2016-004 described in the accompanying schedule of findings to be a significant deficiency

Compliance and Other Matters

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

April 6, 2017

SCHEDULE OF FINDINGS
JUNE 30, 2016

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

FINDING NUMBER 2016-001

Material Weakness – Reporting of Net Pension Liability

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27*, requires governments that provide defined benefit pensions through a cost-sharing multiple-employer plan administered through a trust or equivalent arrangement to report their proportionate share of the plan's collective net pension liability, pension expense and certain deferred outflows of resources and deferred inflows of resources in their financial statements.

GASB 68 further establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures.

We noted the following errors with the District's calculation of Net Pension Liability:

- Net Pension Liability was understated by $140,986,
- Deferred Inflows was understated by $210,028,
- Deferred Outflows was understated by $1,512,026,
- Expenditures were overstated by $1,161,012,
- The Notes to the Financial Statement reported amounts for Deferred Inflows and Deferred Outflows did not agree to the financial statements.

Adjustments were made to the financial statements to the correct the errors.

This was the result of inadequate review of the financial statements.

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

FINDING NUMBER 2016-002

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 District's accounting policy for cash and investments provides that investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. The General Fund reported $3,748,428 as investments on the financial statements even though the investments were a part of the cash pool.
- Non-depreciable capital assets were overstated by $1,067,924 due to construction in progress reported on the prior financial statements being double booked in fiscal year 2016.
- Capital Outlay expenditures of $843,782 were overstated on the Statement of Activities.
- Land acquisition of $320,330 was incorrectly classified as a depreciable capital asset.
- Contracts Payable in the Building Fund and Governmental Activities were overstated by $19,998.

A final review of the financial statements may have detected these errors.

Adjustments were recorded on the financial statements to correct these errors

We recommend all investments be compared with the District's accounting policy for cash and investments to determine proper disclosure on the financial statements. Furthermore we also recommend the District compare the capital asset system to the financial disclosure to ensure the reported amounts tie to the accounting system.

FINDING NUMBER 2016-003

Material Weakness – Net Position

Governmental Accounting Standards Board (GASB) Statement No. 34 - Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, paragraph 34 (amended by GASB Statement No. 63) provides that net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutionally provisions or enabling legislation.

In addition, it further provides that invested in capital assets, net is a component of net assets consisting of capital assets, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds should not be included in the calculation

We noted the following errors in Net Position reporting:

- Restricted net position reported on the statement of net position incorrectly was understated by $1,518,508,
- Invested in Capital Assets, Net was overstated by $878,470,
- Unrestricted net position was overstated by $640,038,

A final review of the financial statements may have detected these errors.

The accompanying financial statements and accounting records have been adjusted to correct these errors.

In order to ensure the District's net position is reported in accordance with GASB 34, we recommend the District review GASB statement 34 and review the financial statements for errors prior to filing.

FINDING NUMBER 2016-004

Significant Deficiency - Unavailable Revenue

Government Accounting Standard Board (GASB) Statement 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related note disclosures.

Furthermore, the District's accounting policy on Deferred Inflows of Resources provides that unavailable revenue is reported only on the balance sheet and represents receivables which will not be collected within the available period.

Delinquent property taxes at June 30, 2016 were inadvertently not recorded as unavailable revenue in the General Fund for $108,688, the Bond Retirement for $40,779, and Other Governmental Funds for $7,595. In addition, income tax received outside the available period was incorrectly classified as "Delinquent Property Tax Revenue Not Available" rather than Unavailable Revenue for $164,941.

A final review of the financial statements may have detected these errors.

These errors were posted to the summary of unadjusted differences.

We recommend the District review the latest GASB bulletins and implement all required accounting pronouncements.

Officials' Response:

We did not receive any responses from Officials to these findings.

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material weakness due to errors in financial statements	Not corrected and reissued as finding 2016-002 in this report	Additional errors occurred and were not detected. Investments with maturities of less than three months were incorrectly classified, non-depreciable capital assets were overstated due to construction in progress being double booked, land was incorrectly classified as a depreciable asset, and contracts payable were overstated on the financial statements. Management is aware and understands the importance of the information presented on the financial statements and will ensure these errors will be accurately identified and reported.

Dave Yost • Auditor of State

LIBERTY CENTER LOCAL SCHOOL DISTRICT

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 4, 2017

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
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