



Dave Yost • Auditor of State

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY
JUNE 30, 2017**

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HENRY COUNTY
JUNE 30, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Liberty Center Local School District
Henry County
100 Tiger Trail
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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining

fund information of Liberty Center Local School District, Henry County, Ohio as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 25 to the financial statements, during the year ended June 30, 2017, the District restated the beginning balance of net position. This adjustment was to report revenue for the Ohio Facilities Construction Commission Project that was previously approved. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2018, 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
Auditor of State

Columbus, Ohio

June 20, 2018

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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, 2017. 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 2017 are as follows:

In total, net position decreased \$1,178,290.

General revenues accounted for \$12,729,573, or 79 percent of all revenues. Program specific revenues in the form of, charges for services, operating grants and contributions and capital grants accounted for \$3,365,396 or 21 percent of total revenues of \$16,094,969.

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

The General Fund had \$13,683,730 in revenues and other financing sources and \$13,216,113 in expenditures and other financing uses. The General Fund's balance increased \$467,617 from the prior fiscal year. The Bond Retirement Fund had \$1,130,474 in revenues and \$1,020,728 in expenditures and other financing uses. The Bond Retirement Fund's balance increased \$109,746 from the prior fiscal year. The Classroom Facilities Fund had \$7,273,553 in revenues and \$16,450,342 in expenditures. The Classroom Facilities Fund's balance decreased \$9,176,789 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, 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 2017. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)**

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, the Bond Retirement Fund, 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 2017 compared to 2016.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)**

**Table 1
Net position
Governmental Activities**

	<u>2017</u>	<u>Restated 2016</u>
Assets		
Current and Other Assets	\$35,300,217	\$53,264,611
Capital Assets	28,865,967	10,744,234
Total Assets	<u>64,166,184</u>	<u>64,008,845</u>
Deferred Outflows of Resources		
Deferred Charge on Refunding Pension	20,102	18,427
	4,452,244	2,479,686
Total Deferred Outflows of Resources	<u>4,472,346</u>	<u>2,498,113</u>
Liabilities		
Current and Other Liabilities	3,049,513	3,443,245
Long-Term Liabilities:		
Due Within One Year	417,142	408,127
Due Within More Than One Year:		
Net Pension Liability	22,566,870	20,728,927
Other Amounts	20,493,538	17,487,235
Total Liabilities	<u>46,527,063</u>	<u>42,067,534</u>
Deferred Inflows of Resources		
Property Taxes	5,978,949	5,844,293
Pension	12,707	1,297,030
Total Deferred Inflows of Resources	<u>5,991,656</u>	<u>7,141,323</u>
Net Position		
Net Investment in Capital Assets	24,134,840	7,786,247
Restricted	7,223,921	19,956,117
Unrestricted (deficit)	(15,238,950)	(10,444,263)
Total Net Position	<u>\$16,119,811</u>	<u>\$17,298,101</u>

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.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)**

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 only increased by \$157,339 (less than one percent). Total liabilities increased by \$4,459,529 (11 percent). This was primarily attributed to an increase in debt attributed to construction costs related to the new OFCC school project. Net position decreased by \$1,178,290 (6.8 percent). This was primarily attributed to positive net change in fund balances in the General fund, as compared to 2016 net changes in fund balances. The increase in construction in progress also contributed to the increase in net position,

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)**

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 2017 and 2016.

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

	2017	Restated 2016
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$2,107,934	\$1,598,180
Operating Grants, Contributions and Interest	1,257,462	688,220
Total Program Revenues	3,365,396	2,286,400
General Revenues:		
Property Taxes	4,271,443	3,894,484
Income Taxes	2,325,539	2,303,064
Grants and Entitlements	5,872,726	6,252,614
Investment Earnings	146,778	189,531
Gifts and Donations	41,067	53,357
Miscellaneous	72,020	9,436
Total General Revenues	12,729,573	12,702,486
Total Revenues	16,094,969	14,988,886
Expenses:		
Instruction	9,888,643	9,913,008
Support Services:		
Pupils	788,358	767,075
Instructional Staff	445,649	339,565
Board of Education	47,881	54,475
Administration	1,213,630	916,526
Fiscal	458,402	433,107
Operation and Maintenance of Plant	873,540	827,527
Pupil Transportation	772,362	454,046
Central	210,262	183,860
Non-Instructional	914,731	743,829
Extracurricular Activities	825,371	668,509
Interest and Fiscal Charges	834,430	912,090
Total Expenses	17,273,259	16,213,617
Change in Net position	(1,178,290)	(1,224,731)
Beginning net position (restated)	17,298,101	18,522,832
Ending Net Position	\$16,119,811	\$17,298,101

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)**

Total revenues increased by \$1,106,083 (7 percent). This was primarily attributed to increases in grant monies received from the Ohio School Facilities Commission (OFCC) for the construction of the new District school building.

Program revenues account for 21 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 \$1,059,642 (7 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 57 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 27 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 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Instruction	\$9,888,643	\$7,579,731	\$9,913,008	\$8,617,201
Support Services:				
Pupils	788,358	785,798	767,075	764,735
Instructional Staff	445,649	427,582	339,563	307,475
Board of Education	47,881	47,881	54,475	54,475
Administration	1,213,630	846,527	916,526	613,224
Fiscal	458,402	446,203	433,107	433,107
Operation and Maintenance of Plant	873,540	873,540	827,527	827,527
Pupil Transportation	772,362	772,362	454,046	454,046
Central	210,262	204,862	183,860	178,460
Non-Instructional	914,731	502,857	743,829	302,417
Extracurricular Activities	825,371	586,090	668,509	462,460
Interest and Fiscal Charges	834,430	834,430	912,090	912,090
Total Expenses	\$17,273,259	\$13,907,863	\$16,213,617	\$13,927,217

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)**

The dependence upon tax and other general revenues for governmental activities is apparent; 77 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81 percent. The District's taxpayers, as a whole, are by far the primary support for District's students.

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, and the Classroom Facilities Fund. Total governmental funds had revenues and other financing sources of \$23,470,708 and expenditures and other financing uses of \$33,903,586. The net negative change of \$10,432,878 in fund balance for the year indicates that the District had some difficulty in meeting current costs.

In fiscal year 2017, General Fund revenues increased by 10 percent. General Fund expenditures only increased by 8 percent. The General Fund balance increased \$467,617 (7 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 2017, the Bond Retirement Fund revenues increased by 4 percent due to an increase in property tax revenue. The Bond Retirement expenditures increased by 15 percent due to the retirement of debt. The Bond Retirement Fund balance increased by \$109,746 (15 percent) due to property and rollback and homestead taxes being greater than the District's required debt payments.

In fiscal year 2016, the 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 Classroom Facilities Fund revenues increased by 51 percent due to an increase intergovernmental revenue for the construction project. Classroom Facilities Fund expenditures increased by 289 percent due to the expenditures for the construction project. The Classroom Facilities Fund balance decreased by \$9,176,789 due primarily to the construction project.

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 2017, the District amended its General Fund budget as needed.

General Fund original and final budgeted revenues were \$12,523,716. Actual revenues and other financing sources were \$13,465,101. This represents an increase of \$941,385 (8 percent).

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)**

General Fund original appropriations and other financing uses of \$13,459,359 were increased to \$13,589,184 in the final budget (\$129,825 or less than 1 percent). The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$13,038,995, which was \$550,189 (4 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 2017, the District had \$28,865,967 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, 2017, the District had \$18,370,000 in school improvement general obligation bonds for building improvements and \$461,876 in capital appreciation bonds. The bonds were issued in 2014 for a thirty-seven year period.

At June 30, 2017, the District had \$230,000 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 \$436,926 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, 2017, the District's overall legal debt margin was (\$5,352,155), with an un-voted debt margin of \$145,720.

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 2017, 39 percent of the District revenue sources are from local funds, 58 percent is from state funds and with 3 percent from federal funds. The total expenditure per pupil was calculated at \$10,994 for fiscal year 2016. The official reports for fiscal year 2017 have not been released.

The financial position of the District in fiscal year 2017 increased over the previous year. The District ended the year with negative revenues over expenditures of \$1,178,290. This carryover balance of the District is \$1,178,290.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED
(Continued)**

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, 100 Tiger Trail, Liberty Center, Ohio 43532-0434.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2017**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	12,067,636
Investments		8,652,620
Materials and Supplies Inventory		20,521
Accrued Interest Receivable		17,968
Accounts Receivable		94,191
Intergovernmental Receivable		6,770,042
Taxes Receivable		6,719,374
Income Taxes Receivable		957,865
Capital Assets:		
Non-Depreciable Capital Assets		24,329,874
Depreciable Capital Assets, net		4,536,093
Total Assets		<u>64,166,184</u>
Deferred Outflow of Resources:		
Deferred Charges on Refunding		20,102
Pension		4,452,244
Total Deferred Outflows of Resources		<u>4,472,346</u>
Liabilities:		
Accounts Payable		7,820
Accrued Wages and Benefits		1,405,623
Contracts Payable		1,301,712
Intergovernmental Payable		334,358
Long-Term Liabilities:		
Due Within One Year		417,142
Due in More Than One Year		20,493,538
Net Pension Liability		22,566,870
Total Liabilities		<u>46,527,063</u>
Deferred Inflows of Resources:		
Property Taxes Receivable		5,978,949
Pension		12,707
Total Deferred Inflows of Resources		<u>5,991,656</u>
Net Position:		
Net Investment in Capital Assets		24,134,840
Restricted for Debt Service		258,487
Restricted for Capital Outlay		6,705,082
Restricted for Other Purposes		260,352
Unrestricted (deficit)		(15,238,950)
Total Net Position	\$	<u><u>16,119,811</u></u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	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	\$ 6,633,381	\$ 1,223,340	\$ (5,410,041)
Special	2,649,439	85,092	\$ (1,605,980)
Vocational	227,884		(185,771)
Student Intervention Services	38,554		(38,554)
Other	339,385		(339,385)
Support Services:			
Pupils	788,358		(785,798)
Instructional Staff	445,649		(427,582)
Board of Education	47,881		(47,881)
Administration	1,213,630	367,103	(846,527)
Fiscal	458,402		(446,203)
Operation and Maintenance of Plant	873,540		(873,540)
Pupil Transportation	772,362		(772,362)
Central	210,262		(204,862)
Operation of Non-Instructional Services	914,731	213,530	(502,857)
Extracurricular Activities	825,371	218,869	(586,090)
Debt Service:			
Interest and Fiscal Charges	834,430		(834,430)
Totals	\$ 17,273,259	\$ 2,107,934	\$ 1,257,462
		\$ 13,907,863	
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes			2,960,672
Property Taxes, Levied for Capital Outlay			163,577
Property Taxes, Levied for Debt Service			1,085,377
Property Taxes, Levied for Other			61,817
Income Taxes			2,325,539
Grants and Entitlements not Restricted to Specific Programs			5,872,726
Gifts and Donations			41,067
Investment Earnings			146,778
Miscellaneous			72,020
Total General Revenues			<u>12,729,573</u>
Change in Net Position			(1,178,290)
Net Position Beginning of Year (Restated)			<u>17,298,101</u>
Net Position End of Year			<u>\$ 16,119,811</u>

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Bond Retirement Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 7,157,085	\$ 674,285	\$ 3,351,009	\$ 885,257	\$ 12,067,636
Investments			6,143,360	2,509,260	8,652,620
Materials and Supplies Inventory	14,284			6,237	20,521
Accrued Interest Receivable	17,968				17,968
Accounts Receivable	94,191				94,191
Intergovernmental Receivable			6,705,082	64,960	6,770,042
Taxes Receivable	5,373,703	1,114,783		230,888	6,719,374
Income Taxes Receivable	957,865				957,865
Total Assets	\$ 13,615,096	\$ 1,789,068	\$ 16,199,451	\$ 3,696,602	\$ 35,300,217
Liabilities					
Current Liabilities:					
Accounts Payable	\$ 3,761			\$ 4,059	\$ 7,820
Accrued Wages and Benefits	1,303,111			102,512	1,405,623
Contracts Payable			\$ 1,164,228	137,484	1,301,712
Intergovernmental Payable	318,088			16,270	334,358
Matured Compensated Absences Payable	37,070				37,070
Total Liabilities	1,662,030	-	1,164,228	260,325	3,086,583
Deferred Inflow of Resources					
Property Levied for the Next Fiscal Year	4,859,321	929,332		190,296	5,978,949
Delinquent Property Tax Revenue Not Available	86,544	28,981		6,374	121,899
Unavailable Revenue	175,814		6,705,082	2,318	6,883,214
Total Deferred Inflows of Resources	5,121,679	958,313	6,705,082	198,988	12,984,062
Total Liabilities and Deferred Inflows of Resources	6,783,709	958,313	7,869,310	459,313	16,070,645
Fund Balances					
Nonspendable	14,284			6,237	20,521
Restricted		830,755	8,330,141	3,273,525	12,434,421
Assigned	1,945,226				1,945,226
Unassigned (deficit)	4,871,877			(42,473)	4,829,404
Total Fund Balances	6,831,387	830,755	8,330,141	3,237,289	19,229,572
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 13,615,096	\$ 1,789,068	\$ 16,199,451	\$ 3,696,602	\$ 35,300,217

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, 2017**

Total Governmental Fund Balances \$ 19,229,572

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	4,452,244	
Deferred Inflows - Pension	(12,707)	
Net Pension Liability	(22,566,870)	(18,127,333)

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		28,865,967
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Deferred Inflows that do not provide financial resources are not reported as revenues in governmental fund.		7,005,113
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Unamortized deferred amounts on refunding are not recognized in the funds		20,102
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Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

General Obligation Bonds Payable	(19,644,698)	
Note Payable	(436,926)	
Capital Leases Payable	(45,951)	
Compensated Absences Payable	(746,035)	(20,873,610)

Net Position of Governmental Activities		\$ 16,119,811
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See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	General Fund	Bond Retirement Fund	Classroom Facilities Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property and Other Local Taxes	\$ 2,982,816	\$ 1,090,789		\$ 226,615	\$ 4,300,220
Income Tax	2,314,666				2,314,666
Intergovernmental	6,431,863	39,685	7,234,050	640,066	14,345,664
Interest	73,825		39,503	33,555	146,883
Tuition and Fees	1,259,797				1,259,797
Rent	48,635				48,635
Extracurricular Activities	5,486			218,869	224,355
Gifts and Donations	41,067			17,242	58,309
Customer Sales and Services	361,617			213,530	575,147
Miscellaneous	70,520			3,074	73,594
Total Revenues	13,590,292	1,130,474	7,273,553	1,352,951	23,347,270
EXPENDITURES:					
Current:					
Instruction:					
Regular	5,606,526			22,557	5,629,083
Special	2,042,957			338,183	2,381,140
Vocational	172,748			7,695	180,443
Student Intervention Services	38,554				38,554
Other	339,544				339,544
Support Services:					
Pupils	713,185			2,560	715,745
Instructional Staff	383,975			18,713	402,688
Board of Education	47,881				47,881
Administration	1,052,589				1,052,589
Fiscal	382,890	25,334		5,776	414,000
Operation and Maintenance of Plant	844,359				844,359
Pupil Transportation	533,972			23,959	557,931
Central	110,618			85,594	196,212
Operation of Non-Instructional Services	343,999			456,748	800,747
Extracurricular Activities	445,624			238,597	684,221
Capital Outlay	16,356		16,450,342	2,016,021	18,482,719
Debt Service:					
Principal	108,405	290,000			398,405
Interest	1,931	705,394			707,325
Total Expenditures	13,186,113	1,020,728	16,450,342	3,216,403	33,873,586
Excess of Revenues Over (Under) Expenditures	404,179	109,746	(9,176,789)	(1,863,452)	(10,526,316)
OTHER FINANCING SOURCES AND USES:					
Transfers In				30,000	30,000
Proceeds from Sale of Capital Assets	1,500				1,500
Inception of Capital Lease	91,938				91,938
Transfers Out	(30,000)				(30,000)
Total Other Financing Sources and Uses	63,438	0	0	30,000	93,438
Net Change in Fund Balances	467,617	109,746	(9,176,789)	(1,833,452)	(10,432,878)
Fund Balance at Beginning of Year	6,363,770	721,009	17,506,930	5,070,741	29,662,450
Fund Balance at End of Year	\$ 6,831,387	\$ 830,755	\$ 8,330,141	\$ 3,237,289	\$ 19,229,572

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, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ (10,432,878)

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. 993,009

Except for amounts reported as deferred inflows/outflows, changes in the net position liability are reported as pension expense in the statement of activities. (2,886,450)

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	18,996,108	
Depreciation	<u>(786,773)</u>	
		18,209,335

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

Intergovernmental	(7,234,397)	
Income Taxes	10,873	
Delinquent Property Taxes	<u>(28,777)</u>	
		(7,252,301)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities. 352,418

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: 45,987

Premium on bonds issued are recorded as other financing sources in the statement of activities; however they are not reported as other financing sources as they increase liabilities on the statement of net position. (128,780)

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	20,102	
Accretion on capital appreciation bonds	<u>(128,780)</u>	
		(108,678)

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	<u>30,048</u>	
		<u>30,048</u>

Change in Net Position of Governmental Activities \$ (1,178,290)

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, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
REVENUES:				
Property and Other Local Taxes	\$ 2,807,082	\$ 2,807,082	\$ 2,936,258	\$ 129,176
Income Tax	2,286,542	2,286,542	2,301,065	14,523
Intergovernmental	6,082,617	6,082,617	6,431,863	349,246
Interest	45,000	45,000	69,672	24,672
Tuition and Fees	913,475	913,475	1,219,335	305,860
Rent	51,000	51,000	48,635	(2,365)
Gifts and Donations	35,500	35,500	34,174	(1,326)
Customer Sales and Services	300,000	300,000	361,617	61,617
Miscellaneous	2,500	2,500	60,982	58,482
Total Revenues	12,523,716	12,523,716	13,463,601	939,885
EXPENDITURES:				
Current:				
Instruction:				
Regular	5,625,820	5,641,401	5,552,930	88,471
Special	2,023,225	2,024,820	2,030,076	(5,256)
Vocational	172,945	172,945	170,738	2,207
Student Intervention Services	80,075	80,075	38,554	41,521
Other	372,500	374,688	343,307	31,381
Support Services:				
Pupils	771,385	776,567	743,449	33,118
Instructional Staff	418,786	428,800	392,729	36,071
Board of Education	77,255	98,374	48,232	50,142
Administration	996,252	1,056,981	1,003,122	53,859
Fiscal	406,325	414,917	376,172	38,745
Operation and Maintenance of Plant	884,312	893,485	853,730	39,755
Pupil Transportation	549,700	560,744	494,798	65,946
Central	94,421	92,816	90,376	2,440
Extracurricular Activities	343,370	344,770	336,199	8,571
Capital Outlay	454,570	460,583	448,301	12,282
Principal	36,000	36,000	16,356	19,644
Principal	62,418	62,418	62,418	0
Total Expenditures	13,369,359	13,520,384	13,001,487	518,897
Excess of Revenues Over (Under) Expenditures	(845,643)	(996,668)	462,114	1,458,782
Other Financing Sources (Uses):				
Transfers In				0
Proceeds from Sale of Capital Assets			1,500	1,500
Transfers Out	(30,000)	(30,000)	(30,000)	0
Advances Out	(30,000)	(30,000)		30,000
Refund of Prior Year Receipts			(7,508)	(7,508)
Other Financing Uses:	(30,000)	(8,800)		8,800
Total Other Financing Source (Uses)	(90,000)	(68,800)	(36,008)	32,792
Net Change in Fund Balances	(935,643)	(1,065,468)	426,106	1,491,574
Fund Balance at Beginning of Year	6,503,371	6,503,371	6,503,371	0
Prior Year Encumbrances Appropriated	129,823	129,823	129,823	0
Fund Balance at End of Year	\$ 5,697,551	\$ 5,567,726	\$ 7,059,300	\$ 1,491,574

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>5,080</u>	\$ <u>41,111</u>
Liabilities		
Current Liabilities:		
Undistributed Monies		\$ <u>41,111</u>
Net Position		
Held in Trust for Scholarships	\$ <u>5,080</u>	

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Private Purpose Trust</u>
ADDITIONS:	
Miscellaneous	\$ 249
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>175</u>
Change in Net Position	74
Net Position Beginning of Year	<u>5,006</u>
Net Position End of Year	<u><u>\$ 5,080</u></u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 85 certified full-time teaching personnel who provide services to 1,136 students and other community members.

The Reporting Entity

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Government-Wide Financial Statements

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10).

Pensions

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

Expenditures/Expenses

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

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

E. Budgetary Process

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2017 is as follows:

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2017.

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

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

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

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

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Investments

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

During fiscal year 2017, 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 NAB per share that approximates fair value.

For the fiscal year 2017, 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 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 2017 amounted to \$73,825, which included \$12,329 from other District funds.

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

G. Inventory

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Restricted Assets

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

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their acquisition cost. 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.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Net position

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

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

M. Fund Balance

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

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

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.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

Assigned - Amounts in the assigned classification are intended to be used by the 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 2017.

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.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

3 CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2017, the District has implemented GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans", GASB Statement No. 80, "Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14" and GASB Statement No. 82, "Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These disclosures were incorporated in the District's fiscal year 2017 financial statements (see Note 21); however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

4. DEPOSITS AND INVESTMENTS

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$7,411,329 of the District's bank balance of \$8,775,232 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2017, 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	\$474,893	\$474,893		
Federal National Mortgage Association Notes	2,050,398	2,050,398		
Federal Farm Credit Bank Notes	650,339	650,339		
Commercial Paper	5,439,259	5,439,259		
Negotiable Certificates of Deposit	3,953,102	1,047,287	\$903,413	\$2,002,402
Money Market	46,651	46,651		
STAR Ohio	5,679	5,679		
Total Investments	\$12,620,321	\$9,714,506	\$903,413	\$2,002,402

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.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

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.

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 Farm Credit Bank Notes, negotiable certificates of deposit, commercial paper, money market/cash and Star Ohio represent 4 percent, 16 percent, 5 percent, 31 percent, 43 percent, less than 1 percent, and less than 1 percent, respectively, of the District's total investments

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes for 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2017 were levied after April 1, 2016, on the assessed values as of December 31, 2015, 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, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

5. PROPERTY TAXES - (Continued)

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, 2017 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 2017 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, 2017 was \$427,838 in the General Fund, \$156,470 in the Bond Retirement Fund, and \$34,218 in the Permanent Improvement Fund. 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 assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$122,809,640	87%	\$123,129,570	84%
Industrial/Commercial	8,126,340	6%	8,138,820	6%
Public Utility	10,382,220	7%	14,452,060	10%
Total Assessed Value	<u>\$141,318,200</u>	<u>100%</u>	<u>\$145,720,450</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$50.00		\$50.00	

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

6. INCOME TAX

In 1995, the voters of the Liberty Center Local School District passed a 1 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2017, the District recorded income tax revenue of \$2,314,666 in the General Fund, of which \$957,865 is recorded as a receivable at June 30, 2017.

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

7. RECEIVABLES

Receivables at June 30, 2017, 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.

	<u>Amount</u>
Accounts Receivable:	
General Fund:	
Tuition and Fees	\$94,191
Total Accounts Receivable	<u>\$94,191</u>
Intergovernmental Receivables:	
Classroom Facilities Fund	\$6,705,082
All Other Governmental Funds:	
Title I Grant Fund	27,422
Title VI-B Grant Fund	37,538
Total Intergovernmental Receivable	<u>\$6,770,042</u>

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance at 7/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2017</u>
Governmental Activities				
Non Depreciable Capital Assets				
Land	\$1,335,207			\$1,335,207
Construction in Progress	4,128,812	\$18,865,855		22,994,667
Total Non Depreciable Capital Assets	<u>5,464,019</u>	<u>18,865,855</u>		<u>24,329,874</u>
Depreciable Capital Assets				
Land Improvements	451,481	115,172		566,653
Buildings and Building Improvements	11,290,899		\$138,784	11,152,115
Permanent Fixtures	784,837		9,170	775,667
Equipment	516,080	15,081	48,141	483,020
Computers	171,198		16,161	155,037
Musical Instruments	11,401			11,401
Vehicles	1,259,704		57,588	1,202,116
Total Depreciable Capital Assets	<u>14,485,600</u>	<u>130,253</u>	<u>269,844</u>	<u>14,346,009</u>
Less Accumulated Depreciation				
Land Improvements	(318,497)	(16,212)		(334,709)
Buildings and Building Improvements	(7,137,306)	(602,083)	60,140	(7,679,249)
Permanent Fixtures	(643,513)	(39,668)	9,170	(674,011)
Equipment	(331,180)	(25,796)	48,141	(308,835)
Computers	(138,304)	(22,239)	16,161	(144,382)
Musical Instruments	(11,400)	(80,775)		(92,175)
Vehicles	(625,185)		48,630	(576,555)
Total Accumulated Depreciation	<u>(9,205,385)</u>	<u>(786,773)</u>	<u>182,242</u>	<u>(9,809,916)</u>
Depreciable Capital Assets, Net	<u>5,280,215</u>	<u>(656,520)</u>	<u>87,602</u>	<u>4,536,093</u>
Governmental Activities Capital Assets, Net	<u>\$10,744,234</u>	<u>\$18,209,335</u>	<u>\$87,602</u>	<u>\$28,865,967</u>

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

8. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$94,632
Special	18,896
Vocational	6,372
Support Services:	
Pupil	11,165
Instructional Staff	7,482
Administration	11,911
Fiscal	10,699
Operation and Maintenance of Plant	27,348
Pupil Transportation	78,136
Central	5,186
Non-Instructional Services	12,299
Extracurricular	65,935
Capital Outlay	436,712
Total Depreciation Expense	<u>\$786,773</u>

9. RISK MANAGEMENT

A. Schools of Ohio Risk Sharing Authority

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

Property Insurance	\$40,929,230
Equipment Breakdown	50,000,000
Crime Coverage	1,000,000
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.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

B. Employee Insurance Benefits Program

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

C. Workers' Compensation Group Program

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

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

10. DEFINED PENSION BENEFIT PLANS

Net Pension Liability

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

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

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

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10. DEFINED PENSION BENEFIT PLANS - (Continued)

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.

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.

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(Continued)**

10. DEFINED PENSION BENEFIT PLANS - (Continued)

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, 2017, 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 \$235,235 for fiscal year 2017. Of this amount \$44,882 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.

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. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service at least age 60.

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, 11.5 percent of the 13 percent member rate goes to the DC Plan and the remaining 1.5 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 or later.

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(Continued)**

10. DEFINED PENSION BENEFIT PLANS - (Continued)

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 Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

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 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$757,774 for fiscal year 2017. Of this amount \$156,308 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,967,769	\$18,599,101	\$22,566,870
Proportion of the Net Pension Liability	0.052907%	0.0535669%	
Pension Expense	\$355,256	\$1,467,498	\$1,822,754

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

10. DEFINED PENSION BENEFIT PLANS - (Continued)

At June 30, 2017, the District reported outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$52,229	\$724,476	\$776,705
Changes of assumptions	258,498	0	258,498
Net difference between projected and actual earnings on pension plan investments	319,410	1,488,709	1,808,119
Changes in proportion and differences			
Difference between School District contributions and proportionate share of contributions	25,938	500,644	526,582
District contributions subsequent to the measurement date	<u>235,236</u>	<u>847,104</u>	<u>1,082,340</u>
Total Deferred Outflows of Resources	<u>\$891,311</u>	<u>\$3,560,933</u>	<u>\$4,452,244</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$12,707</u>	<u>\$0</u>	<u>\$12,707</u>

\$3,574,724 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$13,057	\$181,119	\$194,176
2019	13,057	181,119	194,176
2020	13,057	181,119	194,176
2021	<u>13,058</u>	<u>181,119</u>	<u>194,177</u>
Total	<u>\$52,229</u>	<u>\$724,476</u>	<u>\$776,705</u>

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

10. DEFINED PENSION BENEFIT PLANS - (Continued)

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	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.2 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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(Continued)**

10. DEFINED PENSION BENEFIT PLANS - (Continued)

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2010 through 2015, is outlined in a report adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28-year amortization period of the unfunded actuarial liability. If the funded ratio is less than 70 percent, the entire 14 percent employers' contribution shall be allocated to SERS' basic benefits. If the funded ratio is 70 percent but less than 80 percent, at least 13.50 percent of the employers' contribution shall be allocated to SERS' basic benefits. If the funded ratio is 80 percent but less than 90 percent, at least 13.25 percent of the employers' contribution shall be allocated to SERS' basic benefits.

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(Continued)**

10. DEFINED PENSION BENEFIT PLANS - (Continued)

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

	1% Decrease ▀ (6.5%)	Current Discount Rate ▀ (7.5%)	1% Increase ▀ (8.5%)
School District's proportionate share of the net pension liability	\$5,126,709	\$3,967,769	\$2,822,342

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2016, 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, including inflation
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, 201 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, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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10. DEFINED PENSION BENEFIT PLANS - (Continued)

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

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

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 as of June 30, 2016, 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	\$23,828,110	\$18,599,101	\$12,955,425

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to District's NPL is expected to be significant.

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(Continued)**

10. DEFINED PENSION BENEFIT PLANS - (Continued)

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, 2017, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

11. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

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 2017, 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 2017, this amount was \$23,500. 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 2017, the District's surcharge obligation was \$28,859

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$38,696, respectively. For fiscal year 2017, 0 percent has been contributed, with the balance being reported as intergovernmental payable. The full amount has been contributed for fiscal years 2016 and 2015.

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

11. POSTEMPLOYMENT BENEFITS (Continued)

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 2017, 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, 2017, 2016, and 2015 were \$0, \$0 and \$0 respectively; The full amount has been contributed for all three fiscal years.

12. COMPENSATED ABSENCES

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

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 56 days for non-union employees, 55 days for certified and 56 days for classified union employees.

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13. LONG-TERM OBLIGATIONS

During the year ended June 30, 2017, the following changes occurred in obligations reported in the Government-Wide Financial Statements:

	<u>Balance at 06/30/2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 06/30/2017</u>	<u>Amount Due In one Year</u>
Series 2014 Bonds					
General Obligation Bonds	\$18,405,000		\$35,000	\$18,370,000	\$65,000
Capital Appreciation Bonds	333,096	\$128,780		461,876	
Refunding Bonds	485,000		255,000	230,000	230,000
Energy Conservation Improvement Bonds, Series 2009	499,344		62,418	436,926	62,418
Capital Leases		91,938	45,987	45,951	22,654
Net Pension Liability	17,487,235	5,079,635		22,566,870	
Compensated Absences	831,792	7,022	55,709	783,105	37,070
Total Government Activities	<u>\$38,041,467</u>	<u>\$4,149,063</u>	<u>\$454,114</u>	<u>42,894,728</u>	<u>\$417,142</u>
Add: Unamortized Bond Premiums				<u>582,822</u>	
Total on Statement of Net position				<u>\$43,477,550</u>	

Ohio School Facilities Commission Project Bonds, Series 2014

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

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

The Energy Conservation 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

13. LONG-TERM OBLIGATIONS - (Continued)

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

Maturity Date (November 1)	Principal Amount	Interest Rate
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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

13. LONG-TERM OBLIGATIONS - (Continued)

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, 2017 was \$461,876.

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:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
November 1, 2027	\$360,000
November 1, 2028	360,000

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:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
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:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
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:

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

13. LONG-TERM OBLIGATIONS - (Continued)

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:

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, 2017 was \$707,325.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

13. LONG-TERM OBLIGATIONS - (Continued)

The scheduled payments of principal and interest on debt outstanding at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	362,418	691,906	1,054,324
2023 - 2027	1,624,836	3,328,281	4,953,117
2028 - 2032	1,910,000	3,070,475	4,980,475
2033 - 2037	2,425,000	2,687,834	5,112,834
2038 - 2042	3,085,000	2,145,650	5,230,650
2043 - 2047	3,955,000	1,440,659	5,395,659
2048 - 2052	4,955,000	530,784	5,485,784
Total	<u>\$19,136,926</u>	<u>\$17,317,677</u>	<u>\$36,454,603</u>

14. CAPITALIZED LEASES - LESSEE DISCLOSURE

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

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

Capital assets acquired by the leases have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. Principal payments in the 2017 fiscal year totaled \$45,987.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2017:

<u>General Long-Term Obligations</u>	
<u>Year Ending June 30,</u>	<u>Equipment</u>
2018	\$23,959
2019	23,959
Total Future Minimum Lease Payments	47,918
Less: Amount Representing Interest	(1,967)
Present Value of Future Minimum Lease Payments	<u>\$45,951</u>

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

15. SET-ASIDE CALCULATIONS

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

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

	Capital Acquisition
Set-aside Balance as of June 30, 2016	
Current Year Set-aside Requirement	\$191,836
Current Year Offsets	(246,935)
Total	(\$55,099)

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 \$84,695. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Four County Career Center

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

D. Northwestern Ohio Educational Research Council, Inc.

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

17. GROUP PURCHASING POOLS

A. Employee Insurance Benefits Program

The District participates in a group health insurance pool through the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Pool). NBHP is a joint self-insurance arrangement created pursuant to the authority vested in Ohio Revised Code § 9.833. The Pool is a public entity shared risk pool consisting of educational entities throughout the State. The Pool is governed by OHI and its participating members. The District contributed a total of \$1,546,194 to Northern Buckeye Health Plan, Northwest Division of OHI, during this fiscal year for all four plans. Financial information for the period can be obtained from Northern Buckeye Health Plan/OHI, Jenny Jostworth, Treasurer, at 10999 Reed Hartman Hwy., Suite 304E, Cincinnati, Ohio 45242.

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

17. GROUP PURCHASING POOLS (Continued)

NBHP has retained Sheakley UniService as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District paid an enrollment fee of \$0 to WCGRP to cover the costs of administering the program.

C. Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code - Non-Profit Corporations and functioning under authority granted by Section 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons, which might result in claims being made against members of SORSA, their employees or officers. The District paid \$73,923 for these services to SORSA in fiscal year 2017.

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.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

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, 2017.

B. Litigation

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

20. DEFICIT FUND BALANCES

Fund balances at June 30, 2017 included the following individual fund deficits:

Nonmajor Funds	Deficit
Food Service Fund	\$40,712
Title VI-B Fund	1,714
Title II-A	47

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

21. FUND BALANCE

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

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

Fund Balance	General Fund	Bond Retirement Fund	Classroom Facilities Fund	Other Governmental Funds	Total
Nonspendable:					
Materials and Supplies Inventory	\$14,284			\$6,237	\$20,521
Restricted for:					
Regular					
Special				2,063	2,063
Athletic Facilities				116,869	116,869
Maintenance				181,575	181,575
Debt Retirement		\$830,755			830,755
Permanent Improvements				382,385	382,385
Building Construction			\$8,330,141	2,590,633	10,927,011
Total Restricted		830,755	8,330,141	3,273,525	12,440,658
Assigned to:					
Principal Funds	34,018				34,018
Encumbrances	61,263				61,263
Appropriations	1,849,945				1,849,945
Total Assigned	1,945,226				1,945,226
Unassigned	4,871,877			(42,473)	4,823,167
Total Fund Balance	\$6,831,387	\$830,755	\$8,330,141	\$3,237,289	\$19,229,572

22. SCHOOL FOUNDATION FUNDING

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2016-2017 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, 2017 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, 2017, the following transfers in and out occurred:

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

Fund	Transfers In	Transfers Out
General Fund		\$30,000
Special Revenue Funds:		
Lunchroom Fund	\$30,000	
Totals	\$30,000	\$30,000

24. CONTRACTUAL COMMITMENTS

As of June 30, 2017, 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	\$825,915
Shook Touchstone	13,185,986
Quandel	88,061
Four Seasons Environmental	68,575
Total	\$14,168,537

25. Accounting Change

For fiscal year 2017, the beginning balance of net position was re-stated to properly report revenue of \$13,932,132 related to the receivable for the Ohio Facilities Construction Commission project that was approved in a prior fiscal year. The following restatement has been added to the beginning balance on the Statement of Net Position and the Statement of Activities. The restatement had the following effect on net position as reported June 30, 2016:

Net Position balance at June 30, 2016	\$3,358,969
Adjustment:	
Ohio Facilities Construction Commission Grant	13,939,132
Restated Net Position at July 1, 2016	\$17,298,101

26. 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:

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

26. 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	\$467,617
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2016, Received In Cash FY 2017	1,217,703
Accrued FY 2017, Not Yet Received in Cash	(1,425,300)
Expenditure Accruals:	
Accrued FY 2016, Paid in Cash FY 2017	(1,520,891)
Accrued FY 2017, Not Yet Paid in Cash	1,750,998
Advances Net	
Non General Fund Activity	1,002
Encumbrances Outstanding at Year End (Budget Basis)	(65,023)
Budget Basis	\$426,106

27. OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 65,023
Classroom Facilities	14,244,880
Nonmajor governmental	2,145,921
Total	\$ 16,455,824

**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 FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.052907%	0.053558%	0.085447%	0.085447%
District's proportionate share of the net pension liability	\$ 3,967,769	\$ 3,056,066	\$ 4,324,424	\$ 5,081,259
District's covered-employee payroll	\$ 1,624,000	\$ 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	244.32%	178.44%	238.97%	292.22%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2014 was unavailable.

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

**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 FOUR FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.05356688%	0.05221670%	0.08244441%	0.08244441%
District's proportionate share of the net pension liability	\$ 18,599,101	\$ 14,290,183	\$ 20,053,334	\$ 23,887,397
District's covered-employee payroll	\$ 5,890,650	\$ 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	315.74%	256.69%	358.29%	463.42%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2014 was unavailable.

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

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 235,235	\$ 227,360	\$ 225,732	\$ 250,813	\$ 240,659	\$ 157,341	\$ 192,160	\$ 120,072	\$ 116,144	\$ 96,386
Contributions in relation to the contractually required contribution	(235,235)	(227,360)	(225,732)	(250,813)	(240,659)	(157,341)	(192,160)	(120,072)	(116,144)	(96,386)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,680,250	\$ 1,624,000	\$ 1,712,686	\$ 1,809,618	\$ 1,738,866	\$ 1,169,822	\$ 1,528,719	\$ 886,795	\$ 1,180,325	\$ 981,527
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 757,774	\$ 824,691	\$ 779,404	\$ 727,611	\$ 670,096	\$ 611,912	\$ 628,767	\$ 594,275	\$ 588,434	\$ 543,391
Contributions in relation to the contractually required contribution	(757,774)	(824,691)	(779,404)	(727,611)	(670,096)	(611,912)	(628,767)	(594,275)	(588,434)	(543,391)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 5,412,671	\$ 5,890,650	\$ 5,567,171	\$ 5,597,008	\$ 5,154,585	\$ 4,707,015	\$ 4,836,669	\$ 4,571,346	\$ 4,526,415	\$ 4,179,931
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY, OHIO**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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 2014-2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.



Dave Yost • Auditor of State

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

Liberty Center Local School District
Henry County
100 Tiger Trail
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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 20, 2018, wherein we noted the District restated the beginning balance of net position to report revenue for the Ohio Facilities Construction Commission Project.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

June 20, 2018

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2017

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

FINDING NUMBER 2017-001

Material Weakness – Restatement of Beginning Net Position

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Accurate financial reporting is the responsibility of management and is essential to ensure the information provided to the readers of the financial statements accurately reflects the District's activity. The District should have procedures in place to prevent or detect material misstatements for the accurate presentation of the District's financial statements.

Beginning net position for Governmental Activities was restated (increased) in the amount of \$13,939,132 to account for revenue related to the District's Ohio Facilities Construction Commission Project that should have been recognized in a previous year. An intergovernmental receivable of \$6,705,082 was also added to the Statement of Net Position and in the Classroom Facilities fund to account for the remaining receivable on this project. Restricted net position and unavailable revenue of \$6,705,082 were also recorded to the Statement of Net Position and Classroom Facilities fund, respectively.

These errors were the result of inadequate policies and procedures in reviewing the financial statements and accounting records throughout the audit period. The accompanying financial statements have been adjusted to correct these errors. To help ensure the District's financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the annual report by the Board of Education and the audit committee to identify and correct errors, omissions, and misclassifications.

Officials' Response:

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

Mr. Larry Black
High School Principal

Mr. Nicholas Mariano II
Middle School Principal

Mrs. Kelly M. Hartbarger
Elementary Principal

Liberty Center Schools

100 Tiger Trail
Liberty Center, Ohio 43532
419-533-5011

Board of Education
Mr. Jeff Benson
Mrs. Andrea Zacharias
Mr. Neal Carter
Mr. Todd Spangler
Mr. John Weaver

Dr. Tod A. Hug
Superintendent

Mrs. Jenell M. Buenger
Treasurer/CFO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Material Weakness – Reporting of Net Pension Liability.	Partially corrected and repeated in the management letter.	This finding reoccurred due to inadequate policies and procedures in reviewing the financial statements pension liability. This comment appears in management letter since amounts are not material to the financial statements as a whole. The District is implementing procedures to correct these errors for the future.
2016-002	Finding first reported in 2015. Material Weakness – Financial Reporting - due to errors resulting in audit adjustments.	Fully Corrected	N/A
2016-003	Material Weakness – Net Position – due to errors in net position resulting in audit adjustments.	Fully Corrected.	N/A
2016-004	Significant Deficiency - Unavailable Revenue – due to errors in unavailable revenues resulting in audit adjustments.	Fully Corrected.	N/A

The mission of the Liberty Center Local Schools, a growing rural district, at the center of a supportive community, is to provide all individuals the framework to obtain knowledge, skills, and attitudes to become thinking, productive citizens in a competitive changing world. This is accomplished by providing a safe, technologically-rich learning environment where high expectations integrate home, student, school, and community.



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
JULY 3, 2018