

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(Audited)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2015***

DAVID BUTLER, TREASURER



Dave Yost • Auditor of State

Board of Education
Liberty Union-Thurston Local School District
1108 S. Main Street
Baltimore, Ohio 43105

We have reviewed the *Independent Auditor's Report* of the Liberty Union-Thurston Local School District, Fairfield County, prepared by Julian & Grube, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Liberty Union-Thurston Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 7, 2016

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**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Liberty Union-Thurston Local School District
Fairfield County
1108 S. Main Street
Baltimore, Ohio 43105

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 the Liberty Union-Thurston Local School District, Fairfield County, Ohio, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Liberty Union-Thurston Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015, on our consideration of the Liberty Union-Thurston Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Liberty Union-Thurston Local School District's internal control over financial reporting and compliance.



LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)*

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

Financial Highlights

- ▶ The assets and deferred outflows of resources of Liberty Union-Thurston Local School District exceeded its liabilities and deferred inflows of resources at June 30, 2015 by \$14,538,674. This balance was comprised of a \$17,467,339 balance in net investment in capital assets, \$5,545,739 in net position amounts restricted for specific purposes and a deficit of \$8,474,404 in unrestricted net position.
- ▶ In total, net position of governmental activities increased by \$1,492,354 which represents a 11.44 percent increase from 2014.
- ▶ General revenues accounted for \$14,432,297 or 82.50 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,060,666 or 17.50 percent of total revenues of \$17,492,963.
- ▶ The District had \$16,000,609 in expenses related to governmental activities; only \$3,060,666 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$14,432,297 were used to provide for the remainder of these programs.
- ▶ The District recognizes three major governmental funds: the General, Bond Retirement and Classroom Facilities Funds. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had \$14,054,026 in revenues and \$13,053,581 in expenditures in fiscal year 2015.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand Liberty Union-Thurston Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)*

Reporting the District as a Whole

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The statement of net position and 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. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

The statement of activities presents information showing how the government's net position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some item that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the District activities are shown as governmental activities. All of the District's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's three major governmental funds are the General, Bond Retirement and Classroom Facilities Funds.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into one of three categories: governmental, proprietary and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

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 in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-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 facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds

The District's proprietary funds are internal service funds. Since the internal service funds operate on a break-even, cost-reimbursement basis, the District reports the proprietary funds using the accrual basis of accounting.

Fiduciary Funds

The District's fiduciary funds are agency funds. We exclude the activities from the District's other financial statements because the District cannot use the assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds uses the accrual basis of accounting.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)*

Government-Wide Financial Analysis

Recall that the statement of net position provides the perspective of the District as a whole, showing assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the difference between them (net position). Table 1 provides a summary of the District's net position for 2015 compared to fiscal year 2014:

Table 1
Net Position at Year End

	<u>Governmental Activities</u>	
	2015	Restated 2014
<u>Assets:</u>		
Current and Other Assets	\$20,635,260	\$19,256,407
Capital Assets, Net	25,968,039	26,445,603
<i>Total Assets</i>	<u>46,603,299</u>	<u>45,702,010</u>
<u>Deferred Outflows of Resources:</u>		
Deferred Charge on Refunding	173,051	201,892
Pension	1,138,648	953,021
<i>Total Deferred Outflows of Resources</i>	<u>1,311,699</u>	<u>1,154,913</u>
<u>Liabilities:</u>		
Current and Other Liabilities	1,880,650	1,317,654
Long-Term Liabilities:		
Due Within One Year	1,106,654	1,064,240
Due in More Than One Year:		
Net Pension Liability	15,371,684	18,260,541
Other Amounts	8,281,126	9,344,792
<i>Total Liabilities</i>	<u>26,640,114</u>	<u>29,987,227</u>
<u>Deferred Inflows of Resources:</u>		
Property Taxes	3,962,696	3,823,376
Pension	2,773,514	0
<i>Total Deferred Inflows of Resources</i>	<u>6,736,210</u>	<u>3,823,376</u>
<u>Net Position:</u>		
Net Investment in Capital Assets	17,467,339	16,975,776
Restricted	5,545,739	5,687,453
Unrestricted	(8,474,404)	(9,616,909)
<i>Total Net Position</i>	<u>\$14,538,674</u>	<u>\$13,046,320</u>

During 2015, the School District adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net pension 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 Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)*

Under the new standards required by GASB Statement No. 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 obligation, 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 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 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 the employee, because all parties enter the employment exchange with notice as to 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

As a result of implementing GASB Statement No. 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position of June 30, 2014, from \$30,353,840 to \$13,046,320.

Current and other assets increased \$1,378,853 from fiscal year 2014 due primarily to increases in cash and cash equivalents held by the District.

Capital assets decreased \$477,564 or 1.81 percent as the result of the District disposing of more items then it added.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)*

Current (other) liabilities increased \$562,996 or 42.73 percent due primarily to increases in accrued wages payable and intergovernmental payable.

Long-term liabilities decreased \$3,910,109 or 13.64 percent as a result of a decrease in net pension liability.

The District's largest portion of net position is related to amounts net investment in capital assets. The District used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

The District's smallest portion of net position is unrestricted, and carries a deficit balance of \$8,474,404. Unrestricted net position represents resources that may be used to meet the District's ongoing obligations to its students and creditors.

The remaining balance of \$5,545,739, is restricted assets. The restricted net position is subject to external restrictions on how they may be used.

Table 2 shows the changes in net position for fiscal year 2015 and comparisons to fiscal year 2014.

Table 2
Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
<u>Revenues:</u>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$583,813	\$568,989
Operating Grants and Contributions	2,476,853	1,612,448
Capital Grants and Contributions	0	3,447
<i>General Revenues:</i>		
Property Taxes	4,586,228	4,553,583
Income Taxes	3,173,583	2,890,827
Unrestricted Grants and Entitlements	5,892,723	5,979,858
Unrestricted Tuition and Fees	543,856	506,278
Investment Earnings	72,490	99,727
Insurance Recoveries	0	10,867
Miscellaneous	163,417	164,232
<i>Total Revenues</i>	<u>17,492,963</u>	<u>16,390,256</u>

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)*

(Continued)

Table 2
Changes in Net Position

	<u>2015</u>	<u>2014</u>
<u>Expenses:</u>		
<i>Program Expenses:</i>		
<i>Instruction:</i>		
Regular	6,432,645	6,550,975
Special	2,042,624	2,191,114
Vocational	279,620	239,995
Student Intervention Services	350	0
Other	50,974	60,471
<i>Support Services:</i>		
Pupils	720,846	719,919
Instructional Staff	522,672	467,388
Board of Education	126,353	105,263
Administration	1,066,811	872,553
Fiscal	602,163	570,133
Operation and Maintenance of Plant	1,808,598	1,693,682
Pupil Transportation	556,578	765,534
Central	245,126	255,921
<i>Operation of Non-Instructional Services:</i>		
Food Service	658,445	579,842
Extracurricular Activities	654,524	712,317
Interest and Fiscal Charges	232,280	368,025
<i>Total Expenses</i>	<u>16,000,609</u>	<u>16,153,132</u>
<i>Change in Net Position</i>	1,492,354	237,124
Net Position-Beginning of Year, Restated	<u>13,046,320</u>	<u>(N/A)</u>
Net Position-End of Year	<u><u>\$14,538,674</u></u>	<u><u>\$13,046,320</u></u>

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)*

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB Statement No. 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$953,021 computed under GASB Statement No. 27. GASB Statement No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 68, pension expense represents additional amounts earned, adjusted by deferred inflows/ outflows. The contractually required contribution is no longer a component of pension expense. Under GASB Statement No. 68, the 2015 statements report pension expense of \$693,149. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB Statement No. 68	\$ 16,000,609
Pension expense under GASB Statement No. 68	(693,149)
2015 contractually required contribution	994,119
Adjusted 2015 program expenses	<u>16,301,579</u>
Total 2014 program expenses under GASB Statement No. 27	16,153,132
Increase in program expenses not related to pension	<u><u>\$ 148,447</u></u>

The most significant program expenses for the District are Regular Instruction, Special Instruction, Operation and Maintenance of Plant, Administration and Pupils. These programs account for 75.44 percent of the total governmental activities. Regular Instruction, which accounts for 40.20 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 12.77 percent of the total, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Operation and Maintenance of Plant, which represents 11.30 percent of the total, represents costs associated with the operating and maintaining the District's facilities. Administration, which represents 6.67 percent of the total, represents costs associated with the overall administrative responsibility for each building and the District as a whole. Pupils, which represents 4.50 percent of the total, represents costs associated with activities designed to assess and improve the well-being of pupils and supplement the teaching process.

As noted previously, the net position for the governmental activities increased \$1,492,354 or 11.44 percent. This is a change from last year when net position increased \$237,124 or 0.79 percent. Total revenues increased \$1,102,707 or 6.73 percent over last year and expenses decreased \$152,523 or 0.94 percent.

The District had program revenue increases of \$875,782 as well as an increase in general revenues of \$226,925. The increase in program revenue is primarily due to a increase in operating grants and contributions and the increase in general revenue is primarily due to an increase in income tax revenue.

The total expenses for governmental activities decreased due primarily to decreases in regular instruction, special instruction, pupil transportation and interest and fiscal charges.

The majority of the funding for the most significant programs indicated above is from operating grants and contributions, property taxes, income taxes, and grants and entitlements not restricted for specific programs. Operating grants and contributions, property taxes, income taxes and grants and entitlements not restricted for specific programs account for 92.21 percent of total revenues.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)*

Governmental Activities

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 26.22 percent and intergovernmental revenue made up 47.85 percent of the total revenue for the governmental activities in fiscal year 2015.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, the District would receive from a home valued at \$100,000 and taxed at 1.0 mill, \$35.00 annually. If three years later the home were reappraised and the value increased to \$200,000 (and this increase in value is comparable to other property owners) the effective tax rate would become 0.5 mill and the District would still receive \$35.00 annually. Therefore, the District must regularly return to the voters to maintain a constant level of service.

The District's 0.5 mill Permanent Improvement Levy is an important piece of the financial picture. It funds not only facility maintenance and upkeep issues but also provides the bulk of the District's technology needs and a large percentage of the State's set-aside requirements for capital improvements.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2015, the District received \$6,154,426 through the State's foundation program, which represents 35.18 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 55.04 percent of governmental activities program expenses. Support services expenses make up 35.31 percent of governmental activities program expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2015 and comparisons to fiscal year 2014. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)*

Table 3

Net Cost of Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<i>Program Expenses:</i>				
Instruction	\$8,806,213	\$9,042,555	\$7,243,620	\$7,844,677
Support Services	5,649,147	5,450,393	5,118,044	5,382,344
Operation of Non-Instructional Services	658,445	579,842	28,241	(38,267)
Extracurricular Activities	654,524	712,317	317,758	411,469
Interest and Fiscal Charges	<u>232,280</u>	<u>368,025</u>	<u>232,280</u>	<u>368,025</u>
Total Expenses	<u><u>\$16,000,609</u></u>	<u><u>\$16,153,132</u></u>	<u><u>\$12,939,943</u></u>	<u><u>\$13,968,248</u></u>

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies). All governmental funds had total revenues of \$17,480,311 and expenditures of \$16,653,478.

Total governmental funds fund balance increased by \$826,833. The increase in fund balance for the year was most significant in the General Fund. The fund balance of the General Fund increased \$1,000,445 due to revenues exceeding expenditures.

The District should remain stable in fiscal years 2016 through 2017. However, projections beyond fiscal year 2017 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

Budget Highlights - General Fund

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

During the course of fiscal year 2015, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisor's flexibility for site management.

The District prepares and monitors a detailed cashflow plan for the General Fund. Actual cashflow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)*

For the General Fund, the final budget basis revenue was \$13,255,232 representing an increase of \$36,691 or 0.28 percent from the original budget estimate of \$13,218,541. For the General Fund, the final budget basis expenditures were \$12,894,234 representing an increase of \$1,027,774 or 8.66 percent from the original budget expenditures of \$11,866,460.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$39.5 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$13.6 million. Table 4 shows fiscal year 2015 balances compared to fiscal year 2014.

Table 4

Capital Assets & Accumulated Depreciation at Year End

	Governmental Activities	
	2015	2014
<i>Nondepreciable Capital Assets:</i>		
Land	\$588,863	\$588,863
<i>Depreciable Capital Assets:</i>		
Land Improvements	1,599,730	1,548,790
Buildings and Improvements	35,725,865	35,479,730
Furniture, Fixtures and Equipment	468,200	426,580
Vehicles	1,138,915	959,732
<i>Total Capital Assets</i>	<u>39,521,573</u>	<u>39,003,695</u>
<i>Less Accumulated Depreciation:</i>		
Land Improvements	(910,262)	(860,354)
Buildings and Improvements	(11,574,094)	(10,736,195)
Furniture, Fixtures and Equipment	(294,015)	(272,568)
Vehicles	(775,163)	(688,975)
<i>Total Accumulated Depreciation</i>	<u>(13,553,534)</u>	<u>(12,558,092)</u>
Capital Assets, Net	<u>\$25,968,039</u>	<u>\$26,445,603</u>

More detailed information pertaining to the District's capital asset activity can be found in Note 9 of the notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)*

Debt Administration

At June 30, 2015, the District had \$7,904,990 in general obligation debt outstanding with \$965,000 due within one year. Table 5 summarizes bonds outstanding for fiscal year 2015 compared to fiscal year 2014.

Table 5
Outstanding Debt, Governmental Activities at Year End

<u>Purpose</u>	<u>2015</u>	<u>2014</u>
Construction Bonds	\$4,659,996	\$4,954,996
Refunding Bonds	3,244,994	3,899,994
Total	<u>\$7,904,990</u>	<u>\$8,854,990</u>

More detailed information pertaining to the District's long-term debt activity can be found in Note 14 of the notes to the basic financial statements.

Current Issues

Although considered a mid-wealth district, Liberty Union-Thurston Local School District is financially stable, and has been over the past several years. As indicated in the preceding financial information, the District is dependent on property taxes. Property tax revenue does not increase as a result of inflation, but can go down if the valuations decrease. The District also has two income tax issues. A 1.25% issue was passed in May, 1991 and the second issue for 0.5% was passed in May, 2005 and replaced by a permanent 0.5% in November 2014. They generate about \$3,000,000 per year. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding to meet inflation. Careful financial planning has permitted the District to provide a quality education for our students.

The State of Ohio is in an economic recession. The state biennium budget that was signed by Governor Kasich was an increase over Fiscal Year 2014, but did not restore funds.

The Liberty Union-Thurston Local School District does not anticipate meaningful losses in revenue as a result of these changes. Based on these factors, the Board of Education and the administration of the District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District.

Residential growth has come to a virtual standstill because of the recession. Residential/agricultural property contributes 96 percent of the District's real estate valuation.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it received. If you have any questions about this report or need additional information contact Dave Butler, Treasurer of Liberty Union-Thurston Local School Board of Education, 1108 S. Main Street, Baltimore, Ohio 43105.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Investments	\$13,478,660
Cash and Investments with Fiscal Agent	909,111
Cash with Escrow Agent	21,545
Property Taxes Receivable	4,768,109
Income Taxes Receivable	1,392,581
Intergovernmental Receivable	63,408
Inventory Held for Resale	1,846
Nondepreciable Capital Assets	588,863
Depreciable Capital Assets, Net	<u>25,379,176</u>
 <i>Total Assets</i>	 <u>46,603,299</u>
<u>Deferred Outflows of Resources:</u>	
Deferred Charge on Refunding	173,051
Pension	<u>1,138,648</u>
 <i>Total Deferred Outflows of Resources</i>	 <u>1,311,699</u>
<u>Liabilities:</u>	
Accounts Payable	10,319
Accrued Wages and Benefits	925,368
Contracts Payable	20,233
Intergovernmental Payable	391,753
Retainage Payable	21,545
Accrued Interest Payable	20,625
Matured Compensated Absences Payable	95,870
Claims Payable	394,937
<i>Long-Term Liabilities:</i>	
Due within One Year	1,106,654
Due in More Than One Year:	
Net Pension Liability	15,371,684
Other Amounts Due in More Than One Year	<u>8,281,126</u>
 <i>Total Liabilities</i>	 <u>26,640,114</u>
<u>Deferred Inflows of Resources:</u>	
Property Taxes	3,962,696
Pension	<u>2,773,514</u>
 <i>Total Deferred Inflows of Resources</i>	 <u>6,736,210</u>
<u>Net Position:</u>	
Net Investment in Capital Assets	17,467,339
<i>Restricted for:</i>	
Capital Outlay	3,668,762
Debt Service	1,457,583
Other Purposes	419,394
Unrestricted	<u>(8,474,404)</u>
 <i>Total Net Position</i>	 <u>\$14,538,674</u>

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<u>Governmental Activities:</u>				
<i>Instruction:</i>				
Regular	\$6,432,645	\$0	\$335,907	(\$6,096,738)
Special	2,042,624	0	1,133,109	(909,515)
Vocational	279,620	0	93,577	(186,043)
Student Intervention Services	350	0	0	(350)
Other	50,974	0	0	(50,974)
<i>Support Services:</i>				
Pupils	720,846	0	0	(720,846)
Instructional Staff	522,672	0	128,335	(394,337)
Board of Education	126,353	0	0	(126,353)
Administration	1,066,811	13,046	38,063	(1,015,702)
Fiscal	602,163	0	0	(602,163)
Operation and Maintenance of Plant	1,808,598	0	0	(1,808,598)
Pupil Transportation	556,578	0	351,659	(204,919)
Central	245,126	0	0	(245,126)
Operation of Non-Instructional Services	658,445	277,484	352,720	(28,241)
Extracurricular Activities	654,524	293,283	43,483	(317,758)
Interest and Fiscal Charges	232,280	0	0	(232,280)
Total Governmental Activities	\$16,000,609	\$583,813	\$2,476,853	(12,939,943)
<u>General Revenues:</u>				
<i>Property Taxes Levied for:</i>				
General Purposes				3,374,172
Debt Service				1,138,145
Capital Outlay				73,911
Income Taxes				3,173,583
Grants and Entitlements not Restricted to Specific Programs				5,892,723
Unrestricted Tuition and Fees				543,856
Investment Earnings				72,490
Miscellaneous				163,417
Total General Revenues				14,432,297
Change in Net Position				1,492,354
<i>Net Position at Beginning of Year, As Restated</i>				13,046,320
<i>Net Position at End of Year</i>				\$14,538,674

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2015

	General	Bond Retirement	OSFC-State Share	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Investments	\$7,779,807	\$1,271,787	\$3,574,463	\$839,704	\$13,465,761
Cash with Escrow Agent	0	0	21,545	0	21,545
Property Taxes Receivable	3,488,914	1,202,201	0	76,994	4,768,109
Income Taxes Receivable	1,392,581	0	0	0	1,392,581
Intergovernmental Receivable	0	0	0	63,408	63,408
Interfund Receivable	15,578	0	0	0	15,578
Inventory Held for Resale	0	0	0	1,846	1,846
<i>Total Assets</i>	<u>\$12,676,880</u>	<u>\$2,473,988</u>	<u>\$3,596,008</u>	<u>\$981,952</u>	<u>\$19,728,828</u>
<u>Liabilities:</u>					
Accounts Payable	\$820	\$0	\$0	\$9,499	\$10,319
Accrued Wages and Benefits	866,081	0	0	59,287	925,368
Contracts Payable	0	0	20,233	0	20,233
Intergovernmental Payable	375,380	0	0	16,373	391,753
Retainage Payable	0	0	21,545	0	21,545
Interfund Payable	0	0	0	15,578	15,578
Matured Compensated Absences Payable	95,870	0	0	0	95,870
<i>Total Liabilities</i>	<u>1,338,151</u>	<u>0</u>	<u>41,778</u>	<u>100,737</u>	<u>1,480,666</u>
<u>Deferred Inflows of Resources:</u>					
Property Taxes	3,220,107	1,104,981	0	70,717	4,395,805
Income Taxes	223,298	0	0	0	223,298
<i>Total Deferred Inflows of Resources</i>	<u>3,443,405</u>	<u>1,104,981</u>	<u>0</u>	<u>70,717</u>	<u>4,619,103</u>
<u>Fund Balances:</u>					
Restricted	0	1,369,007	3,554,230	810,498	5,733,735
Assigned	150,624	0	0	0	150,624
Unassigned	7,744,700	0	0	0	7,744,700
<i>Total Fund Balances</i>	<u>7,895,324</u>	<u>1,369,007</u>	<u>3,554,230</u>	<u>810,498</u>	<u>13,629,059</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$12,676,880</u>	<u>\$2,473,988</u>	<u>\$3,596,008</u>	<u>\$981,952</u>	<u>\$19,728,828</u>

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

Reconciliation of Total Governmental Fund Balances to

Net Position of Governmental Activities

June 30, 2015

Total Governmental Funds Balances		\$13,629,059
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		25,968,039
Some of the District's receivables will be collected after fiscal year-end, however are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. These receivables consist of:		
Property taxes	433,109	
Income taxes	223,298	
Total revenues not reported in funds	<u>656,407</u>	656,407
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
General obligation bonds	(4,035,000)	
Refunding bonds	(2,780,000)	
Capital appreciation bonds	(1,089,990)	
Accretion on capital appreciation bonds	(541,434)	
Accrued interest on bonds	(20,625)	
Premiums on bonds	(350,147)	
Deferred charge on refunding	173,051	
Compensated absences	<u>(591,209)</u>	
Total liabilities not reported in funds		(9,235,354)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	1,138,648	
Deferred Inflows - Pension	(2,773,514)	
Net Pension Liability	<u>(15,371,684)</u>	(17,006,550)
Total		
Internal service funds are used by management to charge the costs of insurance to individual funds and accounts for rotary services. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		<u>527,073</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$14,538,674</u></u>

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Bond Retirement	OSFC-State Share	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$3,300,504	\$1,136,954	\$0	\$147,699	\$4,585,157
Income Taxes	3,162,002	0	0	0	3,162,002
Intergovernmental	6,811,961	159,238	0	1,330,636	8,301,835
Interest	45,072	0	27,151	267	72,490
Tuition and Fees	544,742	0	0	0	544,742
Extracurricular Activities	12,160	0	0	293,283	305,443
Gifts and Donations	24,258	0	0	43,483	67,741
Charges for Services	0	0	0	277,484	277,484
Miscellaneous	153,327	0	0	10,090	163,417
<i>Total Revenues</i>	<u>14,054,026</u>	<u>1,296,192</u>	<u>27,151</u>	<u>2,102,942</u>	<u>17,480,311</u>
<u>Expenditures:</u>					
<i>Current:</i>					
<i>Instruction:</i>					
Regular	5,120,465	0	0	328,146	5,448,611
Special	1,606,776	0	0	466,741	2,073,517
Vocational	282,392	0	0	0	282,392
Student Intervention Services	350	0	0	0	350
Other	50,854	0	0	0	50,854
<i>Support Services:</i>					
Pupils	744,840	0	0	0	744,840
Instructional Staff	432,118	0	0	125,379	557,497
Board of Education	129,434	0	0	0	129,434
Administration	1,030,590	0	0	14,858	1,045,448
Fiscal	555,021	25,696	0	1,689	582,406
Operation and Maintenance of Plant	1,813,949	0	0	18,626	1,832,575
Pupil Transportation	663,980	0	0	0	663,980
Central	244,176	0	0	0	244,176
Operation of Non-Instructional Services	0	0	0	647,630	647,630
Extracurricular Activities	350,946	0	0	340,796	691,742
Capital Outlay	27,690	0	0	426,294	453,984
<i>Debt Service:</i>					
Principal Retirement	0	950,000	0	0	950,000
Interest and Fiscal Charges	0	254,042	0	0	254,042
<i>Total Expenditures</i>	<u>13,053,581</u>	<u>1,229,738</u>	<u>0</u>	<u>2,370,159</u>	<u>16,653,478</u>
<i>Net Change in Fund Balances</i>	1,000,445	66,454	27,151	(267,217)	826,833
<i>Fund Balances at Beginning of Year</i>	<u>6,894,879</u>	<u>1,302,553</u>	<u>3,527,079</u>	<u>1,077,715</u>	<u>12,802,226</u>
<i>Fund Balances at End of Year</i>	<u>\$7,895,324</u>	<u>\$1,369,007</u>	<u>\$3,554,230</u>	<u>\$810,498</u>	<u>\$13,629,059</u>

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015*

Net Change in Fund Balances - Total Governmental Funds		\$826,833
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		(477,564)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of:		
Property taxes	1,071	
Income taxes	11,581	
Total		12,652
Repayment of bond principal and capital lease payments are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement net position.		950,000
In the statement of activities, interest is accrued on outstanding bonds, and bond accretion, bond premium, and loss on refunding are amortized over the terms of the bonds, whereas in governmental funds, an interest expenditure is reported when due and premiums, accretion, and loss on refunding are reported when the bonds are issued:		
Accrued interest	2,635	
Annual accretion on capital appreciation bonds	(122,820)	
Amortization of premium on bonds	47,968	
Amortization of deferred charges on refunding	(28,841)	
Total		(101,058)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Compensated absences		146,104
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred revenues.		994,119
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(693,149)
The internal service funds used by management to charge the cost of insurance to individual funds and account for rotary services are not reported in the government-wide statement of activities. Governmental expenditures and the related internal service funds revenue are eliminated. The net revenue (expense) of the internal service funds is allocated among activities.		(165,583)
<i>Change in Net Position of Governmental Activities</i>		<u><u>\$1,492,354</u></u>

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)*

General Fund

For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Property Taxes	\$3,192,953	\$3,056,763	\$3,276,051	\$219,288
Income Taxes	2,903,912	2,688,169	2,952,922	264,753
Intergovernmental	6,451,614	6,799,474	6,811,961	12,487
Interest	25,513	34,750	36,680	1,930
Tuition and Fees	506,278	543,856	543,856	0
Gifts and Donations	725	923	527	(396)
Miscellaneous	137,546	131,297	131,698	401
<i>Total Revenues</i>	<u>13,218,541</u>	<u>13,255,232</u>	<u>13,753,695</u>	<u>498,463</u>
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	4,702,821	4,978,116	4,978,116	0
Special	1,498,802	1,574,964	1,574,964	0
Vocational	230,370	278,324	278,324	0
Student Intervention Services	50	350	350	0
Other	51,346	52,120	52,120	0
<i>Support Services:</i>				
Pupils	705,020	703,812	703,812	0
Instructional Staff	435,735	432,002	432,002	0
Board of Education	108,117	130,117	130,117	0
Administration	797,615	1,010,242	1,010,242	0
Fiscal	437,281	478,905	478,905	0
Operation and Maintenance of Plant	1,592,793	1,809,186	1,809,186	0
Pupil Transportation	683,476	785,196	785,196	0
Central	229,872	246,845	246,845	0
Extracurricular Activities	364,351	381,294	381,294	0
Capital Outlay	28,811	32,761	32,761	0
<i>Total Expenditures</i>	<u>11,866,460</u>	<u>12,894,234</u>	<u>12,894,234</u>	<u>0</u>
Change in Fund Balances	1,352,081	360,998	859,461	498,463
<i>Fund Balance at Beginning of Year</i>	6,626,937	6,626,937	6,626,937	0
Prior Year Encumbrances Appropriated	47,543	47,543	47,543	0
<i>Fund Balance at End of Year</i>	<u>\$8,026,561</u>	<u>\$7,035,478</u>	<u>\$7,533,941</u>	<u>\$498,463</u>

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

Statement of Net Position

Proprietary Fund

June 30, 2015

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
<u>Assets:</u>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Investments	\$12,899
Cash and Investments with Fiscal Agents	<u>909,111</u>
<i>Total Assets</i>	<u>922,010</u>
<u>Liabilities:</u>	
<i>Current Liabilities:</i>	
Claims Payable	<u>394,937</u>
<u>Net Position:</u>	
Unrestricted	<u><u>\$527,073</u></u>

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2015*

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
<u>Operating Revenues:</u>	
Charges for Services	\$1,792,220
Other Revenues	<u>5,619</u>
<i>Total Operating Revenues</i>	<u>1,797,839</u>
<u>Operating Expenses:</u>	
Purchased Services	122,215
Claims	<u>1,841,207</u>
<i>Total Operating Expenses</i>	<u>1,963,422</u>
<i>Change in Net Position</i>	(165,583)
<i>Net Position at Beginning of Year</i>	<u>692,656</u>
<i>Net Position at End of Year</i>	<u><u>\$527,073</u></u>

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2015

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
<u>Increase (Decrease) in Cash and Investments:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Interfund Services Provided	\$1,792,220
Other Cash Receipts	5,619
Cash Payments for Goods and Services	(122,215)
Cash Payments for Claims	<u>(1,532,880)</u>
<i>Net Cash from Operating Activities</i>	<u>142,744</u>
<i>Net Increase in Cash and Investments</i>	142,744
<i>Cash and Investments at Beginning of Year</i>	<u>779,266</u>
<i>Cash and Investments at End of Year</i>	<u><u>\$922,010</u></u>
<u>Reconciliation of Operating Loss to Net Cash from Operating Activities:</u>	
Operating Loss	(\$165,583)
<u>Adjustments to Reconcile Operating Loss to Net Cash from Operating Activities:</u>	
<i>Increase in Liabilities:</i>	
Claims Payable	<u>308,327</u>
<i>Net Cash from Operating Activities</i>	<u><u>\$142,744</u></u>

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Position

Fiduciary Fund

June 30, 2015

	<u>Agency</u>
<u>Assets:</u>	
Equity in Pooled Cash and Investments	<u>\$24,603,417</u>
<u>Liabilities:</u>	
Undistributed Monies	24,548,958
Due to Students	<u>54,459</u>
<i>Total Liabilities</i>	<u><u>\$24,603,417</u></u>

See accompanying notes to the basic financial statements.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

Liberty Union-Thurston Local School District (the District) is a body politic and corporate organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District is a local school district as defined by Ohio Revised Code Section 3311.03. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District was established through the consolidation of existing land areas and school districts. It is staffed by 52 non-certificated employees, 88 certificated full-time teaching personnel and 8 administrative employees who provide services to 1,330 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Liberty Union-Thurston Local School 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 has no component units.

The District is associated with four jointly governed organizations: the Metropolitan Educational Council, the South Central Ohio Insurance Consortium, the Fairfield County Council for Educational Collaboration and the Central Ohio Special Education Regional Resource Center. The District is also associated with one insurance purchasing pool: Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 18 and 19 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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. The more significant of the District's accounting policies are described below.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function 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 each business segment or 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 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 type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District fall within three categories: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following are the District's three major governmental funds:

General Fund- This fund is the operating fund of the District and 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- This fund is used to account for financial resources accumulated for the payment of general long-term debt principal, interest and related costs.

OSFC – State Share Fund- This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

The other governmental funds of the District accounts for grants and other resources of the District whose use is restricted to a particular purpose.

Proprietary Funds

The proprietary fund focus is on the determination of the change in net position, financial position and cash flows and is classified as internal service. The internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis. The internal service funds of the District accounts for rotary services and a self-insurance program which provides medical, dental and, pharmacy benefits to employees.

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 therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's fiduciary funds are agency funds which are used to account for the activity of an insurance consortium and 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 deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

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 and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On 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 that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the 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. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from income taxes is recognized in the period in which the income is earned (See Note 6). 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 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 the fiscal year-end: property taxes available for advance, income taxes, grants and interest.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents 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 include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 11.

In addition to the liabilities, the statements of net 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 and income taxes. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Income taxes are reported only on the governmental funds balance sheet, and represent receivables which will not be collected within the available period. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 11).

Expenses/Expenditures

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 the governmental funds.

E. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

During fiscal year 2015, investments were limited to investments in Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), municipal bonds, negotiable certificates of deposit (negotiable CD's) and U.S. Treasury Notes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$45,072, which includes \$31,125 assigned from other District funds.

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 presented on the financial statements as cash equivalents.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Inventory

On 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 fund financial statements, inventories of governmental funds are stated at cost. Donated commodities are presented at the entitlement value. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption and donated food, purchased food and school supplies held for resale. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed, used or sold. The District had \$1,846 in inventory at June 30, 2015.

G. Capital Assets

General capital assets are associated with and generally arise from governmental 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 in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the 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, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	50 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	5-20 years

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributed 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.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits 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 District records a liability for accumulated unused sick leave for classified and certified employees and administrators who are eligible to receive termination benefits based on School Employees Retirement System and State Teachers Retirement System retirement criteria.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees will be paid.

I. Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities and long-term liabilities 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 are reported as obligations of the funds. However, claims and judgments, compensated absences and special termination benefits 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 in the current year. Long-term bonds and capital leases are recognized as a liability on the fund financial statements when due.

J. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "net investment in 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. 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. Net position restricted for other purposes primarily consist of monies restricted for federal grants and classroom facilities maintenance.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The District has \$5,545,739 of restricted net position, of which none is restricted by enabling legislation.

K. 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.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Fund Balance Reserves

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation; or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolutions of the Board of Education – the District’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – amounts constrained by the District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Board of Education, Superintendent and Treasurer have the authority to assign amount to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned – this is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the self-insurance service that is the primary activity of that fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

N. Estimates

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Budgetary Process

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Although the legal level of budgetary control was established at the fund level, the District has elected to present the General Fund budgetary statement comparison at the fund and function level. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2015.

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

P. Bond Premiums/ Accounting Gain or Loss

Bond premiums are deferred and amortized over the term of the bonds. Using the straight-line method, which approximates the effective interest method, bond premiums are presented as an addition to the face amount of the bonds.

For bond refunding resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as deferred outflow or inflow of resources on the statement of net position.

On the governmental funds financial statements, bond premiums are recognized in the current period.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions”, GASB Statement No. 69, “Government Combinations and Disposals of Government Operations”, GASB Statement No. 70, “Accounting and Financial Reporting for Non-exchange Financial Guarantees and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of GASB Statement Nos. 68 and 71 had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$30,353,840
<i>Adjustments:</i>	
Net Pension Liability	(18,260,541)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>953,021</u>
Restated Net Position June 30, 2014	<u><u>\$13,046,320</u></u>

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

The implementation of GASB Statement Nos. 69 and 70 had no effect on their prior period fund balances of the District.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law and described earlier 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 and actual (budget basis) is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and modified accrual GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed or assigned fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Certain funds are maintained as separate funds for accounting and budgetary purposes (budget basis) but do not meet the criteria for separate reporting in the financial statements (GAAP basis) and are reported in the General Fund in accordance with GASB Statement No. 54.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING- (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

<u>Net Change in Fund Balance</u>	
Budget Basis	\$859,461
<i>Adjustments:</i>	
Revenue Accruals	347,976
Expenditure Accruals	(390,964)
Encumbrances	178,562
<i>Prospective Differences:</i>	
Activity of Funds Reclassified For GAAP Reporting Purposes	5,410
GAAP Basis	<u><u>\$1,000,445</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must be either 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 deposits are deposits of interim moneys. Interim moneys are those moneys 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 accounts including passbook accounts.

Public depositories must give security for all public funds on deposit. 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 with the institution.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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 fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash with Escrow Agent

At fiscal year end, \$21,545 was on deposit in an escrow account with Peoples Bank and is related to the High School and Middle School construction projects entered into by the District during fiscal year 2009. The amount on deposit with the escrow agent has been excluded from the total amount of deposits reported below as it is not part of the District's internal investment pool. The June 30, 2015 balance of the escrow account is reported on the financial statements as "cash with escrow agent".

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

Cash and Investments with Fiscal Agent

At fiscal year end, \$909,111 was on deposit in the District’s self-insurance fiscal agent account. This amount is not part of the District’s internal investment pool and has been excluded from the total amount of deposits reported below. The June 30, 2015 balance of this account is reported on the financial statements as “cash and investment with fiscal agent”.

Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all District deposits was \$6,956,439. Based on the criteria described in GASB Statement No. 40, “*Deposits and Investment Risk Disclosures*”, as of June 30, 2015, \$4,339,448 of the District’s bank balance of \$7,092,438 was exposed to custodial risk as discussed below, while \$2,752,990 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 Months or Less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>19 to 24 Months</u>	<u>Greater Than 24 Months</u>
FFCB	\$ 3,000,980	\$ -	\$ 1,499,435	\$ 1,501,545	\$ -	\$ -
FHLB	5,021,734	-	-	-	-	5,021,734
FHLMC	5,425,835	-	-	-	-	5,425,835
FNMA	2,857,194	-	-	1,858,084	-	999,110
Municipal bonds	359,349	-	359,349	-	-	-
Negotiable CD's	10,539,646	1,250,657	3,877,632	3,911,917	1,250,515	248,925
U.S. Treasury Money Market	2,921,210	2,921,210	-	-	-	-
U.S. Treasury Notes	999,690	-	999,690	-	-	-
Total	<u>\$ 31,125,638</u>	<u>\$ 4,171,867</u>	<u>\$ 6,736,106</u>	<u>\$ 7,271,546</u>	<u>\$ 1,250,515</u>	<u>\$ 11,695,604</u>

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five year or less.

Credit Risk: The District's investments in federal agency securities, U.S. Treasury Money Market and U.S. Treasury Notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in municipal bonds were rated AA and Aa2 by Standard & Poor's and Moody's Investor Services, respectively. Credit ratings for the District's investments in negotiable certificates of deposit are not readily available. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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, Municipal Bonds and U.S. Treasury Notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial credit 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 addresses concentration of credit risk by encouraging diversification to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issue or a specific class of securities.

The following table includes the percentage of each investment type held by the District at June 30, 2015:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 3,000,980	10%
FHLB	5,021,734	16%
FHLMC	5,425,835	17%
FNMA	2,857,194	9%
Municipal bonds	359,349	1%
Negotiable CD's	10,539,646	34%
U.S. Treasury Money Market	2,921,210	9%
U.S. Treasury Notes	999,690	3%
Total	<u>\$ 31,125,638</u>	<u>100%</u>

The weighted average maturity of investments is 1.91 years.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2015:

<u>Cash and Investments Per Note</u>	
Carrying amount of deposits	\$6,956,439
Investments	31,125,638
Cash with escrow agent	21,545
Cash and investments with fiscal agent	909,111
Total	<u>\$39,012,733</u>

<u>Cash and Investments Per Statement of Net Position</u>	
Governmental activities	\$14,409,316
Agency fund	<u>24,603,417</u>
Total	<u>\$39,012,733</u>

NOTE 6 - SCHOOL INCOME TAX

The District currently benefits from a 1.75% income tax which is assessed on all residents of the District. In the year ended June 30, 2015, the income tax generated \$3,162,002 in revenue. The District apportions all the proceeds to the General Fund.

NOTE 7 - PROPERTY TAXES

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

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

Public utility property tax revenue received in calendar 2015 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 7 - PROPERTY TAXES - (Continued)

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

Accrued property taxes receivable represents the June 2015 personal property tax settlement, delinquent taxes outstanding and real property, and public utility taxes which become measurable as of June 30, 2015. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The total amount available as an advance at June 30, 2015 was \$372,304 and is recognized as revenue. Of this total amount, \$268,807 was available to the General Fund, \$6,277 was available to the Permanent Improvement Nonmajor Governmental Fund and \$97,220 was available for the Bond Retirement Debt Service Fund.

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

	2014 Second - Half Collections		2015 First - Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$166,773,470	96.24%	\$167,301,380	94.74%
Public Utility Personal	<u>6,517,940</u>	<u>3.76%</u>	<u>9,294,930</u>	<u>5.26%</u>
Total Assessed Value	<u><u>\$173,291,410</u></u>	<u><u>100.00%</u></u>	<u><u>\$176,596,310</u></u>	<u><u>100.00%</u></u>
Total rate per \$1,000 of assessed valuation	\$45.50		\$45.50	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2015 consisted of property taxes, income taxes, and grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of Intergovernmental receivables follows:

<u>Governmental Activities:</u>	
<i>Nonmajor Governmental Funds:</i>	
Straight A Grant	\$12,116
Title I	<u>51,292</u>
Total Intergovernmental Receivable	<u><u>\$63,408</u></u>

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 9 - CAPITAL ASSETS

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

<u>Asset Category</u>	<u>Balance at July 1, 2014</u>	<u>Transfers/ Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance at June 30, 2015</u>
<i>Nondepreciable Capital Assets:</i>				
Land	\$588,863	\$0	\$0	\$588,863
Total Nondepreciable Capital Assets	588,863	0	0	588,863
<i>Depreciable Capital Assets:</i>				
Land Improvements	1,548,790	50,940	0	1,599,730
Buildings and Improvements	35,479,730	246,135	0	35,725,865
Furniture, Fixtures and Equipment	426,580	41,620	0	468,200
Vehicles	959,732	179,183	0	1,138,915
Total Depreciable Capital Assets	38,414,832	517,878	0	38,932,710
Total Capital Assets	39,003,695	517,878	0	39,521,573
<i>Accumulated Depreciation:</i>				
Land Improvements	(860,354)	(49,908)	0	(910,262)
Buildings and Improvements	(10,736,195)	(837,899)	0	(11,574,094)
Furniture, Fixtures and Equipment	(272,568)	(21,447)	0	(294,015)
Vehicles	(688,975)	(86,188)	0	(775,163)
Total Accumulated Depreciation	(12,558,092)	(995,442)	0	(13,553,534)
Total Net Capital Assets	\$26,445,603	(\$477,564)	\$0	\$25,968,039

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follow:

<i>Instruction:</i>	
Regular	\$863,174
Vocational	269
<i>Support Services:</i>	
Instructional Staff	271
Administration	12,000
Fiscal	540
Operation and Maintenance of Plant	12,207
Pupil Transportation	86,188
Operation of Non-Instructional Services	8,343
Extracurricular Activities	12,450
Total Depreciation Expense	<u><u>\$995,442</u></u>

NOTE 10 - RISK MANAGEMENT

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. During fiscal year 2015, the District contracted with Ohio Casualty for property and fleet insurance, liability insurance, and public officials bonds. Coverages provided are as follows:

Building/Contents (\$1,000 deductible)	\$28,121,617
Inland Marine (\$1,000 deductible)	28,121,617
Automobile Liability (\$250 deductible)	
Per Occurance	5,000
Per Accident	1,000,000
General Liability:	
Per Occurance	1,000,000
Aggregate Limit	3,000,000
Public Officials Bonds:	
Treasurer	25,000
Superintendent/Board Member (each)	50,000

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 10 - RISK MANAGEMENT - (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

For fiscal year 2015, the District participated in the Ohio School Boards Association Worker's Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The District has established an internal service "self-insurance" fund, in conjunction with a formalized risk management program, in an effort to minimize risk exposure and control claims and premium costs. This self-insurance fund was established July, 1992 for the purpose of accumulating balances sufficient to self-insure basic medical, dental, vision, and prescription drug coverage and permit excess umbrella coverage for claims over a pre-determined level. Amounts are paid into this fund from the General Fund, Food Service Nonmajor Governmental Fund, and certain Nonmajor Governmental Funds (Grants). Claims payments are made on an as-incurred basis, thus no "reserve" remains with the insurance carrier. Effective July 1, 1996, the District terminated the independent carrier for self-insurance for basic medical, dental and prescription drug coverage and joined the South Central Ohio Insurance Consortium.

The South Central Ohio Insurance Consortium was established to accumulate balances sufficient to self-insure basic medical and prescription drug coverage and permit excess umbrella coverage for claims over a predetermined level. The Board's share and the employees' share of premium contributions are determined by the negotiated agreement for certificated employees and by Board action for administrators and classified employees.

Premiums are paid to the South Central Ohio Insurance Consortium Fund from the Self-Insurance Fund of the District. The cash balance with the fiscal agent at June 30, 2015, was \$909,111. Claims payments are made on an as-incurred basis by the third party administrator, with the balance of contributions remaining with the Fiscal Agent of the Consortium.

The member districts are self-insured for medical, dental and pharmacy benefits. The risk for medical, dental and pharmacy benefits remains with the member districts. The claims payable will be reported for medical, dental and pharmacy claims as of June 30, 2015, and cash with fiscal agent for the balance of funds held by the Consortium that covers medical, dental and pharmacy claims will be reported.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 10 - RISK MANAGEMENT - (Continued)

The claims liability of \$394,937 reported at June 30, 2015 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 10 as amended by GASB 30 which requires that a liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2014	\$313,509	\$1,457,065	\$1,683,964	\$86,610
2015	86,610	1,841,207	1,532,880	394,937

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from 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.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 11 - DEFINED BENEFIT PENSION PLANS – (Continued)

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.

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

The District’s contractually required contribution to SERS was \$242,503 for fiscal year 2015. Of this amount \$40,417 is reported as an intergovernmental payable.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 11 - DEFINED BENEFIT PENSION PLANS – (Continued)

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. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 11 - DEFINED BENEFIT PENSION PLANS – (Continued)

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

The District's contractually required contribution to STRS was \$751,616 for fiscal year 2015. Of this amount \$125,500 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the 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	\$3,097,044	\$12,274,640	\$15,371,684
Proportion of the Net Pension Liability	0.06119500%	0.05046420%	
Pension Expense	\$195,115	\$498,034	\$693,149

At June 30, 2015, the District reported deferred 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	\$26,359	\$118,170	\$144,529
District contributions subsequent to the measurement date	<u>242,503</u>	<u>751,616</u>	<u>994,119</u>
Total Deferred Outflows of Resources	<u><u>\$268,862</u></u>	<u><u>\$869,786</u></u>	<u><u>\$1,138,648</u></u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$502,659</u>	<u>\$2,270,855</u>	<u>\$2,773,514</u>
Total Deferred Inflows of Resources	<u><u>\$502,659</u></u>	<u><u>\$2,270,855</u></u>	<u><u>\$2,773,514</u></u>

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 11 - DEFINED BENEFIT PENSION PLANS – (Continued)

\$994,119 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	(\$119,008)	(\$538,171)	(\$657,179)
2017	(119,008)	(538,171)	(657,179)
2018	(119,008)	(538,171)	(657,179)
2019	<u>(119,276)</u>	<u>(538,172)</u>	<u>(657,448)</u>
Total	<u>(\$476,300)</u>	<u>(\$2,152,685)</u>	<u>(\$2,628,985)</u>

Actuarial Assumptions - SERS

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

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

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

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

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 11 - DEFINED BENEFIT PENSION PLANS – (Continued)

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

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

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$4,418,562	\$3,097,044	\$1,985,534

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 11 - DEFINED BENEFIT PENSION PLANS – (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

<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	1.00	3.00
Total	<u>100.00 %</u>	

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 11 - DEFINED BENEFIT PENSION PLANS – (Continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$17,572,485	\$12,274,640	\$7,794,445

Postemployment Benefits – In addition to a cost-sharing multiple employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

NOTE 12 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Postemployment Benefits – In addition to a cost-sharing multiple employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2015, the health care allocation is 0.82 percent. An addition health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$15,087, \$30,050 and \$27,148, respectively. For fiscal year 2015, 83.33 percent has been contributed, with the balance being reported as pension and post employment benefits payable. The full amount has been contributed for fiscal years 2014 and 2013.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 12 - POSTEMPLOYMENT BENEFITS – (Continued)

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

State Teachers Retirement System

Plan Description – State Teachers Retirement System of Ohio (STRS Ohio) administers a pension plan that is comprised of: a Defined Benefits Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefits Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$53,245 and \$58,324 respectively. The full amount has been contributed for fiscal years 2014 and 2013.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 13- EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Administrators and support personnel who are under a full year contract (11 or 12 months) are also eligible for vacation time. These employees earn twelve to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to employees upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for aides and all other classified employees and 250 for certified employees.

Retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any teacher or administrator receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-third of all accumulated sick leave credited to that employee up to 65 days. Classified employees receive retirement severance pay equivalent to forty percent of all accumulated sick leave credited to that employee up to 100 days. Classified employees receive a bonus of 20 days severance pay upon reaching 25 years of service. In addition, bargaining unit members will be eligible to receive an additional twenty (20) days of severance when the employee reaches 25 years of service with the District, and an additional twenty (20) days of severance when the employee reaches 30 years of experience.

Health, Dental and Prescription Drug Insurance

In July 1996, the District joined the South Central Ohio Insurance Consortium (SCOIC) to self-insure its medical, dental, claims and prescription drugs. SCOIC currently includes sixteen member school districts and governmental entities. The District serves as the fiscal agent for the consortium and records the activity of the consortium in an agency fund. Contributions are determined by the consortium's board of directors and are remitted monthly to the District as the consortium's fiscal agent and incurred claims are paid. Thus actual cash "reserves" are held by the District as fiscal agent.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 13- EMPLOYEE BENEFITS – (Continued)

Claim liabilities for the consortium at June 30, 2015 are reported by the individual member entities. Members include the following school districts and governmental entities:

Amanda Clearcreek Local School District
Berne Union Local School District
Bloom-Carroll Local School District
Canal Winchester Local School District
Fairfield Union Local School District
Fairfield County Educational Service Center
Fayette County Memorial Hospital
Hocking Valley Community Hospital
Lancaster City
Lancaster City School District
Liberty Union-Thurston Local School District
Logan Hocking Local School District
Miami Trace Local School District
New Lexington Local School District
Zane Trace Local School District
Washington Court House City School District

Employee Benefits Management Company (EBMC), a third party administrator, services all health/medical claims submitted by employees. An excess coverage insurance policy covers individual claims for the District in excess of \$100,000 and \$3,000,000 lifetime maximum, per employee consortium wide.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 14 - LONG-TERM LIABILITIES

During fiscal year 2015, the following changes occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2014 have been restated as described in Note 3.

	Issue Date	Interest Rate	(Restated) Principal Outstanding at July 1, 2014	Additions	Deductions	Principal Outstanding at June 30, 2015	Amount Due In One Year
<i>Governmental Activities:</i>							
<i>Advance Refunding Bonds:</i>							
Term Bonds	2011	3.14%	\$3,435,000	\$0	\$655,000	\$2,780,000	\$655,000
Premium on Bonds			263,040	0	37,577	225,463	37,577
Capital Appreciation Bonds			464,994	0	0	464,994	0
Accretion on Refunding Bonds			157,578	63,553	0	221,131	0
<i>Construction Bonds:</i>							
Term Bonds	2008	4.27%	4,330,000	0	295,000	4,035,000	310,000
Premium on Bonds			135,075	0	10,391	124,684	10,390
Capital Appreciation Bonds			624,996	0	0	624,996	0
Accretion on Construction Bonds			261,036	59,267	0	320,303	0
Total General Obligation Debt			<u>9,671,719</u>	<u>122,820</u>	<u>997,968</u>	<u>8,796,571</u>	<u>1,012,967</u>
<i>Net Pension Liability</i>							
STRS			14,621,471	0	2,346,831	12,274,640	0
SERS			3,639,070	0	542,026	3,097,044	0
Total Net Pension Liability			<u>18,260,541</u>	<u>0</u>	<u>2,888,857</u>	<u>15,371,684</u>	<u>0</u>
Compensated Absences Payable			737,313	252,112	398,216	591,209	93,687
Total Governmental Activities Long-Term Obligations			<u>\$28,669,573</u>	<u>\$374,932</u>	<u>\$4,285,041</u>	<u>\$24,759,464</u>	<u>\$1,106,654</u>

On September 10, 2008, the District issued general obligation bonds of \$6,000,000 with an interest rate of 4.27 percent to pay off a Bond Anticipation Note. The general obligation bonds were issued as a result of the District being approved for the school facilities funding through the State Department of Education. The District issued the general obligation bonds to provide a partial cash match to the school facilities funding. As a requirement of the school facilities funding program, the District passed a 2.80 mill levy. Of the 2.80 mill levy, 2.3 mills is used for the retirement of the bonds that were issued and are in effect for eighteen years. The remaining .5 mill is used for repairs and maintenance of the facility. These bonds are paid from the Bond Retirement Debt Service Fund using property tax revenues. Of these bond proceeds, \$11,119 were unspent at June 30, 2015.

The capital appreciation bonds are not subject to a mandatory sinking fund or optional redemption prior to stated maturity. The capital appreciation bonds will mature in fiscal years 2018, 2019, and 2020. The maturity of the bonds is \$1,225,000. For fiscal year 2015, \$59,267 was accreted on the capital appreciation bonds.

In June 2011, the District issued \$4,674,994 of voted general obligation bonds for the advance refunding of \$4,675,000 in 2002 series bonds. The \$375,771 premium on the issuance of the refunding bonds is netted against this new debt and will be amortized over the life of this new debt, which has a remaining life of 10 years. The refunding was undertaken to reduce total future debt service payments. The refunding resulted in an economic gain of \$484,989 and a reduction of \$191,506 in future debt service payments. The bonds were issued for a 10 year period, with final maturity December 1, 2020. The refunding bonds are retired from the Bond Retirement Debt Service Fund using property taxes revenues.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 14 - LONG-TERM LIABILITIES - (Continued)

The capital appreciation bonds are not subject to a mandatory sinking fund or optional redemption prior to stated maturity. The capital appreciation bonds will mature in fiscal year 2021. The maturity of the bonds is \$1,095,000 for fiscal year 2015; \$63,553 was accreted on the capital appreciation bonds.

The District pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the fund from which the employee is paid which is primarily the General Fund.

The District's overall legal debt margin was \$7,988,678 (including available funds of \$1,369,007) and an unvoted debt margin of \$176,596 at June 30, 2015.

The annual requirements to retire the general obligation refunding bonds, and construction bonds outstanding at June 30, 2015, are as follows:

Year Ending June 30	Construction Bonds			Advance Refunding Bonds		
	Term Bonds Principal	Capital Appreciation Bonds Principal	Interest	Term Bonds Principal	Capital Appreciation Bonds Principal	Interest
2016	\$310,000	\$0	\$167,341	\$665,000	\$0	\$74,987
2017	375,000	0	156,491	685,000	0	60,025
2018	0	212,550	319,879	705,000	0	42,900
2019	0	211,770	345,658	725,000	0	21,750
2020	0	200,676	361,753	0	326,019	418,981
2021-2025	2,455,000	0	524,354	0	138,975	211,025
2026-2027	895,000	0	53,410	0	0	0
Total Debt Payments	<u>\$4,035,000</u>	<u>\$624,996</u>	<u>\$1,928,886</u>	<u>\$2,780,000</u>	<u>\$464,994</u>	<u>\$829,668</u>

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 15 – FUND BALANCES

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

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Restricted:</i>					
<i>Special Revenues:</i>					
Extracurricular	\$0	\$0	\$0	\$83,356	\$83,356
Facilities Maintenance	0	0	0	409,601	409,601
Food Service	0	0	0	197,087	197,087
Other Local Grants	0	0	0	195	195
State Grants	0	0	0	9,598	9,598
Federal Grants	0	0	0	3,123	3,123
Debt Service	0	1,369,007	0	0	1,369,007
Capital Projects	0	0	3,554,230	107,538	3,661,768
<i>Total Restricted</i>	<u>0</u>	<u>1,369,007</u>	<u>3,554,230</u>	<u>810,498</u>	<u>5,733,735</u>
<i>Assigned:</i>					
<i>Encumbrances:</i>					
Regular	1,334	0	0	0	1,334
Special	1,917	0	0	0	1,917
Other	2,250	0	0	0	2,250
Pupils	79	0	0	0	79
Instructional Staff	7,539	0	0	0	7,539
Board of Education	735	0	0	0	735
Administration	169	0	0	0	169
Operation and Maintenance of Plant	15,267	0	0	0	15,267
Fiscal	990	0	0	0	990
Pupil Transportation	58,990	0	0	0	58,990
Central	4,200	0	0	0	4,200
Extracurricular Activities	37,038	0	0	0	37,038
Public School Support	20,116	0	0	0	20,116
<i>Total Assigned</i>	<u>150,624</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>150,624</u>
<i>Unassigned</i>	<u>7,744,700</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,744,700</u>
Total Fund Balances	<u><u>\$7,895,324</u></u>	<u><u>\$1,369,007</u></u>	<u><u>\$3,554,230</u></u>	<u><u>\$810,498</u></u>	<u><u>\$13,629,059</u></u>

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 16- STATUTORY SET-ASIDES

The District is required by State law to annually set-aside certain General Fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following changes occurred in the District's set-aside reserve accounts during fiscal year 2015:

	<u>Capital Acquisition</u>
Set-Aside Reserve Balance as of June 30, 2014	\$0
Current Year Set-Aside Requirement	232,495
Qualifying Disbursements	(830,272)
Current Year Offsets	<u>(73,720)</u>
Total	<u>(671,497)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2015	<u><u>\$0</u></u>

NOTE 17- ENCUMBRANCE COMMITMENTS

At June 30, 2015, the District had encumbrance commitments in the Governmental Funds as follows:

<u>Major Funds</u>	
General	\$130,508
Classroom Facilities	41,778
<u>Nonmajor Funds</u>	
District Managed Activities	9,038
Straight A Grant	10,386
Total Nonmajor Funds	<u>19,424</u>
Total Encumbrances	<u><u>\$191,710</u></u>

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Council

The Metropolitan Educational Council (MEC) is a not-for-profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District.

South Central Ohio Insurance Consortium

The South Central Ohio Insurance Consortium (SCOIC) is a Regional Council of Governments organized under Ohio Revised Code Chapter 167. The SCOIC's primary purpose and objective is establishing and carrying out a cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. The District serves as the fiscal agent for the SCOIC. The District does not have an ongoing financial interest in or ongoing financial responsibility for the SCOIC other than medical and dental claims paid on behalf of the District for its employees.

Fairfield County Council for Education Collaboration

The Fairfield County Council of Educational Collaboration (FCCEC) is a not-for-profit Council of Governments owned and operated by certain Boards of Education and institutions of higher education within Fairfield County. The purpose of the FCCEC is to bring together the public school systems and the public institution for higher education in Fairfield County so they can collectively devise and provide for enhanced educational opportunities for the students and citizens of the community. The areas of interest that may be addressed by the FCCEC include, but are not limited to, student programming, school management issues, and any other collaborative projects deemed appropriate by the governing body of the FCCEC. The FCCEC is not dependent upon the continued participation of the District and the District does not maintain any equity interest in or financial responsibility for the FCCEC.

Central Ohio Special Education Regional Resource Center

The Central Ohio Special Education Regional Resource Center (COSERC) is a not-for-profit Council of Governments of various school districts in Central Ohio. The District participates in services that assist the District in complying with Mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the District. COSERC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for COSERC.

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

NOTE 19 - INSURANCE PURCHASING POOL

Ohio School Boards Association Worker's Compensation Group Rating Program

The District participates in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 20 - CONTINGENCIES

A. 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 are 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, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

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

C. School Foundation

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

REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT
Schedule of the District's Proportionate Share of Net Pension Liability
Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
<u>School Employees Retirement System of Ohio</u>		
District's Proportion of the Net Pension Liability	0.06119500%	0.06119500%
District's Proportionate Share of the Net Pension Liability	\$3,097,044	\$3,639,070
District's Covered-Employee Payroll	\$1,991,147	\$1,864,538
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	155.54%	195.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%
<u>State Teachers Retirement System of Ohio</u>		
District's Proportion of the Net Pension Liability	0.05046420%	0.05046420%
District's Proportionate Share of the Net Pension Liability	\$12,274,640	\$14,621,471
District's Covered-Employee Payroll	\$5,324,462	\$5,832,385
District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	230.53%	250.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

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

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

Schedule of the District Contributions

Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>School Employees Retirement System of Ohio</u>			
Contractually Required Contributions	\$242,503	\$275,973	\$258,052
Contributions in Relation to the Contractually Required Contributions	<u>(242,503)</u>	<u>(275,973)</u>	<u>(258,052)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$1,839,932	\$1,991,147	\$1,864,538
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%
<u>State Teachers Retirement System of Ohio</u>			
Contractually Required Contributions	\$751,616	\$692,180	\$758,210
Contributions in Relation to the Contractually Required Contributions	<u>(751,616)</u>	<u>(692,180)</u>	<u>(758,210)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
District Covered-Employee Payroll	\$5,368,686	\$5,324,462	\$5,832,385
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%

(1) Information prior to 2013 is not available.

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY**

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

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

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

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

SUPPLEMENTARY INFORMATION

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
<i>Child Nutrition Grant Cluster:</i>			
(D) (E) School Breakfast Program	10.553	2015	\$ 55,436
(C) (D) National School Lunch Program - Food Donation	10.555	2015	42,608
(D) (E) National School Lunch Program	10.555	2015	202,513
Total National School Lunch Program			<u>245,121</u>
Total U.S. Department of Agriculture and Child Nutrition Grant Cluster			<u>300,557</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2014	24,853
Title I Grants to Local Educational Agencies	84.010	2015	204,221
Total Title I Grants to Local Educational Agencies			<u>229,074</u>
Special Education_Grants to States	84.027	2015	228,404
Improving Teacher Quality State Grants	84.367	2015	12,500
ARRA - Race to the Top, Recovery Act	84.395A	2014	129
Total U.S. Department of Education			<u>470,107</u>
Total Federal Financial Assistance			<u>\$ 770,664</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass through numbers for fiscal year 2015 for the grants passed through the Ohio Department of Education.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.



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Serving Ohio Local Governments

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Liberty Union-Thurston Local School District
Fairfield County
1108 S. Main Street
Baltimore, Ohio 43105

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 the Liberty Union-Thurston Local School District, Fairfield County, Ohio, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Liberty Union-Thurston Local School District's basic financial statements and have issued our report thereon dated December 17, 2015, wherein we noted as discussed in Note 3, the Liberty Union-Thurston Local School District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

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

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

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

Board of Education
Liberty Union-Thurston Local School District

Compliance and Other Matters

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

Purpose of this Report

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



Julian & Grube, Inc.
December 17, 2015



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**Independent Auditor's Report on Compliance With Requirements Applicable to The
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Liberty Union-Thurston Local School District
Fairfield County
1108 S. Main Street
Baltimore, Ohio 43105

To the Board of Education:

Report on Compliance for The Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Board of Education
Liberty Union-Thurston Local School District

Report on Internal Control Over Compliance

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

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

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

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



Julian & Grube, Inc.
December 17, 2015

**LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT
FAIRFIELD COUNTY, OHIO**

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

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

LIBERTY UNION-THURSTON LOCAL SCHOOL DISTRICT

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 22, 2016**