



OHIO AUDITOR OF STATE
KEITH FABER



**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY
JUNE 30, 2019**

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HENRY COUNTY
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INDEPENDENT AUDITOR'S REPORT

Liberty Center Local School District
Henry County
100 Tiger Trail
Liberty Center, Ohio 43532-0434

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Center Local School District, Henry County, Ohio (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Center Local School District, Henry County, Ohio, as of June 30, 2019, and the respective changes in financial position thereof and the budgetary comparison for the General thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

March 19, 2020

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED**

The discussion and analysis of the financial performance of Liberty Center Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

In total, net position increased \$2,928,210.

General revenues accounted for \$14,074,132, or 78 percent of all revenues. Program specific revenues in the form of, charges for services, operating grants and contributions and capital grants accounted for \$3,875,407 or 22 percent of total revenues of \$17,949,539.

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

The General Fund had \$15,050,511 in revenues and other financing sources and \$14,638,005 in expenditures and other financing uses. The General Fund's balance increased \$412,506 from the prior fiscal year. The Bond Retirement Fund had \$1,263,118 in revenues and \$1,010,817 in expenditures. The Bond Retirement Fund's balance increased \$252,301 from the prior fiscal year. The Classroom Facilities Fund had \$93,098 in revenues and \$2,745,384 in expenditures. The Classroom Facilities Fund's balance decreased \$2,652,286 from the prior fiscal year

Using the Basic Financial Statements

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

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

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

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

Reporting the District as a Whole

Statement of Net position and Statement of Activities

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2019. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

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

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the School District's net position for 2019 compared to 2018.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

**Table 1
Net Position
Governmental Activities**

	2019	2018
Assets		
Current and Other Assets	\$19,181,286	\$22,893,129
Capital Assets	44,065,157	40,370,612
Total Assets	<u>63,246,443</u>	<u>63,263,741</u>
Deferred Outflows of Resources		
Deferred Charge on Refunding	20,102	20,102
Pension	4,443,443	5,015,254
OPEB	308,434	146,776
Total Deferred Outflows of Resources	<u>4,771,979</u>	<u>5,182,132</u>
Liabilities		
Current and Other Liabilities	1,851,611	3,134,533
Long-Term Liabilities:		
Due Within One Year	201,667	201,028
Due in More Than One Year		
Other Amounts	20,208,750	20,566,914
Net Pension Liability	15,455,440	15,868,047
Net OPEB Liability	1,532,532	3,523,263
Total Liabilities	<u>39,250,000</u>	<u>43,283,785</u>
Deferred Inflows of Resources		
Property Taxes	5,310,292	6,061,777
Pension	929,820	567,871
OPEB	1,526,062	458,402
Total Deferred Inflows of Resources	<u>7,766,174</u>	<u>7,088,050</u>
Net Position		
Net Investment in Capital Assets	24,401,814	20,803,057
Restricted	1,149,298	1,224,055
Unrestricted (deficit)	<u>(4,548,864)</u>	<u>(3,953,074)</u>
Total Net Position	<u>\$21,002,248</u>	<u>\$18,074,038</u>

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net OPEB asset and deferred outflows related to pension and OPEB.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB asset/liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB asset/liability to equal the District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities 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 payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB asset/liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB asset/liability, respectively, not accounted for as deferred inflows/outflows.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2019 and 2018.

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

	2019	2018
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$2,616,353	\$2,237,968
Operating Grants, Contributions and Interest	1,259,054	1,197,213
Total Program Revenues	<u>3,875,407</u>	<u>3,435,181</u>
General Revenues:		
Property Taxes	5,292,486	4,377,091
Income Taxes	2,603,442	2,497,598
Grants and Entitlements	5,933,435	5,735,799
Investment Earnings	223,377	117,242
Gifts and Donations	8,811	69,394
Miscellaneous	12,581	166,998
Total General Revenues	<u>14,074,132</u>	<u>12,964,122</u>
Total Revenues	<u>17,949,539</u>	<u>16,399,303</u>
<u>Expenses:</u>		
Instruction	8,234,125	4,596,307
Support Services:		
Pupils	712,790	541,144
Instructional Staff	415,758	327,561
Board of Education	67,333	48,262
Administration	962,265	492,842
Fiscal	362,836	284,604
Operation and Maintenance of Plant	1,147,992	1,401,409
Pupil Transportation	543,433	389,441
Central	205,548	128,757
Non-Instructional	785,657	470,958
Extracurricular Activities	752,883	574,535
Interest and Fiscal Charges	830,709	831,454
Total Expenses	<u>15,021,329</u>	<u>10,087,274</u>
Change in Net position	<u>2,928,210</u>	<u>6,312,029</u>
Beginning net position	<u>18,074,038</u>	<u>11,762,009</u>
Ending Net Position	<u>\$21,002,248</u>	<u>\$18,074,038</u>

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

Total revenues increased by \$1,550,236 (9 percent). This was primarily attributed to increases in property and income taxes received.

Program revenues account for 22 percent of total revenues and are primarily represented by restricted intergovernmental revenues, charges for tuition and fees, extracurricular activities, and food service sales.

Total expenditures increased \$4,934,055 (49 percent). This increase is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported \$1,632,142 in pension expense and (\$1,945,068) in OPEB expense mainly due to these benefit changes. There was also a decrease in capital outlay expenditures of \$8,878,879 related to the OFCC construction project which was coming to completion.

The major program expenses for governmental activities are instruction, which accounts for 55 percent of all governmental expenses. Other programs, which support the instruction process, including pupils, instructional staff, operation and maintenance of plant, and pupil transportation, account for 19 percent of governmental expenses. Therefore, nearly 75 percent of the District's expenses are related to the primary functions of providing facilities and delivering education. As can be seen, these costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

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

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
Instruction	\$8,234,125	\$5,559,025	\$4,596,307	\$2,250,235
Support Services:				
Pupils	712,790	710,090	541,144	538,584
Instructional Staff	415,758	402,592	327,561	321,585
Board of Education	67,333	67,333	48,262	48,262
Administration	962,265	489,630	492,842	29,809
Fiscal	362,836	361,409	284,604	273,859
Operation and Maintenance of Plant	1,147,992	1,147,992	1,401,409	1,401,409
Pupil Transportation	543,433	543,433	389,441	389,441
Central	205,548	200,148	128,757	123,357
Non-Instructional	785,657	405,937	470,958	93,542
Extracurricular Activities	752,883	427,624	574,535	350,556
Interest and Fiscal Charges	830,709	830,709	831,454	831,454
Total Expenses	<u><u>\$15,021,329</u></u>	<u><u>\$11,145,922</u></u>	<u><u>\$10,087,274</u></u>	<u><u>\$6,652,093</u></u>

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

Total governmental expenses of \$15,021,329 were offset by program revenues of \$3,875,407 and general revenues of \$14,074,132. The dependence upon tax and other general revenues for governmental activities is apparent as general revenue supported 94 percent of all governmental activities. The largest expense of the District is for instructional programs. Instructional expenses totaled \$8,234,125 or 55 percent of total governmental expenses for fiscal year 2019. Program Revenues of \$3,875,407 supported 26 percent of the total governmental expenses. The District's taxpayers, as a whole, are by far the primary support for the District's students.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund, the Bond Retirement Fund, and the Classroom Facilities Fund. Total governmental funds had revenues and other financing sources of \$17,908,139 and expenditures and other financing uses of \$20,630,510. The net negative change of \$2,722,371 in fund balance for the year indicates that the District had some difficulty in meeting current costs.

In fiscal year 2019, General Fund revenues increased by 7 percent. General Fund expenditures increased by 5 percent. The General Fund balance increased \$412,506 (6 percent). The overall receipts and other financing sources had little change and were able to cover the decrease in the overall expenditures and other financing uses.

In fiscal year 2019, the Bond Retirement Fund revenues increased by 9 percent due to an increase in property tax revenue. The Bond Retirement expenditures decreased by less than 1 percent due to the retirement of debt. The Bond Retirement Fund balance increased by \$252,301 (26 percent) due to property and rollback and homestead taxes being greater than the District's required debt payments.

In fiscal year 2019, the District maintained the Classroom Facilities Fund required by the Ohio Facilities Construction Commission (OFCC) to properly track the District's portion and State portion of the building costs associated with the construction of the District's new school building. The Classroom Facilities Fund revenues decreased by 99 percent due to a decrease in intergovernmental revenue for the construction project. Classroom Facilities Fund expenditures decreased by 74 percent due to the construction project nearing completion. The Classroom Facilities Fund balance decreased by \$2,652,286 due primarily to the construction project.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2019, the District amended its General Fund budget as needed.

General Fund original and final budgeted revenues were \$13,804,529. Actual revenues and other financing sources were \$14,152,823. This represents an increase of \$348,294 (3 percent).

General Fund original and final appropriations and other financing uses were \$14,847,626. The actual budget basis expenditures and other financing uses for fiscal year 2019 totaled \$14,450,153, which was \$397,473 (3 percent) less than the final budget appropriations. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2019, the District had \$24,401,814 in Net Investment in Capital Assets for governmental activities.

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

Debt

At June 30, 2019, the District had \$18,305,000 in school improvement general obligation bonds for building improvements and \$419,436 in capital appreciation bonds. The bonds were issued in 2014 for a thirty-seven year period.

The District had \$312,090 in Energy Conservation Notes. The notes were issued in 2010 with final maturity on December 1, 2023. The notes are being retired through the General Fund.

At June 30, 2019, the District's overall legal debt margin was \$4,741,085, with an un-voted debt margin of \$155,371.

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

Current Issues

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

In fiscal year 2018, 37 percent of the District revenue sources was from local funds, 59 percent was from state funds and 4 percent was from federal funds. The total expenditure per pupil was calculated at \$26,068 for fiscal year 2018. The official reports for fiscal year 2019 have not been released.

The financial position of the District in fiscal year 2019 decreased over the previous year. The District ended the year with expenditures in excess of revenues of \$536,190 in the General Fund on a cash-basis. The cash balance of the District on June 30, 2019 is \$9,972,422.

In September 2014, the District approved an agreement with the Ohio Facilities Construction Commission (OFCC) to build a new school building which will include an elementary, middle, and high school. The total cost of the project is \$41,895,350, which includes a state share of \$23,385,350, local share of \$13,154,260, and the locally funded initiative share of \$5,355,740. The new school building opened in January of 2018 and the District is currently in the final stages of the construction project.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jenell Buenger, Treasurer, Liberty Center Local School District, 100 Tiger Trail, Liberty Center, Ohio 43532-0434.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2019**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	9,047,764
Restricted Cash		111,814
Investments		867,046
Materials and Supplies Inventory		16,469
Accrued Interest Receivable		29,887
Accounts Receivable		2,864
Intergovernmental Receivable		18,545
Taxes Receivable		7,038,113
Income Taxes Receivable		1,146,642
Net OPEB Asset		902,142
Capital Assets:		
Non-Depreciable Capital Assets		1,335,207
Depreciable Capital Assets, net		42,729,950
Total Assets		<u>63,246,443</u>
Deferred Outflow of Resources:		
Deferred Charges on Refunding		20,102
Pension		4,443,443
OPEB		308,434
Total Deferred Outflows of Resources		<u>4,771,979</u>
Liabilities:		
Accounts Payable		6,779
Accrued Wages and Benefits		1,539,645
Intergovernmental Payable		305,187
Long-Term Liabilities:		
Due Within One Year		201,667
Due in More Than One Year		
Other Amounts		20,208,750
Net Pension Liability		15,455,440
Net OPEB Liability		1,532,532
Total Liabilities		<u>39,250,000</u>
Deferred Inflows of Resources:		
Property Taxes Receivable		5,310,292
Pension		929,820
OPEB		1,526,062
Total Deferred Inflows of Resources		<u>7,766,174</u>
Net Position:		
Net Investment in Capital Assets		24,401,814
Restricted for Debt Service		661,802
Restricted for Capital Outlay		111,814
Restricted for Other Purposes		375,682
Unrestricted (deficit)		(4,548,864)
Total Net Position	\$	<u>21,002,248</u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Program Revenues		Net(Expense) Revenue and Changes in Net Position	
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$ 5,476,004	\$ 1,543,254	\$ 37,484	\$ (3,895,266)
Special	2,163,751	104,793	923,830	(1,135,128)
Vocational	187,770		65,739	(122,031)
Student Intervention Services	4,998			(4,998)
Other	401,602			(401,602)
Support Services:				
Pupils	712,790		2,700	(710,090)
Instructional Staff	415,758		13,166	(402,592)
Board of Education	67,333			(67,333)
Administration	962,265	472,635		(489,630)
Fiscal	362,836		1,427	(361,409)
Operation and Maintenance of Plant	1,147,992			(1,147,992)
Pupil Transportation	543,433			(543,433)
Central	205,548		5,400	(200,148)
Operation of Non-Instructional Services	785,657	210,824	168,896	(405,937)
Extracurricular Activities	752,883	284,847	40,412	(427,624)
Debt Service:				
Interest and Fiscal Charges	830,709			(830,709)
Totals	\$ 15,021,329	\$ 2,616,353	\$ 1,259,054	\$ (11,145,922)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes			3,767,905	
Property Taxes, Levied for Capital Outlay			213,324	
Property Taxes, Levied for Debt Service			1,249,210	
Property Taxes, Levied for Other			62,047	
Income Taxes			2,603,442	
Grants and Entitlements not Restricted to Specific Programs			5,933,435	
Gifts and Donations			8,811	
Investment Earnings			223,377	
Miscellaneous			11,715	
Proceeds from Sale of Capital Assets			866	
Total General Revenues			14,074,132	
Change in Net Position			2,928,210	
Net Position Beginning of Year			18,074,038	
Net Position End of Year			\$ 21,002,248	

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Bond Retirement Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 6,977,331	\$ 924,079	\$ 690,977	\$ 455,377	\$ 9,047,764
Restricted Cash			111,814		111,814
Investments			867,046		867,046
Materials and Supplies Inventory	10,535			5,934	16,469
Accrued Interest Receivable	29,887				29,887
Accounts Receivable	2,864				2,864
Intergovernmental Receivable				18,545	18,545
Taxes Receivable	5,763,388	1,041,876		232,849	7,038,113
Income Taxes Receivable	1,146,642				1,146,642
Total Assets	\$ 13,930,647	\$ 1,965,955	\$ 1,669,837	\$ 712,705	\$ 18,279,144
Liabilities					
Current Liabilities:					
Accounts Payable	\$ 343			\$ 6,436	\$ 6,779
Accrued Wages and Benefits	1,512,209			27,436	1,539,645
Intergovernmental Payable	296,695			8,492	305,187
Matured Compensated Absences Payable	81,651				81,651
Total Liabilities	1,890,898	-	-	42,364	1,933,262
Deferred Inflow of Resources					
Property Levied for the Next Fiscal Year	4,459,729	\$ 702,904		147,659	5,310,292
Delinquent Property Tax Revenue Not Available	190,384			5,745	196,129
Unavailable Revenue	132,685	38,907		10,322	181,914
Total Deferred Inflows of Resources	4,782,798	741,811	-	163,726	5,688,335
Total Liabilities and Deferred Inflows of Resources	6,673,696	741,811	-	206,090	7,621,597
Fund Balances					
Nonspendable	10,535			5,934	16,469
Restricted		1,224,144	\$ 1,669,837	529,761	3,423,742
Assigned	333,554				333,554
Unassigned (deficit)	6,912,862			(29,080)	6,883,782
Total Fund Balances	7,256,951	1,224,144	1,669,837	506,615	10,657,547
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 13,930,647	\$ 1,965,955	\$ 1,669,837	\$ 712,705	\$ 18,279,144

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2019**

Total Governmental Fund Balances \$ 10,657,547

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

The net pension/OPEB assets & liabilities are not due and payable in the current period; therefore, the assets & liabilities and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	\$	4,443,443	
Deferred Inflows - Pension		(929,820)	
Net Pension Liability		(15,455,440)	
Deferred Outflows - OPEB		308,434	
Deferred Inflows - OPEB		(1,526,062)	
Net OPEB Asset		902,142	
Net OPEB Liability		<u>(1,532,532)</u>	
Total			(13,789,835)

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds. 44,065,157

Deferred Inflows that do not provide financial resources are not reported as revenues in governmental fund. 378,043

Unamortized deferred amounts on refunding are not recognized in the funds 20,102

Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

General Obligation Bonds Payable		(19,307,258)	
Note Payable		(312,090)	
Capital Leases Payable		(43,995)	
Compensated Absences Payable		<u>(665,423)</u>	

Net Position of Governmental Activities \$ (20,328,766)
21,002,248

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Property and Other Local Taxes	\$ 3,694,184	\$ 1,232,267		\$ 269,825	\$ 5,196,276
Income Tax	2,601,176				2,601,176
Intergovernmental	6,489,004	30,851		628,582	7,148,437
Interest	124,073		\$ 93,098	6,278	223,449
Tuition and Fees	1,607,672				1,607,672
Rent	40,375				40,375
Extracurricular Activities	5,172			284,847	290,019
Gifts and Donations	8,811			35,020	43,831
Customer Sales and Services	467,463			210,824	678,287
Miscellaneous	11,715			6,036	17,751
Total Revenues	<u>15,049,645</u>	<u>1,263,118</u>	<u>93,098</u>	<u>1,441,412</u>	<u>17,847,273</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	6,294,433			34,415	6,328,848
Special	1,943,540			363,956	2,307,496
Vocational	219,133				219,133
Student Intervention Services	4,998				4,998
Other	422,585				422,585
Support Services:					
Pupils	763,366			2,700	766,066
Instructional Staff	426,123			11,075	437,198
Board of Education	67,333				67,333
Administration	1,097,276			1,169	1,098,445
Fiscal	380,980	11,661		2,715	395,356
Operation and Maintenance of Plant	1,059,173			62,354	1,121,527
Pupil Transportation	512,577				512,577
Central	85,251			113,460	198,711
Operation of Non-Instructional Services	448,565			393,005	841,570
Extracurricular Activities	486,454			315,093	801,547
Capital Outlay	303,800		2,745,384	889,327	3,938,511
Debt Service:					
Principal	62,418	54,090		44,262	160,770
Interest		699,156		2,773	701,929
Accreted Interest on Capital Appreciation Bonds		245,910			245,910
Total Expenditures	<u>14,578,005</u>	<u>1,010,817</u>	<u>2,745,384</u>	<u>2,236,304</u>	<u>20,570,510</u>
Excess of Revenues Over (Under) Expenditures	<u>471,640</u>	<u>252,301</u>	<u>(2,652,286)</u>	<u>(794,892)</u>	<u>(2,723,237)</u>
OTHER FINANCING SOURCES (USES):					
Transfers In				60,000	60,000
Proceeds from Sale of Capital Assets	866				866
Transfers (Out)	(60,000)				(60,000)
Total Other Financing Sources and Uses	<u>(59,134)</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>866</u>
Net Change in Fund Balances	412,506	252,301	(2,652,286)	(734,892)	(2,722,371)
Fund Balance at Beginning of Year	6,844,445	971,843	4,322,123	1,241,507	13,379,918
Fund Balance at End of Year	<u>\$ 7,256,951</u>	<u>\$ 1,224,144</u>	<u>\$ 1,669,837</u>	<u>\$ 506,615</u>	<u>\$ 10,657,547</u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances - Total Governmental Funds		\$ (2,722,371)
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
<p>Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.</p>		
Pension	\$ 1,110,989	
OPEB	41,803	1,152,792
<p>Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB asset & liability are reported as pension/OPEB expense in the statement of activities.</p>		
Pension	(1,632,142)	
OPEB	1,945,068	312,926
<p>Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.</p>		
Capital Outlay - Depreciable Capital Assets	4,771,415	
Depreciation	(1,072,757)	3,698,658
<p>The net effect of various transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.</p>		
		(4,113)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>		
Intergovernmental	2,924	
Income Taxes	2,266	
Delinquent Property Taxes	96,210	101,400
<p>Repayment of bond and capital lease principal is an expenditure in the funds but the repayment reduces long-term liabilities on the statements of net position. Principal payments during the year were:</p>		
Bonds	62,418	
Capital Appreciation Bonds	54,090	
Accreted Interest on Capital Appreciation Bonds	245,910	
Capital Lease	44,262	406,680
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following item resulted in less interest being reported in the statement of activities:</p>		
Amortization on bond premiums	820	
Accretion on capital appreciation bonds	(128,780)	(127,960)
<p>Some expenses reported on 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:</p>		
		110,198
Change in Net Position of Governmental Activities		\$ <u>2,928,210</u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
REVENUES:				
Property and Other Local Taxes	\$ 3,145,668	\$ 3,145,668	\$ 2,894,734	\$ (250,934)
Income Tax	2,436,766	2,436,766	2,493,637	56,871
Intergovernmental	6,192,705	6,192,705	6,489,004	296,299
Interest	40,000	40,000	120,876	80,876
Tuition and Fees	1,264,280	1,264,280	1,608,407	344,127
Rent	45,000	45,000	40,375	(4,625)
Gifts and Donations	23,110	23,110	7,387	(15,723)
Customer Sales and Services	355,000	355,000	467,463	112,463
Miscellaneous	2,000	2,000	2,216	216
Total Revenues	<u>13,504,529</u>	<u>13,504,529</u>	<u>14,124,099</u>	<u>619,570</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,267,937	6,267,937	6,282,636	(14,699)
Special	2,035,538	2,035,538	1,954,762	80,776
Vocational	208,302	208,302	208,030	272
Student Intervention Services	5,265	5,265	4,998	267
Other	443,328	443,328	421,616	21,712
Support Services:				
Pupils	840,223	840,223	774,333	65,890
Instructional Staff	469,572	469,572	440,355	29,217
Board of Education	64,396	64,396	68,271	(3,875)
Administration	1,129,691	1,129,691	1,085,162	44,529
Fiscal	427,361	427,361	380,796	46,565
Operation and Maintenance of Plant	1,115,003	1,115,003	1,074,204	40,799
Pupil Transportation	548,772	548,772	543,237	5,535
Central	83,934	83,934	83,459	475
Operation of Non-Instructional/Shared Services	440,255	440,255	443,001	(2,746)
Extracurricular Activities	558,631	558,631	559,075	(444)
Capital Outlay	27,000	27,000	3,800	23,200
Principal	62,418	62,418	62,418	-
Total Expenditures	<u>14,727,626</u>	<u>14,727,626</u>	<u>14,390,153</u>	<u>337,473</u>
Excess of Expenditures Over Revenues	<u>(1,223,097)</u>	<u>(1,223,097)</u>	<u>(266,054)</u>	<u>957,043</u>
Other Financing Sources (Uses):				
Advances In	300,000	300,000		(300,000)
Proceeds from Sale of Capital Assets			866	866
Refund of Prior Year Expenditures			27,858	27,858
Transfers (Out)	(60,000)	(60,000)	(60,000)	-
Advances (Out)	(60,000)	(60,000)		60,000
Total Other Financing Sources (Uses)	<u>180,000</u>	<u>180,000</u>	<u>(31,276)</u>	<u>(211,276)</u>
Net Change in Fund Balance	<u>(1,043,097)</u>	<u>(1,043,097)</u>	<u>(297,330)</u>	<u>745,767</u>
Fund Balance at Beginning of Year	7,155,739	7,155,739	7,155,739	-
Prior Year Encumbrances Appropriated	57,857	57,857	57,857	-
Fund Balance at End of Year	<u>\$ 6,170,499</u>	<u>\$ 6,170,499</u>	<u>\$ 6,916,266</u>	<u>\$ 745,767</u>

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>4,363</u>	\$ <u>46,301</u>
Liabilities		
Current Liabilities:		
Undistributed Monies		\$ <u>46,301</u>
Net Position		
Held in Trust for Scholarships	\$ <u>4,363</u>	

See Accompanying Notes to the Basic Financial Statements

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Private Purpose Trust</u>
ADDITIONS:	
Miscellaneous	\$ 219
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>3,376</u>
Change in Net Position	(3,157)
Net Position Beginning of Year	<u>7,520</u>
Net Position End of Year	<u>\$ 4,363</u>

See Accompanying Notes to the Basic Financial Statements

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Liberty Center Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Liberty Center Local School District is a local school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's four instructional/support facilities staffed by 55 non-certified and 92 certified full-time teaching personnel who provide services to 1,097 students and other community members.

The Reporting Entity

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Government-Wide Financial Statements

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 10 and 11.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and income taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 10 and 11).

Expenditures/Expenses

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

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

E. Budgetary Process

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2019 is as follows:

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2019.

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

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

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

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

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Investments

To improve cash management, cash received by the District is pooled, except for investments maintained in the Classroom Facilities Fund. Monies for these funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements. Investments maintained in the Classroom Facilities Fund are presented as "investments" on the basic financial statements.

During fiscal year 2019, investments were limited to STAR Ohio, Federal Home Loan Bank Bonds, negotiable certificates of deposit, and nonnegotiable certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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

For the fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2019 amounted to \$124,073, which included \$20,720 from other District funds.

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

G. Inventory

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Restricted Assets

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

I. Capital Assets

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

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

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

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

J. Compensated Absences

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

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Net position

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

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

M. Fund Balance

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

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

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

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

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

N. Estimates

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2019.

P. Interfund Transactions

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Pensions/Other Postemployment Benefits (OPEB)

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

R. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable/payable." These amounts are eliminated in the governmental activities' column on the statement of net position.

3. BUDGETARY BASIS OF ACCOUNTING

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

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

Net Change in Fund Balance Major Governmental Fund	
	General
Budget Basis	\$(297,330)
Net Adjustment for Revenue Accruals	907,859
Net Adjustment for Expenditure Accruals	(201,418)
Net Adjustment for Other Sources/(Uses)	(27,858)
Funds Budgeted Elsewhere	(7,780)
Adjustment for Encumbrances	39,033
GAAP Basis	\$412,506

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2019, the carrying amount of all of the District's deposits, including \$1,000,000 in nonnegotiable certificates of deposit, was \$4,183,717. Of the \$4,414,359 bank balance, \$760,807 was covered by the FDIC and \$3,653,552 was covered by the Ohio Pooled Collateral System (OPCS).

The District has no deposit policy for custodial credit risk beyond the requirements of the State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

Investments

As of June 30, 2019, the District had the following investments:

	Balance at Fair Value	Less than One year	13 to 24 Months	25 to 60 Months
Federal Home Loan Mortgage Notes	\$215,271			\$215,271
Federal Farm Credit Bank	253,680			253,680
U.S. Treasury Note	273,721	\$273,721		
Select Treasury	398,095	398,095		
Negotiable Certificates of Deposit	3,665,990	1,149,205	\$913,027	1,603,758
Nonnegotiable Certificates of Deposit	1,000,000	800,000	200,000	
Money Market	16,380	16,380		
STAR Ohio	1,070,434	1,070,434		
Total Investments	\$6,893,571	\$3,707,835	\$1,113,027	\$2,072,709

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

Concentration of Credit Risk - The District's investment policy places no limit on the amount it may invest in any one issuer; however, state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investment in the Federal Home Loan Mortgage Notes, Federal Farm Credit Bank Notes, negotiable certificates of deposit, nonnegotiable certificates of deposit, select treasury, U.S. Treasury Notes, money market/cash and Star Ohio represent 3 percent, 4 percent, 53 percent, 14 percent, 6 percent, 4 percent, less than 1 percent, and 15 percent, respectively, of the District's total investments

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes for 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

5. PROPERTY TAXES - (Continued)

Public utility real and tangible personal property taxes for 2019 were levied after April 1, 2018, on the assessed values as of December 31, 2017, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The District receives property taxes from Henry and Fulton counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2019 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred inflow for that portion not intended to finance current year operations.

The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2019 was \$1,170,974 in the General Fund, \$300,065 in the Bond Retirement Fund, and \$74,868 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2018 was \$371,524 in the General Fund, \$136,079 in the Bond Retirement Fund, and \$29,616 in the Permanent Improvement Fund.

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second- Half Collections		2019 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$125,090,460	81%	\$125,638,740	81%
Industrial/Commercial	9,302,830	6%	9,517,080	6%
Public Utility	19,735,280	13%	20,214,750	13%
Total Assessed Value	<u>\$154,182,800</u>	<u>100%</u>	<u>\$155,207,530</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$50.00		\$50.00	

6. INCOME TAX

In 1995, the voters of the Liberty Center Local School District passed a 1 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2019, the District recorded income tax revenue of \$2,601,176 in the General Fund with \$1,146,642 recorded as a receivable at June 30, 2019.

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

7. RECEIVABLES

Receivables at June 30, 2019, consisted of property taxes, income taxes, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

	<u>Amount</u>
Accounts Receivable:	
Miscellaneous	\$2,864
Intergovernmental Receivables:	
All Other Governmental Funds:	
Strategies Secondary Tran	(\$378)
Title I Grant Fund	5,374
Title VI-B Grant Fund	8,375
Miscellaneous Federal Grant	<u>5,174</u>
Total Intergovernmental Receivable	<u><u>\$18,545</u></u>

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	<u>Balance at 7/1/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2019</u>
Governmental Activities				
Non Depreciable Capital Assets				
Land	\$1,335,207			\$1,335,207
Total Non Depreciable Capital Assets	<u>1,335,207</u>			<u>1,335,207</u>
Depreciable Capital Assets				
Land Improvements	570,127			570,127
Buildings and Building Improvements	45,125,840	\$4,543,161		49,669,001
Permanent Fixtures	588,708			588,708
Equipment	294,721	206,489		501,210
Computers	101,762			101,762
Musical Instruments	11,401			11,401
Vehicles	1,294,419	21,765	(\$56,945)	1,259,239
Total Depreciable Capital Assets	<u>47,986,978</u>	<u>4,771,415</u>	<u>(56,945)</u>	<u>52,701,448</u>
Less Accumulated Depreciation				
Land Improvements	(339,598)	(16,385)		(355,983)
Buildings and Building Improvements	(7,230,252)	(921,338)		(8,151,590)
Permanent Fixtures	(490,062)	(30,823)		(520,885)
Equipment	(62,288)	(32,996)		(95,284)
Computers	(91,539)	(432)		(91,971)
Musical Instruments	(92,175)			(92,175)
Vehicles	(645,659)	(70,783)	52,832	(663,610)
Total Accumulated Depreciation	<u>(8,951,573)</u>	<u>(1,072,757)</u>	<u>52,832</u>	<u>(9,971,498)</u>
Depreciable Capital Assets, Net	<u>39,035,405</u>	<u>3,698,658</u>	<u>(4,113)</u>	<u>42,729,950</u>
Governmental Activities Capital Assets, Net	<u>\$40,370,612</u>	<u>\$3,698,658</u>	<u>(\$4,113)</u>	<u>\$44,065,157</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

8. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$90,591
Special	18,896
Vocational	8,153
Support Services:	
Pupil	5,421
Instructional Staff	6,680
Administration	8,118
Fiscal	6,251
Operation and Maintenance of Plant	16,474
Pupil Transportation	68,788
Central	432
Non-Instructional Services	10,019
Extracurricular	61,289
Capital Outlay	771,645
Total Depreciation Expense	<u>\$1,072,757</u>

9. RISK MANAGEMENT

A. Schools of Ohio Risk Sharing Authority

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

Property Insurance	\$53,709,123
Equipment Breakdown	250,000
Crime Coverage	1,000,000
General Liability:	
Per Occurrence	15,000,000
Total Per Year	17,000,000
Educators' Legal Liability -	
Wrongful Acts	15,000,000
Automobile Liability	15,000,000

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

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(Continued)**

9. RISK MANAGEMENT (Continued)

B. Employee Insurance Benefits Program

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

C. Workers' Compensation Group Program

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

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

10. DEFINED PENSION BENEFIT PLANS

Net Pension Liability

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

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

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

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10. DEFINED PENSION BENEFIT PLANS - (Continued)

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3 percent annual increase to a percentage based on the Consumer Price Index (CPI-W) with a cap of 2.5 percent and a floor of 0 percent. SERS holds the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. For 2018, 2019, and 2020, SERS suspended the COLA increases for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

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10. DEFINED PENSION BENEFIT PLANS - (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$244,750 for fiscal year 2019. Of this amount, \$49,553 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee 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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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10. DEFINED PENSION BENEFIT PLANS - (Continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$894,441 for fiscal year 2019. Of this amount \$172,162 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.05273271%	0.05353513%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.05432182%</u>	<u>0.05614184%</u>	
Change in Proportionate Share	<u>0.00158911%</u>	<u>0.00260671%</u>	
Proportionate Share of the Net Pension Liability	\$3,111,110	\$12,344,330	\$15,455,440
Pension Expense	\$242,941	\$1,389,201	\$1,632,142

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10. DEFINED PENSION BENEFIT PLANS - (Continued)

At June 30, 2019, 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	\$170,625	\$284,945	\$455,570
Changes of assumptions	70,256	2,187,648	2,257,904
Changes in proportion and differences / Difference between District contributions and proportionate share of contributions	77,633	541,347	618,980
District contributions subsequent to the measurement date	<u>216,548</u>	<u>894,441</u>	<u>1,110,989</u>
Total Deferred Outflows of Resources	<u>\$535,062</u>	<u>\$3,908,381</u>	<u>\$4,443,443</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$80,616	\$80,616
Net difference between projected and actual earnings on pension plan investments	86,199	748,547	834,746
Changes in proportion and differences / Difference between District contributions and proportionate share of contributions	<u>14,458</u>	<u>0</u>	<u>14,458</u>
Total Deferred Inflows of Resources	<u>\$100,657</u>	<u>\$829,163</u>	<u>\$929,820</u>

\$1,110,989 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	\$268,490	\$1,218,140	\$1,486,630
2021	77,901	871,240	949,141
2022	(102,098)	169,402	67,304
2023	<u>(26,436)</u>	<u>(74,005)</u>	<u>(100,441)</u>
Total	<u>\$217,857</u>	<u>\$2,184,777</u>	<u>\$2,402,634</u>

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

10. DEFINED PENSION BENEFIT PLANS - (Continued)

Actuarial Assumptions – SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.2 percent
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

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

The most recent experience study was completed for the five-year period ended June 30, 2015.

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(Continued)**

10. DEFINED PENSION BENEFIT PLANS - (Continued)

The long-term return expectation for the Pension Plan Investments has been determined by 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 an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$4,382,233	\$3,111,110	\$2,045,358

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(Continued)

10. **DEFINED PENSION BENEFIT PLANS - (Continued)**

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

	<u>July 1, 2018</u>
Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

For the actuarial valuations as of July 1, 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the July 1, 2018 were adopted by the board from the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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10. DEFINED PENSION BENEFIT PLANS - (Continued)

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

*10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that 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. 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's proportionate share of the net pension liability	\$18,027,269	\$12,344,330	\$7,534,493

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10. DEFINED PENSION BENEFIT PLANS - (Continued)

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2019, four members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

11. DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

The net OPEB liability/asset reported on the statement of net position represents a liability/asset to employees for OPEB. OPEB is a component of exchange transactions- between an employer and its employees of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability/asset represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB/asset 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 these estimates 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 OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

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11. DEFINED BENEFIT OPEB PLANS (Continued)

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. 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 2019, the District's surcharge obligation was \$33,783.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$41,803 for fiscal year 2019. Of this amount, \$35,618 is reported as intergovernmental payable.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019
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11. DEFINED BENEFIT OPEB PLANS (Continued)

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly 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. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District’s proportion of the net OPEB liability/asset was based on the District’s share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.05345232%	0.05353513%	
Proportion of the Net OPEB Liability/Asset			
Current Measurement Date	<u>0.05524088%</u>	<u>0.05614184%</u>	
Change in Proportionate Share	<u>0.00178856%</u>	<u>0.00260671%</u>	
Proportionate Share of the Net OPEB Liability	\$1,532,532	\$0	\$1,532,532
Proportionate Share of the Net OPEB Asset	\$0	\$902,142	\$902,142
OPEB Expense	(\$5,039)	(\$1,940,029)	(\$1,945,068)

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11. DEFINED BENEFIT OPEB PLANS (Continued)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$25,016	\$105,372	\$130,388
Changes in proportion and differences / Difference between District contributions and proportionate share of contributions	43,352	92,891	136,243
District contributions subsequent to the measurement date	<u>41,803</u>	<u>0</u>	<u>41,803</u>
Total Deferred Outflows of Resources	<u>\$110,171</u>	<u>\$198,263</u>	<u>\$308,434</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$52,562	\$52,562
Net difference between projected and actual earnings on pension plan investments	2,299	1,229,240	1,231,539
Change of Assumptions	137,686	103,062	240,748
Changes in proportion and differences / Difference between District contributions and proportionate share of contributions	<u>0</u>	<u>1,213</u>	<u>1,213</u>
Total Deferred Inflows of Resources	<u>\$139,985</u>	<u>\$1,386,077</u>	<u>\$1,526,062</u>

\$41,803 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	(\$44,710)	(\$213,839)	(\$258,549)
2021	(33,656)	(213,839)	(247,495)
2022	1,353	(213,839)	(212,486)
2023	2,331	(190,432)	(188,101)
2024	2,172	(182,220)	(180,048)
Thereafter	<u>893</u>	<u>(173,645)</u>	<u>(172,752)</u>
Total	<u>(\$71,617)</u>	<u>(\$1,187,814)</u>	<u>(\$1,259,431)</u>

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11. DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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 OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent, net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption:	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

11. DEFINED BENEFIT OPEB PLANS (Continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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(Continued)**

11. DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	\$1,859,607	\$1,532,532	\$1,273,550

	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	\$1,236,472	\$1,532,532	\$1,924,568

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Inflation	2.50 percent	
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	
Payroll Increases	3.00 percent	
Discount Rate of Return	7.45 percent	
Health Care Cost Trends	Initial	Ultimate
Medical		
Pre-Medical	6.00 percent	4.00 percent
Medicare	5.00 percent	4.00 percent
Prescription Drug		
Pre-Medical	8.00 percent	4.00 percent
Medicare	(5.23) percent	4.00 percent

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(Continued)**

11. DEFINED BENEFIT OPEB PLANS (Continued)

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation is based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)." Valuation year per capita health care costs were updated.

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.90 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. However, in June 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

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

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(Continued)**

11. DEFINED BENEFIT OPEB PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation**</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 <u>100.00 %</u>	

*10-year geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB asset as of June 30, 2018.

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(Continued)**

11. DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	\$773,220	\$902,142	\$1,010,495

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$1,004,378	\$902,142	\$798,313

12. COMPENSATED ABSENCES

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

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 60 days for non-union employees, 55 days for certified and 60 days for classified union employees.

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

13. LONG-TERM OBLIGATIONS

During the year ended June 30, 2019, the following changes occurred in obligations reported in the Government-Wide Financial Statements:

	<u>Balance at 06/30/2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 06/30/2019</u>	<u>Amount Due In One Year</u>
Series 2014 Bonds					
General Obligation Bonds	\$18,305,000			\$18,305,000	
Capital Appreciation Bonds	100,000		\$54,090	45,910	\$35,952
Accreted Interest on CABs	490,656	\$128,780	245,910	373,526	
Energy Conservation Improvement Bonds, Series 2009	374,508		62,418	312,090	62,418
Capital Leases	88,257		44,262	43,995	21,646
Net Pension Liability	15,868,047		412,607	15,455,440	
Net OPEB Liability	3,523,263	98,012	2,088,743	1,532,532	
Compensated Absences	815,879	28,805	97,610	747,074	81,651
Total Government Activities	<u>\$39,565,610</u>	<u>\$255,597</u>	<u>\$3,005,640</u>	<u>36,815,567</u>	<u>\$201,667</u>
Add: Unamortized Bond Premiums				582,822	
Total on Statement of Net position				<u>\$37,398,389</u>	

Ohio School Facilities Commission Project Bonds, Series 2014

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

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

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(Continued)**

13. LONG-TERM OBLIGATIONS - (Continued)

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

Maturity Date (November 1)	Principal Amount	Interest Rate
2020	\$175,000	2.00%
2021	300,000	2.50%
2022	300,000	3.00%
2023	300,000	3.00%
2024	300,000	3.00%
2025	300,000	3.00%
2026	300,000	3.00%

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

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

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

Total accreted interest of \$600,000 has been included in the value. Capital Appreciation Bonds are not subject to redemption prior to maturity. The value of the capital appreciation bonds reported at June 30, 2019 was \$419,436.

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

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(Continued)**

13. LONG-TERM OBLIGATIONS - (Continued)

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

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

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

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

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

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

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

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(Continued)**

13. LONG-TERM OBLIGATIONS - (Continued)

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

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

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

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

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

Total expenditures for interest for the above debt for the period ended June 30, 2019 was \$701,928.

The scheduled payments of principal and interest on debt outstanding at June 30, 2019 are as follows:

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

13. LONG-TERM OBLIGATIONS - (Continued)

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$98,370	\$963,204	\$1,061,574
2021	247,376	812,449	1,059,825
2022	362,418	691,906	1,054,324
2023	362,418	683,656	1,046,074
2024	362,418	674,657	1,037,075
2025 – 2029	1,620,000	3,234,681	4,854,681
2030 – 2034	2,090,000	2,934,756	5,024,756
2035 – 2039	2,660,000	2,490,841	5,150,841
2040 – 2044	3,435,000	1,884,850	5,319,850
2045 - 2049	4,320,000	1,103,585	5,423,585
2050 - 2052	3,105,000	196,659	3,301,659
Total	<u>\$18,663,000</u>	<u>\$15,671,244</u>	<u>\$34,334,244</u>

14. CAPITALIZED LEASES - LESSEE DISCLOSURE

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

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

Capital assets acquired by the leases have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. Principal payments in the 2019 fiscal year totaled \$44,262.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2019:

<u>General Long-Term Obligations</u>	
<u>Year Ending June 30,</u>	<u>Equipment</u>
2020	\$23,076
2021	23,075
Total Future Minimum Lease Payments	46,151
Less: Amount Representing Interest	(2,156)
Present Value of Future Minimum Lease Payments	<u>\$43,995</u>

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

15. SET-ASIDE CALCULATIONS

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

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

	<u>Capital Acquisition</u>
Set-aside Balance as of June 30, 2018	\$0
Current Year Set-aside Requirement	193,341
Current Year Offsets	<u>(193,341)</u>
Reserve Balance June 30, 2019	<u>\$0</u>

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

16. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total fees paid by the District to NWOCA during this fiscal year were \$77,080. Financial information can be obtained from Tammy Butler, who serves as Treasurer, at 209 Nolan Parkway, P.O. Box 407, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Tammy Butler, who serves as Treasurer, at 209 Nolan Parkway, P.O. Box 407, Archbold, Ohio 43502.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Four County Career Center

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

17. GROUP PURCHASING POOLS

A. Employee Insurance Benefits Program

The District participates in a group health insurance pool through the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Pool). NBHP is a joint self-insurance arrangement created pursuant to the authority vested in Ohio Revised Code § 9.833. The Pool is a public entity shared risk pool consisting of educational entities throughout the State. The Pool is governed by OHI and its participating members. The District contributed a total of \$1,754,709 to Northern Buckeye Health Plan, Northwest Division of OHI, during this fiscal year for all four plans. Financial information for the period can be obtained from Charles LeBoeuf, Mountjoy Chilton Medley LLP, 201 East 5th Street, Suite 2100, Cincinnati, OH 45202 or by calling (513) 898-8801.

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

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

NBHP has retained Sheakley UniService as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District paid an enrollment fee of \$698 to WCGRP to cover the costs of administering the program.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

17. GROUP PURCHASING POOLS (Continued)

C. Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code - Non-Profit Corporations and functioning under authority granted by Section 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons, which might result in claims being made against members of SORSA, their employees or officers. The District paid \$74,143 for these services to SORSA in fiscal year 2019.

SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishing agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 775 Yard Street, Suite 200, Grandview Heights, Ohio 43212.

18. RELATED ORGANIZATION

Liberty Center Public Library

The Liberty Center Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Liberty Center Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires, and fires personnel, and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Liberty Center Public Library, at 124 East Street, P.O. Box 66, Liberty Center, Ohio 43532-0066.

19. CONTINGENCIES

A. Federal and State Grants

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

B. Litigation

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

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

20. DEFICIT FUND BALANCES

Fund balances at June 30, 2019 included the following individual fund deficits:

Nonmajor Funds	Deficit
Food Service Fund	\$22,778
Title I	313
Title II-A	55

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

21. FUND BALANCE

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

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

Fund Balance	General Fund	Bond Retirement Fund	Classroom Facilities Fund	Other Governmental Funds	Total
Nonspendable:					
Materials and Supplies Inventory	\$10,535			\$5,934	\$16,469
Restricted for:					
Regular				3,000	3,000
Special				5,431	5,431
Athletic Facilities Maintenance				92,325	92,325
				292,327	292,327
Debt Retirement		\$1,224,144			1,224,144
Permanent Improvements				136,678	136,678
Building Construction			\$1,669,837		1,669,837
Total Restricted		1,224,144	1,669,837	529,761	3,423,742
Assigned to:					
Principal Funds	24,341				24,341
Encumbrances	38,705				38,705
Appropriations	270,508				270,508
Total Assigned	333,554				333,554
Unassigned (Deficit)	6,912,862			(29,080)	6,883,782
Total Fund Balance	\$7,256,951	\$1,224,144	\$1,669,837	\$506,615	\$10,657,547

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

22. SCHOOL FOUNDATION FUNDING

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional 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.

The District's August 23 and December 13, 2019 foundation settlement receipts included the FTE adjustments for fiscal year 2019. For the District, this resulted in a total decrease of \$5,071, which is the net amount of the settlement receipts. This amount is not material to the financial statements and is not included in the financial statements as of June 30, 2019.

23. INTERFUND TRANSACTIONS

During the year ended June 30, 2019, the following transfers occurred:

Fund	Transfers In	Transfers Out
General Fund		\$60,000
Special Revenue Funds:		
Lunchroom Fund	\$60,000	
Totals	\$60,000	\$60,000

24. OTHER COMMITMENTS

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

Fund	Year-End Encumbrances
General	\$ 39,033
Classroom Facilities	689,036
Nonmajor governmental	33,020
Total	\$ 761,089

25. COMPLIANCE

Contrary to Ohio Rev. Code § 5705.39 appropriations exceeded estimated resources in the Food Service and Classroom Facilities funds by \$90,914 and \$1,572,818, respectively.

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.05432182%	0.05273271%	0.05290717%	0.05355787%	0.05052379%	0.08544700%
District's proportionate share of the net pension liability	\$ 3,111,110	\$ 3,150,662	\$ 3,872,319	\$ 3,056,066	\$ 2,556,991	\$ 5,081,259
District's covered-employee payroll	\$ 1,833,467	\$ 1,680,250	\$ 1,624,000	\$ 1,712,686	\$ 1,809,618	\$ 1,738,866
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	169.68%	187.51%	238.44%	178.44%	141.30%	292.22%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2014 was unavailable.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.05614184%	0.05353513%	0.05356688%	0.05221670%	0.05067302%	0.08244441%
District's proportionate share of the net pension liability	\$ 12,344,330	\$ 12,717,385	\$ 17,930,449	\$ 14,431,169	\$ 12,325,432	\$ 23,887,397
District's covered-employee payroll	\$ 5,885,529	\$ 5,412,671	\$ 5,890,650	\$ 5,567,171	\$ 5,597,008	\$ 5,154,585
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	209.74%	234.96%	304.39%	259.22%	220.21%	463.42%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.30%	66.80%	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2014 was unavailable.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 216,548	\$ 247,518	\$ 235,235	\$ 227,360	\$ 225,732	\$ 250,813	\$ 240,659	\$ 157,341	\$ 192,160	\$ 120,072
Contributions in relation to the contractually required contribution	<u>(216,548)</u>	<u>(247,518)</u>	<u>(235,235)</u>	<u>(227,360)</u>	<u>(225,732)</u>	<u>(250,813)</u>	<u>(240,659)</u>	<u>(157,341)</u>	<u>(192,160)</u>	<u>(120,072)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,604,059	\$ 1,833,467	\$ 1,680,250	\$ 1,624,000	\$ 1,712,686	\$ 1,809,618	\$ 1,738,866	\$ 1,169,822	\$ 1,528,719	\$ 886,795
Contributions as a percentage of covered-employee payroll	13.50%	13.50%	14.00%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO
LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 894,441	\$ 823,974	\$ 757,774	\$ 824,691	\$ 779,404	\$ 727,611	\$ 670,096	\$ 611,912	\$ 628,767	\$ 594,275
Contributions in relation to the contractually required contribution	<u>(894,441)</u>	<u>(823,974)</u>	<u>(757,774)</u>	<u>(824,691)</u>	<u>(779,404)</u>	<u>(727,611)</u>	<u>(670,096)</u>	<u>(611,912)</u>	<u>(628,767)</u>	<u>(594,275)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,388,864	\$ 5,885,529	\$ 5,412,671	\$ 5,890,650	\$ 5,567,171	\$ 5,597,008	\$ 5,154,585	\$ 4,707,015	\$ 4,836,669	\$ 4,571,346
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.05524088%	0.05345232%	0.05290717%
District's proportionate share of the net OPEB liability	\$ 1,532,532	\$ 1,434,519	\$ 1,523,588
District's covered-employee payroll	\$ 1,833,467	\$ 1,680,250	\$ 1,624,000
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	83.59%	85.38%	93.82%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	12.46%	11.49%

Note: Information prior to fiscal year 2017 was unavailable.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY/ASSET
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO
LAST THREE FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.05614184%	0.05353513%	0.05356688%
District's proportionate share of the net OPEB liability/(asset)	\$ (902,142)	\$ 2,088,743	\$ 2,863,073
District's covered-employee payroll	\$ 5,885,529	\$ 5,412,671	\$ 5,890,650
District's proportionate share of the net OPEB liability/asset as a percentage of its covered-employee payroll	-15.33%	38.59%	48.60%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	176.00%	47.10%	37.30%

Note: Information prior to fiscal year 2017 was unavailable.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 33,783	\$ 26,201	\$ -	\$ -	\$ 38,696	\$ 26,554	\$ 26,814	\$ 6,814	\$ 41,917	\$ 54,591
Contributions in relation to the contractually required contribution	<u>(33,783)</u>	<u>(26,201)</u>	<u>-</u>	<u>-</u>	<u>(38,696)</u>	<u>(26,554)</u>	<u>(26,814)</u>	<u>(6,814)</u>	<u>(41,917)</u>	<u>(54,591)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,604,059	\$ 1,833,467	\$ 1,680,250	\$ 1,624,000	\$ 1,712,686	\$ 1,809,618	\$ 1,738,866	\$ 1,169,822	\$ 1,528,719	\$ 886,795
Contributions as a percentage of covered-employee payroll	2.11%	1.43%	0.00%	0.00%	2.26%	1.47%	1.54%	0.58%	2.74%	6.16%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO
LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,970	\$ 51,546	\$ 47,070	\$ 48,367	\$ 45,713
Contributions in relation to the contractually required contribution	-	-	-	-	-	(55,970)	(51,546)	(47,070)	(48,367)	(45,713)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,388,864	\$ 5,885,529	\$ 5,412,671	\$ 5,890,650	\$ 5,567,171	\$ 5,597,008	\$ 5,154,585	\$ 4,707,015	\$ 4,836,669	\$ 4,571,346
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2019.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.

LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rate for Medicare was changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare was changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%

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 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.

OHIO AUDITOR OF STATE KEITH FABER



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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 Center Local School District
Henry County
100 Tiger Trail
Liberty Center, Ohio 43532-0434

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Center Local School District, Henry County, Ohio (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 19, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-002.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

March 19, 2020

**LIBERTY CENTER LOCAL SCHOOL DISTRICT
HENRY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Material Weakness

Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledges its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or errors as discussed in AU-C Section 210 paragraph .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

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

The following errors were noted in the District's financial statements:

- The District showed an interfund payable in the Building Fund and interfund receivable in the General Fund in the amount of \$300,000 from an advance made during fiscal year 2018. During fiscal year 2019, this advance was board approved as a permanent transfer, but was not adjusted and reflected as such on the financial statements;
- Principal retirement in the Debt Service Fund was overstated by \$245,910 as a result of the District presenting the payoff of accreted interest as principal rather than Accreted Interest on Capital Appreciation Bonds.
- Net Investment in Capital Assets was overstated by \$4,748,696 on the Statement of Net Position;
- Cash in an escrow account of \$111,814 was erroneously excluded in the Classroom Facilities Fund and Governmental Activities;
- Deferred Inflows related to Pensions were overstated by \$1,703,265;
- Net OPEB Asset of \$902,142 was not properly recorded in relation to the STRS GASB 75 calculation;
- Net OPEB Liability was understated by \$1,052,679 in relation to the SERS GASB 75 calculation;
- Net OPEB Expense was understated by \$839,401;
- The Notes to the Financial Statements reported amounts relating to Pension and OPEB that did not agree to the financial statements. There were noted differences in the assets, deferred outflows, liabilities, and deferred inflows;

- The General Fund's "original" budgeted expenditures were understated by \$3,864,423 due to not using the permanent appropriation resolution, despite the permanent appropriation resolution covering the entire fiscal year.

These errors were not identified and corrected prior to the District preparing its financial statements and notes to the financial statements due to deficiencies in the District's internal controls over financial statement monitoring. The accompanying financial statements and footnotes have been adjusted to correct these errors. Failing to prepare accurate financial statements could lead the Board or financial statement user to make misinformed decisions. Additional errors were noted in smaller relative amounts that did not require adjustment to the financial statements.

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

FINDING NUMBER 2019-002

Noncompliance

Appropriations Exceeding Estimated Resources

Ohio Rev. Code § 5705.39 provides that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in the case of appeal, by the board of tax appeals.

Appropriations were not set within the Estimated Resources limitation at June 30, 2019. The following funds had appropriations in excess of estimated resources:

Fund Name	Estimated Resources	Appropriations	Variance
Classroom Facilities	\$1,674,133	\$3,246,951	(\$1,572,818)
Food Service	383,706	474,620	(90,914)

This noncompliance was a result of inadequate policies and procedures over the monitoring of budgetary compliance. Failing to limit appropriations to estimated resources could result in the District expending more money than it receives and result in deficit fund balances.

The District should review final appropriations and final certificates of estimated resources to help ensure estimated resources are sufficient to cover said appropriations and the District is not spending beyond what is available for each fund.

Officials' Response:

We did not receive a response from Officials to findings reported above.

Mr. Larry Black
High School Principal

Mr. Nicholas Mariano II
Middle School Principal

Mrs. Kelly M. Hartbarger
Elementary Principal

Liberty Center Schools

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

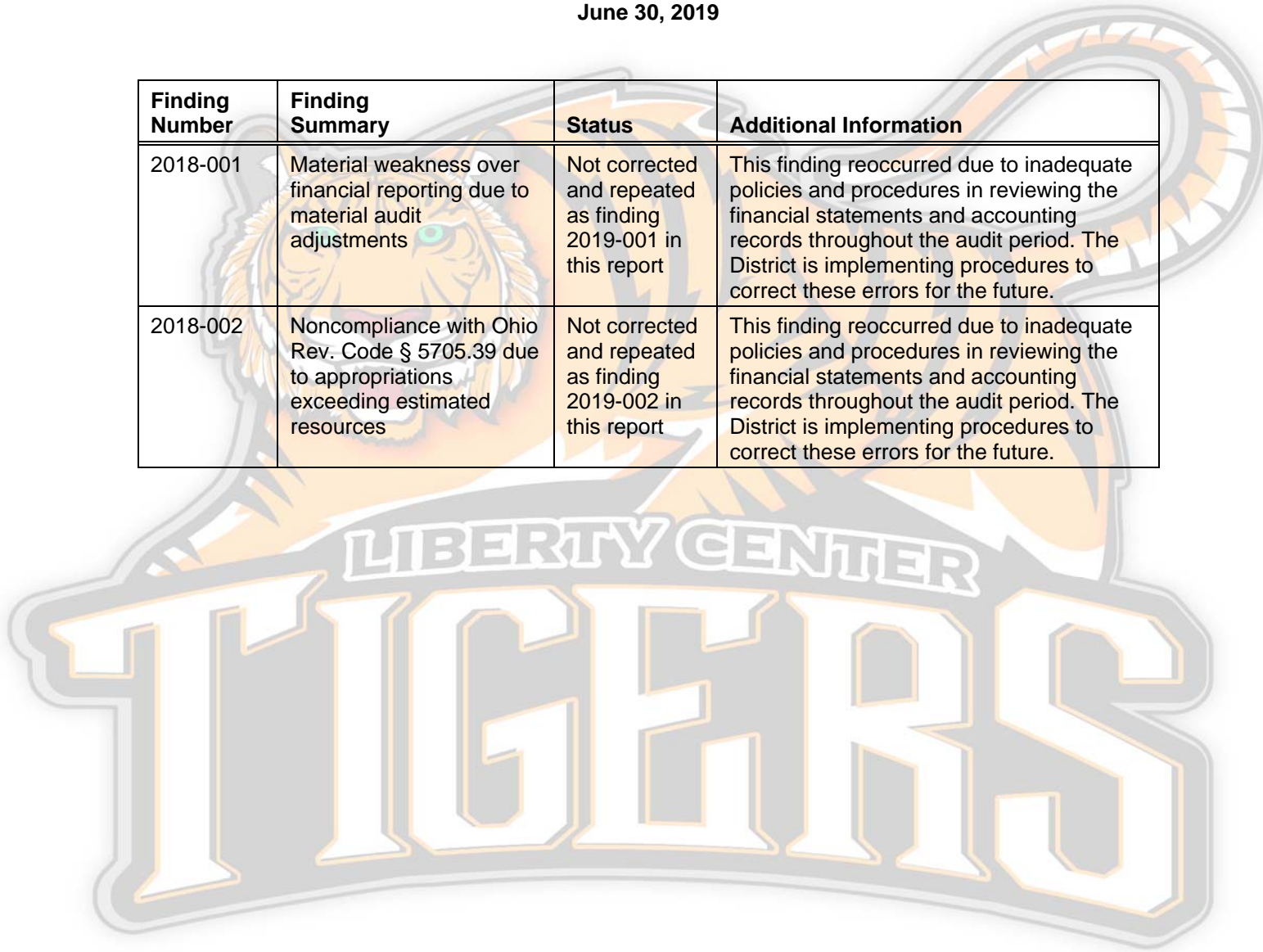
Board of Education
Mr. Jeff Benson
Mrs. Andrea Zacharias
Mr. Neal Carter
Mr. Todd Spangler
Mr. John Weaver

Mr. Richard K. Peters,
Superintendent

Mrs. Jenell M. Buenger
Treasurer/CFO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS June 30, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Material weakness over financial reporting due to material audit adjustments	Not corrected and repeated as finding 2019-001 in this report	This finding reoccurred due to inadequate policies and procedures in reviewing the financial statements and accounting records throughout the audit period. The District is implementing procedures to correct these errors for the future.
2018-002	Noncompliance with Ohio Rev. Code § 5705.39 due to appropriations exceeding estimated resources	Not corrected and repeated as finding 2019-002 in this report	This finding reoccurred due to inadequate policies and procedures in reviewing the financial statements and accounting records throughout the audit period. The District is implementing procedures to correct these errors for the future.



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OHIO AUDITOR OF STATE
KEITH FABER



BRUNSWICK CITY SCHOOL DISTRICT

MEDINA 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
APRIL 2, 2020**