



Dave Yost • Auditor of State

**LIBERTY-BENTON LOCAL SCHOOL DISTRICT
HANCOCK COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Liberty-Benton Local School District
Hancock County
9190 County Road 9
Findlay, Ohio 45840

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-Benton Local School District, Hancock County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty-Benton Local School District, Hancock County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dave Yost
Auditor of State

Columbus, Ohio

April 5, 2018

Liberty-Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The discussion and analysis of Liberty-Benton Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2017 were as follows:

Net position increased \$126,533 or 5 percent.

General revenues were \$12,869,905, or 78 percent of total revenues, and demonstrate the School District's significant dependence on property taxes and income taxes as well as State funding.

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 Liberty-Benton Local School 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 School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other nonmajor funds presented in total in a single column.

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2017. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the School 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 School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

Liberty-Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

In the statement of net position and the statement of activities, all of the School District's activities are reflected as governmental activities. The programs and services reported here include instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property taxes and income tax revenues as well as unrestricted State entitlements.

Reporting the School District's Most Significant Funds

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

Governmental Funds - All of the School 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 School 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.

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

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2017 and fiscal year 2016:

Table 1
Net Position

	Governmental Activities		
	2017	2016	Change
<u>Assets</u>			
Current and Other Assets	\$16,068,381	\$15,461,730	\$606,651
Capital Assets, Net	8,829,201	8,645,375	183,826
Total Assets	24,897,582	24,107,105	790,477

(continued)

Liberty-Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Table 1
Net Position
(continued)

	Governmental Activities		
	2017	2016	Change
<u>Deferred Outflows of Resources</u>			
Pension	\$4,341,586	\$1,959,933	\$2,381,653
Other Amounts	10,281	10,281	0
Total Deferred Outflows of Resources	<u>4,351,867</u>	<u>1,970,214</u>	<u>2,381,653</u>
<u>Liabilities</u>			
Current and Other Liabilities	1,843,806	1,666,521	(177,285)
Long-Term Liabilities			
Pension	22,525,870	18,227,922	(4,297,948)
Other Amounts	2,406,134	2,925,635	519,501
Total Liabilities	<u>26,775,810</u>	<u>22,820,078</u>	<u>(3,955,732)</u>
<u>Deferred Inflows of Resources</u>			
Pension	118,944	1,309,752	1,190,808
Other Amounts	4,666,060	4,385,387	(280,673)
Total Deferred Inflows of Resources	<u>4,785,004</u>	<u>5,695,139</u>	<u>910,135</u>
<u>Net Position</u>			
Net Investment in Capital Assets	6,784,975	7,008,457	(223,482)
Restricted	670,500	683,583	(13,083)
Unrestricted (Deficit)	(9,766,840)	(10,129,938)	363,098
Total Net Position (Deficit)	<u>(\$2,311,365)</u>	<u>(\$2,437,898)</u>	<u>\$126,533</u>

The net pension liability is the largest single liability reported by the School District at June 30, 2017, and is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". For reasons discussed below, end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Liberty-Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

GASB Statement No. 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

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

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

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

Pension related changes noted in the above table reflect a significant increase in deferred outflows and decrease in deferred inflows related to changes in projected and actual earnings on investments related to the net pension liability. The increase in the net pension liability represents the School District's proportionate share of the unfunded benefits. As indicated previously, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

The increase in current and other assets noted in the above table is primarily an increase in cash and cash equivalents (there was an increase in charges for services revenue (tuition and fees) and an increase in property tax revenue (based on the assessed valuation of property which increased over \$15 million). In addition, there was an increase in the receivable for property taxes due to changes in assessed valuation. These increases are also reflected in the increase in unrestricted net position. The increase in current and other liabilities was due to a combination of increases in contracts payable, intergovernmental payables, accrued wages and benefits, and matured compensated absences as of fiscal year end (individuals who had retired prior to fiscal year end for which their severance payment was made in fiscal year 2018). The decrease in other long-term liabilities represents the retirement of debt.

Liberty-Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Table 2 reflects the change in net position for fiscal year 2017 and fiscal year 2016:

Table 2
Change in Net Position

	Governmental Activities		
	2017	2016	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$2,506,784	\$2,085,488	\$421,296
Operating Grants, Contributions, and Interest	1,096,987	1,024,789	72,198
Total Program Revenues	<u>3,603,771</u>	<u>3,110,277</u>	<u>493,494</u>
General Revenues			
Property Taxes	5,401,032	5,117,482	283,550
Income Taxes	1,752,989	1,796,047	(43,058)
Payment in Lieu of Taxes	9,140	17,007	(7,867)
Grants and Entitlements	5,456,342	5,614,509	(158,167)
Interest	22,208	28,651	(6,443)
Gifts and Donations	645	1,099	(454)
Miscellaneous	227,549	151,259	76,290
Total General Revenues	<u>12,869,905</u>	<u>12,726,054</u>	<u>143,851</u>
Total Revenues	<u>16,473,676</u>	<u>15,836,331</u>	<u>637,345</u>
<u>Expenses</u>			
Instruction:			
Regular	7,490,757	6,466,167	(1,024,590)
Special	1,627,322	1,428,375	(198,947)
Vocational	422,994	394,828	(28,166)
Support Services:			
Pupils	1,349,074	1,215,340	(133,734)
Instructional Staff	627,761	748,961	121,200
Board of Education	25,273	9,684	(15,589)
Administration	1,146,765	1,096,885	(49,880)
Fiscal	403,194	351,867	(51,327)
Business	873	1,372	499
Operation and Maintenance			
of Plant	1,263,732	1,204,086	(59,646)
Pupil Transportation	596,435	525,353	(71,082)
Central	177,367	181,202	3,835
Non-Instructional Services			
Extracurricular Activities	486,984	478,919	(8,065)
Interest and Fiscal Charges	632,172	546,898	(85,274)
	96,440	175,249	78,809
Total Expenses	<u>16,347,143</u>	<u>14,825,186</u>	<u>(1,521,957)</u>
Increase in Net Position	126,533	1,011,145	(884,612)
Net Position (Deficit) at Beginning of Year	<u>(2,437,898)</u>	<u>(3,449,043)</u>	<u>1,011,145</u>
Net Position (Deficit) at End of Year	<u><u>(\$2,311,365)</u></u>	<u><u>(\$2,437,898)</u></u>	<u><u>\$126,533</u></u>

Liberty-Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Total revenues increased 4 percent from the prior fiscal year. The increase in program revenues was primarily due to an increase in tuition and fees. The increase in general revenues was due to an increase in property tax revenue as indicated previously.

Overall expenses increased 10 percent from the prior fiscal year with increases in most programs. Increases in salaries and benefits and the increase in pension expense account for most of these increases.

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, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported primarily from tax revenues and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction:				
Regular	\$7,490,757	\$6,466,167	\$5,645,832	\$4,804,950
Special	1,627,322	1,428,375	554,913	624,985
Vocational	422,994	394,828	365,669	350,572
Support Services:				
Pupils	1,349,074	1,215,340	1,343,674	1,209,940
Instructional Staff	627,761	748,961	627,761	748,961
Board of Education	25,273	9,684	25,273	9,684
Administration	1,146,765	1,096,885	1,146,765	1,096,885
Fiscal	403,194	351,867	403,194	351,867
Business	873	1,372	873	1,372
Operation and Maintenance of Plant				
Pupil Transportation	1,263,732	1,204,086	1,263,732	1,204,086
Central	596,435	525,353	583,927	515,267
Non-Instructional Services	177,367	181,202	177,367	181,202
Extracurricular Activities	486,984	478,919	(10,718)	(661)
Interest and Fiscal Charges	632,172	546,898	518,670	440,550
	96,440	175,249	96,440	175,249
Total Expenses	\$16,347,143	\$14,825,186	\$12,743,372	\$11,714,909

Liberty-Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The above table demonstrates that 78 percent of all of the School District's costs for fiscal year 2017 were provided for through general revenues (79 percent in fiscal year 2016). Only several of the School District's programs receive significant support from program revenues. For instance, the regular instruction program paid for 25 percent of its costs through program revenues (primarily open enrollment tuition). The special instruction program paid for 66 percent of its costs through program revenues, those generally being operating grants restricted to special instruction programs. Program revenues paid for the entire non-instructional program in fiscal year 2017. These revenues consist of cafeteria sales, state and federal subsidies, and donated commodities for food service operations.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting.

Fund balance decreased \$144,000 in the General Fund, not a significant decrease.

The change in fund balance in the Bond Retirement Fund was also not significant.

General Fund Budgeting Highlights

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

During fiscal year 2017, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant. The same is true for expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the School District had \$8,829,201 invested in capital assets (net of accumulated depreciation). Additions consisted of a modular classroom, a new boiler, and miscellaneous equipment. Disposals were minimal. For further information regarding the School District's capital assets, refer to Note 12 to the basic financial statements.

Debt

At June 30, 2017, the School District had outstanding general obligation bonds, in the amount of \$1,618,032. The School District's long-term obligations also include the net pension liability and compensated absences. For further information regarding the School District's long-term obligations, refer to Note 18 to the basic financial statements.

Liberty-Benton Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Current Issues

Liberty-Benton Local School District is comprised of portions of Blanchard, Eagle, and Liberty Townships. It has a number of small and medium size businesses with agriculture contributing a significant influence on the local economy.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School 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 Lisa Dobbins, Treasurer, Liberty-Benton Local School District, 9190 County Road 9, Findlay, Ohio 45840.

Liberty-Benton Local School District
Statement of Net Position
June 30, 2017

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$9,618,251
Accounts Receivable	41,404
Accrued Interest Receivable	7,587
Intergovernmental Receivable	125,518
Income Taxes Receivable	761,632
Prepaid Items	13,440
Inventory Held for Resale	5,003
Materials and Supplies Inventory	7,614
Property Taxes Receivable	5,470,394
Payment in Lieu of Taxes Receivable	17,538
Nondepreciable Capital Assets	930,570
Depreciable Capital Assets, Net	7,898,631
Total Assets	24,897,582
 <u>Deferred Outflows of Resources:</u>	
Deferred Charge on Refunding	10,281
Pension	4,341,586
Total Deferred Outflows of Resources	4,351,867
 <u>Liabilities:</u>	
Accounts Payable	53,524
Contracts Payable	436,475
Accrued Wages and Benefits Payable	1,068,234
Matured Compensated Absences Payable	27,705
Intergovernmental Payable	253,109
Accrued Interest Payable	4,759
Long-Term Liabilities:	
Due Within One Year	539,911
Due in More Than One Year	
Net Pension Liability	22,525,870
Other Amounts Due in More Than One Year	1,866,223
Total Liabilities	26,775,810
 <u>Deferred Inflows of Resources:</u>	
Property Taxes	4,648,522
Payment in Lieu of Taxes	17,538
Pension	118,944
Total Deferred Inflows of Resources	4,785,004
 <u>Net Position:</u>	
Net Investment in Capital Assets	6,784,975
Restricted For:	
Capital Projects	707
Debt Service	552,344
Food Service	29,802
Athletics and Music	56,223
Other Purposes	31,424
Unrestricted (Deficit)	(9,766,840)
Total Net Position (Deficit)	(\$2,311,365)

See Accompanying Notes to Basic Financial Statements

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Liberty-Benton Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$7,490,757	\$1,807,384	\$37,541
Special	1,627,322	294,553	777,856
Vocational	422,994	0	57,325
Support Services:			
Pupils	1,349,074	0	5,400
Instructional Staff	627,761	0	0
Board of Education	25,273	0	0
Administration	1,146,765	0	0
Fiscal	403,194	0	0
Business	873	0	0
Operation and Maintenance of Plant	1,263,732	0	0
Pupil Transportation	596,435	0	12,508
Central	177,367	0	0
Non-Instructional Services	486,984	295,647	202,055
Extracurricular Activities	632,172	109,200	4,302
Interest and Fiscal Charges	96,440	0	0
Total Governmental Activities	<u>\$16,347,143</u>	<u>\$2,506,784</u>	<u>\$1,096,987</u>

General Revenues:

Property Taxes Levied for General Purposes
Property Taxes Levied for Debt Service Purposes
Income Taxes Levied for General Purposes
Payment in Lieu of Taxes
Grants and Entitlements not Restricted to Specific Programs
Interest
Gifts and Donations
Miscellaneous
Total General Revenues

Change in Net Position

Net Position (Deficit) at Beginning of Year
Net Position (Deficit) at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in
Net Position

Governmental
Activities

(\$5,645,832)
(554,913)
(365,669)

(1,343,674)
(627,761)
(25,273)
(1,146,765)
(403,194)
(873)

(1,263,732)
(583,927)
(177,367)
10,718
(518,670)
(96,440)

(12,743,372)

4,902,003
499,029
1,752,989
9,140
5,456,342
22,208
645

227,549
12,869,905

126,533

(2,437,898)
(\$2,311,365)

Liberty-Benton Local School District
Balance Sheet
Governmental Funds
June 30, 2017

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$7,508,100	\$482,156	\$1,627,995	\$9,618,251
Accounts Receivable	40,889	0	515	41,404
Accrued Interest Receivable	7,587	0	0	7,587
Intergovernmental Receivable	106,305	0	19,213	125,518
Income Taxes Receivable	761,632	0	0	761,632
Prepaid Items	13,132	0	308	13,440
Inventory Held for Resale	0	0	5,003	5,003
Materials and Supplies Inventory	5,751	0	1,863	7,614
Property Taxes Receivable	4,983,486	486,908	0	5,470,394
Payment in Lieu of Taxes Receivable	15,991	1,547	0	17,538
Total Assets	<u>\$13,442,873</u>	<u>\$970,611</u>	<u>\$1,654,897</u>	<u>\$16,068,381</u>
<u>Liabilities:</u>				
Accounts Payable	\$49,192	\$0	\$4,332	\$53,524
Contracts Payable	436,475	0	0	436,475
Accrued Wages and Benefits Payable	1,046,129	0	22,105	1,068,234
Matured Compensated Absences Payable	27,705	0	0	27,705
Intergovernmental Payable	245,578	0	7,531	253,109
Total Liabilities	<u>1,805,079</u>	<u>0</u>	<u>33,968</u>	<u>1,839,047</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes	4,236,561	411,961	0	4,648,522
Payment in Lieu of Taxes	15,991	1,547	0	17,538
Unavailable Revenue	142,757	1,645	15,283	159,685
Total Deferred Inflows of Resources	<u>4,395,309</u>	<u>415,153</u>	<u>15,283</u>	<u>4,825,745</u>
<u>Fund Balances:</u>				
Nonspendable	18,883	0	2,171	21,054
Restricted	0	555,458	100,702	656,160
Assigned	435,955	0	1,502,773	1,938,728
Unassigned	6,787,647	0	0	6,787,647
Total Fund Balances	<u>7,242,485</u>	<u>555,458</u>	<u>1,605,646</u>	<u>9,403,589</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$13,442,873</u>	<u>\$970,611</u>	<u>\$1,654,897</u>	<u>\$16,068,381</u>

See Accompanying Notes to the Basic Financial Statements

Liberty-Benton Local School District
 Reconciliation of Total Governmental Fund Balances
 to Net Position of Governmental Activities
 June 30, 2017

Total Governmental Fund Balances \$9,403,589

Amounts reported for governmental activities on the statement of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 8,829,201

Deferred outflows of resources includes deferred charges on refundings which do not provide current financial resources and, therefore, are not reported in the funds. 10,281

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	30,907	
Accrued Interest Receivable	1,013	
Intergovernmental Receivable	15,283	
Income Taxes Receivable	94,382	
Delinquent Property Taxes Receivable	18,100	159,685

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

Accrued Interest Payable	(4,759)	
General Obligation Bonds Payable	(1,618,032)	
Compensated Absences Payable	(788,102)	(2,410,893)

The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows/inflows are not reported in the governmental funds.

Deferred Outflows - Pension	4,341,586	
Deferred Inflows - Pension	(118,944)	
Net Pension Liability	(22,525,870)	(18,303,228)

Net Position of Governmental Activities (\$2,311,365)

See Accompanying Notes to the Basic Financial Statements

Liberty-Benton Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$4,903,686	\$499,475	\$0	\$5,403,161
Income Taxes	1,748,895	0	0	1,748,895
Payment in Lieu of Taxes	8,334	806	0	9,140
Intergovernmental	5,850,962	115,292	568,507	6,534,761
Interest	23,316	0	323	23,639
Tuition and Fees	2,100,940	0	0	2,100,940
Extracurricular Activities	3,692	0	109,200	112,892
Charges for Services	0	0	295,647	295,647
Gifts and Donations	645	0	610	1,255
Miscellaneous	179,238	0	65,658	244,896
Total Revenues	<u>14,819,708</u>	<u>615,573</u>	<u>1,039,945</u>	<u>16,475,226</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,937,654	0	31,464	6,969,118
Special	1,415,855	0	107,920	1,523,775
Vocational	395,796	0	1,387	397,183
Support Services:				
Pupils	1,047,268	0	238,102	1,285,370
Instructional Staff	514,638	0	157,205	671,843
Board of Education	24,555	0	0	24,555
Administration	1,056,432	0	0	1,056,432
Fiscal	359,196	10,527	0	369,723
Business	873	0	0	873
Operation and Maintenance of Plant	1,058,685	0	31,588	1,090,273
Pupil Transportation	495,816	0	2,184	498,000
Central	161,030	0	0	161,030
Non-Instructional Services	0	0	471,306	471,306
Extracurricular Activities	379,678	0	108,000	487,678
Capital Outlay	608,742	0	79,189	687,931
Debt Service:				
Principal Retirement	0	29,167	0	29,167
Interest and Fiscal Charges	0	59,893	0	59,893
Interest on Capital Appreciation Bonds	0	540,833	0	540,833
Total Expenditures	<u>14,456,218</u>	<u>640,420</u>	<u>1,228,345</u>	<u>16,324,983</u>
Excess of Revenues Over (Under) Expenditures	<u>363,490</u>	<u>(24,847)</u>	<u>(188,400)</u>	<u>150,243</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	0	507,490	507,490
Transfers Out	(507,490)	0	0	(507,490)
Total Other Financing Sources (Uses)	<u>(507,490)</u>	<u>0</u>	<u>507,490</u>	<u>0</u>
Changes in Fund Balances	(144,000)	(24,847)	319,090	150,243
Fund Balances at Beginning of Year	<u>7,386,485</u>	<u>580,305</u>	<u>1,286,556</u>	<u>9,253,346</u>
Fund Balances at End of Year	<u>\$7,242,485</u>	<u>\$555,458</u>	<u>\$1,605,646</u>	<u>\$9,403,589</u>

See Accompanying Notes to the Basic Financial Statements

Liberty-Benton Local School District
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2017

Changes in Fund Balances - Total Governmental Funds		\$150,243
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
<p>Governmental funds report capital outlays 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 exceeded depreciation in the current fiscal year.</p>		
Capital Outlay - Depreciable Capital Assets	758,648	
Depreciation	(569,902)	188,746
<p>The book value of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a loss on disposal of capital assets on the statement of activities.</p>		
		(4,920)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.</p>		
Delinquent Property Taxes	(2,129)	
Income Taxes	4,094	
Intergovernmental	(3,404)	
Interest	(1,108)	
Tuition and Fees	997	(1,550)
<p>Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position.</p>		
		29,167
<p>Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position.</p>		
Annual Accretion on Capital Appreciation Bonds	(36,547)	
Payment of Accretion of Capital Appreciation Bonds	540,833	504,286
<p>Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		(13,952)
<p>Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as pension expense on the statement of activities.</p>		
		(1,855,925)
<p>Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows or a reduction of the liability.</p>		
		1,130,438
Change in Net Position of Governmental Activities		\$126,533

See Accompanying Notes to the Basic Financial Statements

Liberty-Benton Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$4,530,088	\$4,699,514	\$4,886,381	\$186,867
Income Taxes	1,787,432	1,787,432	1,796,550	9,118
Payment in Lieu of Taxes	14,981	14,981	15,738	757
Intergovernmental	6,003,428	6,003,428	5,850,516	(152,912)
Interest	12,000	12,000	35,806	23,806
Tuition and Fees	1,678,957	1,678,957	2,086,024	407,067
Extracurricular Activites	800	800	3,692	2,892
Gifts and Donations	1,600	1,600	645	(955)
Miscellaneous	37,453	40,453	47,174	6,721
Total Revenues	<u>14,066,739</u>	<u>14,239,165</u>	<u>14,722,526</u>	<u>483,361</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,436,138	6,758,271	6,692,269	66,002
Special	1,229,455	1,229,455	1,247,492	(18,037)
Vocational	274,562	275,062	309,951	(34,889)
Support Services:				
Pupils	786,226	786,226	775,849	10,377
Instructional Staff	254,603	391,603	455,529	(63,926)
Board of Education	53,361	53,361	24,598	28,763
Administration	977,996	978,364	1,089,735	(111,371)
Fiscal	371,989	371,989	351,043	20,946
Business	2,345	2,345	1,871	474
Operation and Maintenance of Plant	579,105	579,382	586,037	(6,655)
Pupil Transportation	637,120	637,120	505,955	131,165
Central	324,976	324,975	161,279	163,696
Extracurricular Activities	330,723	330,723	377,262	(46,539)
Capital Outlay	20,668	13,691	39,543	(25,852)
Adult Education				
Adult/Continuing	216	216	0	216
Rotary				
Instructional Staff	16,200	16,200	10,675	5,525
Emergency Levy				
Instruction:				
Regular	201,014	201,014	203,647	(2,633)
Special	165,535	165,535	159,677	5,858
Vocational	113,375	113,375	101,649	11,726
Support Services:				
Pupils	271,623	271,623	276,630	(5,007)
Instructional Staff	39,878	39,878	43,314	(3,436)
Fiscal	30,000	30,000	25,566	4,434
Operation and Maintenance of Plant	534,672	534,672	533,340	1,332
Pupil Transportation	7,637	7,637	23,962	(16,325)
Capital Outlay	1,477,199	1,476,901	918,379	558,522
Academic Incentives				
Administration	50,895	50,895	49,336	1,559
District Support				
Administration	900	900	600	300
Total Expenditures	<u>15,188,411</u>	<u>15,641,413</u>	<u>14,965,188</u>	<u>676,225</u>

(continued)

Liberty-Benton Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017
(continued)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Excess of Revenues Under Expenditures	(\$1,121,672)	(\$1,402,248)	(\$242,662)	\$1,159,586
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	11,800	11,800	8,700	(3,100)
Other Financing Sources	0	0	30,163	30,163
Transfers Out	(507,490)	(507,490)	(507,490)	0
Total Other Financing Sources (Uses)	(495,690)	(495,690)	(468,627)	27,063
Changes in Fund Balance	(1,617,362)	(1,897,938)	(711,289)	1,186,649
Fund Balance at Beginning of Year	6,230,911	6,230,911	6,230,911	0
Prior Year Encumbrances Appropriated	1,306,277	1,306,277	1,306,277	0
Fund Balance at End of Year	<u>\$5,919,826</u>	<u>\$5,639,250</u>	<u>\$6,825,899</u>	<u>\$1,186,649</u>

See Accompanying Notes to the Basic Financial Statements

Liberty-Benton Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$1,722	\$121,125
<u>Liabilities:</u>		
Undistributed Assets	0	\$3,232
Due to Students	0	117,893
Total Liabilities	0	\$121,125
<u>Net Position:</u>		
Held in Trust for Scholarships	\$1,722	

See Accompanying Notes to the Basic Financial Statements

Liberty-Benton Local School District
Statement of Change in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2017

Additions:

Gifts and Donations	<u>\$1,200</u>
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Deductions:

Non-Instructional Services	<u>1,200</u>
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Change in Net Position	0
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Net Position at Beginning of Year	<u>1,722</u>
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Net Position at End of Year	<u><u>\$1,722</u></u>
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See Accompanying Notes to the Basic Financial Statements

Note 1 - Description of the School District and Reporting Entity

Liberty-Benton Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1954. It is located in Hancock County and includes all of the Village of Benton Ridge, and part of Blanchard, Eagle, and Liberty Townships. It is staffed by sixty-seven classified employees, ninety-seven certified teaching personnel, and eight administrative employees who provide services to one thousand one hundred eighty-one students and other community members. The School District currently operates two instructional buildings.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Liberty-Benton Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School District. There are no component units of the Liberty-Benton Local School District.

The School District participates in five jointly governed organizations and three insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Millstream Career and Technology Center, Hancock County Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., Bay Area Council of Governments, Schools of Ohio Risk Sharing Authority, Hancock County Schools Health Benefit Fund, and the Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 22 and 23 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of Liberty-Benton Local School 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 School District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School 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, contributions, and interest 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 School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School 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 School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are reported in two categories, governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses 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 and deferred inflows of resources is reported as fund balance. The School District's major governmental funds are the General Fund and the Bond Retirement debt service fund.

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 balance is available to the School 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 taxes and other revenues restricted for the payment of principal, interest, and related costs on general obligation bonds.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned 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 School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various non-instructional faculty-related activities and student-managed activities.

Note 2 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in 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 are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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 fund financial statements for governmental funds.

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

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 basis of accounting arise in the recognition of revenue, recording of deferred outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

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

Note 2 - Summary of Significant Accounting Policies (continued)

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the 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 both measurable and available at fiscal year end: property taxes available as an advance, income taxes, payment in lieu of taxes, grants, interest, tuition, student fees, and charges for services.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report 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 that time. For the School District, deferred outflows of resources includes a deferred charge on refunding reported on the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the life of the old debt or the life of the new debt, whichever is shorter. Deferred outflows of resources are also reported on the government-wide statement of net position for pension and explained in Note 15 to the basic financial statements.

In addition to liabilities, the statement of financial position may report 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 consists of property taxes, payment in lieu of taxes, unavailable revenue, and pension. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes accrued interest, intergovernmental revenue including grants, income taxes, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and explained in Note 15 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies (continued)

Expenses/Expenditures

On the accrual basis, 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

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Note 2 - Summary of Significant Accounting Policies (continued)

During fiscal year 2017, investments included mutual funds, negotiable certificates of deposit, and STAR Ohio. Investments reported at fair value are based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants". The School District measures the 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 a NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given twenty-four hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant are combined for this purpose.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2017 was \$23,316, which included \$11,155 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of expendable supplies held for consumption and donated and purchased food.

I. Capital Assets

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements.

Liberty-Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their acquisition value on the date donated. The School District maintains a capitalization threshold of one thousand five hundred dollars. 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 capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Useful Lives
Land Improvements	20 years
Buildings and Building Improvements	18 - 109 years
Furniture, Fixtures, and Equipment	5 - 40 years
Vehicles	10 - 15 years

J. Deferred Charge on Refunding

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as deferred outflows of resources on the statement of net position.

K. 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 the School District will compensate the employees for the benefits through paid time off or some other means. The School 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 vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School 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 School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

Note 2 - Summary of Significant Accounting Policies (continued)

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, net pension liability and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

M. Unamortized Premiums

On government-wide financial statements, premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable.

On the governmental fund financial statements, bond premiums are recognized in the period in which the debt is issued.

N. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for federal and state grants.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the 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 are imposed by law through constitutional provisions.

Note 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 School 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. Assigned amounts represent intended uses established by the Board of Education. Fund balance policy of the Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated. The Board of Education also assigned fund balance to cover a gap between estimated resources and appropriations in the fiscal year 2018 budget. Certain resources have also been assigned for extracurricular activities and permanent improvements.

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.

The School 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.

P. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

Q. Pensions

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

R. 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.

Note 3 - Change in Accounting Principles

For fiscal year 2017, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, "Tax Abatement Disclosures".

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

Note 4 - Compliance

For the fiscal year ended June 30, 2017, the Permanent Improvement capital projects fund had expenditures in excess of appropriations, in the amount of \$4,192. The Treasurer will monitor expenditures to ensure they are within amounts appropriated.

Note 5 - Budgetary Basis of Accounting

While the School 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 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 the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Liberty-Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 5 - Budgetary Basis of Accounting (continued)

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	(\$144,000)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2016, Received in Cash FY 2017	1,445,374
Accrued FY 2017, Not Yet Received in Cash	(1,520,581)
Expenditure Accruals:	
Accrued FY 2016, Paid in Cash FY 2017	(1,621,288)
Accrued FY 2017, Not Yet Paid in Cash	1,805,079
Cash Adjustments:	
Unrecorded Activity FY 2016	11,153
Unrecorded Activity FY 2017	5,735
Prepaid Items	(3,951)
Materials and Supplies Inventory	(874)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(687,936)
Budget Basis	(\$711,289)

Note 6 - Deposits and Investments

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

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

Note 6 - Deposits and Investments (continued)

Inactive deposits are public deposits the Board of Education 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 deposits are deposits of interim monies. 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 School District may 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio and, within certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Liberty-Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 6 - Deposits and Investments (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$7,139,891 of the School District's bank balance of \$8,239,552 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

Investments are reported at fair value. As of June 30, 2017, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity
Fair Value - Level One Inputs		
Mutual Funds	\$11,615	26 days
Fair Value - Level Two Inputs		
Negotiable Certificate of Deposit	250,385	4/16/18
Negotiable Certificate of Deposit	250,257	5/3/18
Negotiable Certificate of Deposit	20,139	1/28/19
Negotiable Certificate of Deposit	148,443	2/4/19
Negotiable Certificate of Deposit	115,017	2/19/19
Negotiable Certificate of Deposit	248,238	6/7/19
Negotiable Certificate of Deposit	246,948	1/6/20
Net Value Per Share		
STAR Ohio	657,219	45.5 days
Total Investments	\$1,948,261	

Liberty-Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 6 - Deposits and Investments (continued)

The School District has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2017. The School District's investment in mutual funds is measured at fair value using quoted market prices (Level 1 inputs). The School District's negotiable certificates of deposit measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (Level 2 inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of purchase unless they are matched to a specific obligation or debt of the School District.

The negotiable certificates of deposit are generally covered by SIPC insurance. The mutual fund carries a rating of AAA by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that no-load money market mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District places no limit on the amount it may invest in any one issuer or investment type. The following table indicates the percentage of investments to the School District's total portfolio:

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Negotiable Certificates of Deposit	\$1,279,427	65.7%

Note 7 - Receivables

Receivables at June 30, 2017, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, property taxes, and payment in lieu of taxes. 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. All receivables, except income taxes and property taxes, are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Liberty-Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 7 - Receivables (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Bureau of Workers' Compensation	\$28,386
Findlay City School District	5,716
Hancock County	382
Rossford Exempted Village School District	3,522
State of Ohio	63,066
Toledo City School District	5,233
Total General Fund	106,305
Other Governmental Funds	
Food Service	3,930
Title I	15,283
Total Other Governmental Funds	19,213
Total Governmental Activities	\$125,518

Note 8 - Income Taxes

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1995, and was renewed in 2010 for a ten year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 9 - Property Taxes

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

Liberty-Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 9 - Property Taxes (continued)

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

Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Hancock County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2017, and for which there was 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 were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

The amount available as an advance at June 30, 2017, was \$730,470 in the General Fund and \$73,302 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2016, was \$713,165 in the General Fund and \$81,535 in the Bond Retirement debt service fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on an accrual basis. On a modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

Liberty-Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 9 - Property Taxes (continued)

The assessed values upon which fiscal year 2017 taxes were collected are:

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$146,393,930	79.36%	\$160,246,140	80.03%
Industrial/Commercial	27,696,950	15.01	28,356,220	14.16
Public Utility	10,389,450	5.63	11,637,500	5.81
Total Assessed Value	<u>\$184,480,330</u>	<u>100.00%</u>	<u>\$200,239,860</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.35		\$40.32	

Note 10 - Payment in Lieu of Taxes

In accordance with agreements related to tax increment financing districts, the City of Findlay and Hancock County have entered into agreements with a number of property owners under which the City and County have granted property tax exemptions to those property owners. The property owners have agreed to make payments to the City and County which reflect all or a portion of the property taxes which the property owners would have paid if the taxes had not been exempted. The agreements provide for a portion of these payments to be paid to the School District. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

Note 11 - Tax Abatements

The School District's property taxes were reduced as follows under community reinvestment area and enterprise zone agreements entered into by overlapping governments.

Overlapping Government	Amount of Fiscal Year 2017 Taxes Abated
Community Reinvestment Area City of Findlay	\$61,396

Liberty-Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 12 - Capital Assets

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

	Balance at 6/30/16	Additions	Reductions	Balance at 6/30/17
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$930,570	\$0	\$0	\$930,570
Construction in Progress	365,270	560,854	(926,124)	0
Total Nondepreciable Capital Assets	<u>1,295,840</u>	<u>560,854</u>	<u>(926,124)</u>	<u>930,570</u>
Depreciable Capital Assets				
Land Improvements	1,316,220	0	0	1,316,220
Buildings and Building Improvements	14,868,030	938,412	0	15,806,442
Furniture, Fixtures, and Equipment	1,812,745	185,506	(36,460)	1,961,791
Vehicles	1,192,742	0	0	1,192,742
Total Depreciable Capital Assets	<u>19,189,737</u>	<u>1,123,918</u>	<u>(36,460)</u>	<u>20,277,195</u>
Less Accumulated Depreciation				
Land Improvements	(728,064)	(71,114)	0	(799,178)
Buildings and Building Improvements	(9,341,158)	(316,374)	0	(9,657,532)
Furniture, Fixtures, and Equipment	(1,212,219)	(120,858)	31,540	(1,301,537)
Vehicles	(558,761)	(61,556)	0	(620,317)
Total Accumulated Depreciation	<u>(11,840,202)</u>	<u>(569,902)</u>	<u>31,540</u>	<u>(12,378,564)</u>
Depreciable Capital Assets, Net	<u>7,349,535</u>	<u>554,016</u>	<u>(4,920)</u>	<u>7,898,631</u>
Governmental Activities Capital Assets, Net	<u>\$8,645,375</u>	<u>\$1,114,870</u>	<u>(\$931,044)</u>	<u>\$8,829,201</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$216,361
Special	15,285
Vocational	17,212
Support Services:	
Pupils	14,074
Instructional Staff	14,480
Administration	14,100
Fiscal	3,670
Operation and Maintenance of Plant	78,025
Pupil Transportation	61,142
Central	8,271
Non-Instructional Services	12,572
Extracurricular Activities	114,710
Total Depreciation Expense	<u>\$569,902</u>

Liberty-Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 13 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the School District contracted for the following insurance coverage:

Coverage provided by The Schools of Ohio Risk Sharing Authority is as follows:

Building and Contents	\$46,017,383
General School District Liability	
Per Occurrence	15,000,000
Aggregate	17,000,000
Automobile Liability	15,000,000
Uninsured Motorists	1,000,000

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 the prior fiscal year.

For fiscal year 2017, the School District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to the SORSA based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Hancock County Schools Health Benefit Fund (Fund), a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Developmental Disabilities. The School District pays monthly premiums to the Fund for employee medical, dental, and vision insurance benefits. The Fund is responsible for the management and operations of the program. Upon withdrawal from the Fund, a participant is responsible for the payment of all Fund liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participants' claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

Note 14 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2018 are as follows:

General Fund	\$687,936
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Note 15 - Defined Benefit Pension Plans

Net Pension Liability

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

The net pension liability represents the School 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.

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because (1) they benefit from employee services and (2) State statute requires all funding to come from the employers. All contributions to date have come solely from the employer (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within thirty years. If the amortization period exceeds thirty 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 fiscal year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description - School District classified 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. The report can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Liberty-Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

Age and service requirements for retirement are as follows.

	Eligible to retire on or before August 1, 2017 *	Eligible to retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; 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; 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 years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over thirty years. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a 3 percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$262,890 for fiscal year 2017. Of this amount, \$48,670 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). Benefits are established by Ohio Revised Code Chapter 3307.

Note 15 - Defined Benefit Pension Plans (continued)

The DBP 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. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-six years of service credit, or thirty-one years of service credit 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 sixty-five or thirty-five years of service credit and at least age sixty.

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

The CP offers features of both the DBP and the DCP. In the CP, 12 percent of the 14 percent member rate goes to the DCP and the remaining 2 percent is applied to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty 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 fifty or later.

New members who choose the DCP or CP 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 CP account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP 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 the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased 1 percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

Liberty-Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

The School District's contractually required contribution to STRS was \$867,548 for fiscal year 2017. Of this amount, \$145,624 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.05273670%	0.05506630%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.05623430</u>	<u>0.05499964</u>	
Change in Proportionate Share	<u>0.00349760%</u>	<u>0.00006666%</u>	
Proportionate Share of the Net Pension Liability	\$4,115,831	\$18,410,039	\$22,525,870
Pension Expense	\$539,198	\$1,316,727	\$1,855,925

At June 30, 2017, the School 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	\$55,513	\$743,854	\$799,367
Changes of Assumptions	274,754	0	274,754
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	339,496	1,528,528	1,868,024
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	269,003	0	269,003
School District Contributions Subsequent to the Measurement Date	<u>262,890</u>	<u>867,548</u>	<u>1,130,438</u>
Total Deferred Outflows of Resources	<u>\$1,201,656</u>	<u>\$3,139,930</u>	<u>\$4,341,586</u>

Deferred Inflows of Resources

Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	<u>\$0</u>	<u>\$118,944</u>	<u>\$118,944</u>
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Liberty-Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

\$1,130,438 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

Fiscal Year Ended June 30,	SERS	STRS	Total
2018	\$278,744	\$322,828	\$601,572
2019	278,499	322,829	601,328
2020	283,932	909,370	1,193,302
2021	97,591	598,411	696,002
Total	<u>\$938,766</u>	<u>\$2,153,438</u>	<u>\$3,092,204</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the 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, 2016, compared with June 30, 2015, are presented below.

	June 30, 2016	June 30, 2015
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal	entry age normal

Liberty-Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used for the period after disability retirement.

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

The long-term return expectation for the pension plan investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
U.S. Stocks	22.50	4.75
Non-U.S. 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	100.00%	

Discount Rate - The total pension liability was calculated using the discount rate of 7.5 percent. A discount rate of 7.75 percent was used in the prior measurement period. 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 (7.5 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.

Liberty-Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net Pension Liability	\$5,449,105	\$4,115,831	\$2,999,827

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages are set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty are set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study effective July 1, 2012.

Liberty-Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

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.

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

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and, therefore, is not a weighted average return of the individual asset classes.

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$24,465,444	\$18,410,039	\$13,301,945

Note 15 - Defined Benefit Pension Plans (continued)

Changes Between Measurement Date and Report Date

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

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2016, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 16 - Postemployment Benefits

School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for classified retirees and their beneficiaries. For GASB Statement No. 45 purposes, this plan is considered a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health care plans from various vendors including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health care coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the 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). The 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 establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Note 16 - Postemployment Benefits (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board 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 2017, no allocation of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount; prorated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$30,377.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the amount assigned to the Health Care Fund. The School District's contribution for health care for the fiscal years ended June 30, 2017, 2016, and 2015 was \$0, \$0, and \$13,097, respectively. The full amount has been contributed for all three fiscal years.

State Teachers Retirement System (STRS)

Plan Description - The School District participates in a cost-sharing multiple-employer defined benefit health care plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer the plan. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the STRS financial report which can be obtained by visiting the STRS website at www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care 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 postemployment health care may be deducted from employer contributions. For fiscal years ended June 30, 2017, 2016, and 2015, STRS did not allocate any employer contributions to postemployment health care.

Note 17 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Liberty-Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 17 - Other Employee Benefits (continued)

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred twenty-five days for all employees other than the superintendent which is a maximum of two hundred twenty days. Upon retirement, payment is made for one-fourth of accrued but unused sick leave to a maximum of forty-five or fifty-six and one-fourth days for all employees depending on their classification.

B. Health Care Benefits

The School District provides medical, dental, and vision insurance to all employees through the Hancock County Schools Health Benefit Fund. The School District offers life insurance to all employees through American United Life Insurance. Depending upon the plan chosen, the employees share the cost of monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

Note 18 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Balance at 6/30/16	Additions	Reductions	Balance at 6/30/17	Amounts Due Within One Year
General Obligation Bonds					
1998 School Improvement Refunding					
Capital Appreciation Bonds	\$29,167	\$0	\$29,167	\$0	\$0
Accretion on Capital Appreciation Bonds	504,286	36,547	540,833	0	0
FY 2010 School Improvement Refunding					
Term Bonds 3.65% - 4.00%	1,570,000	0	0	1,570,000	525,000
Premium	48,032	0	0	48,032	0
Total General Obligation Bonds	<u>2,151,485</u>	<u>36,547</u>	<u>570,000</u>	<u>1,618,032</u>	<u>525,000</u>
Net Pension Liability					
SERS	3,009,207	1,106,624	0	4,115,831	0
STRS	15,218,715	3,191,324	0	18,410,039	0
Total Net Pension Liability	<u>18,227,922</u>	<u>4,297,948</u>	<u>0</u>	<u>22,525,870</u>	<u>0</u>
Compensated Absences Payable	<u>774,150</u>	<u>69,677</u>	<u>55,725</u>	<u>788,102</u>	<u>14,911</u>
Total Governmental Activities Long-Term Liabilities	<u>\$21,153,557</u>	<u>\$4,404,172</u>	<u>\$625,725</u>	<u>\$24,932,004</u>	<u>\$539,911</u>

Liberty-Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 18 - Long-Term Obligations (continued)

FY 1998 School Improvement Refunding Bonds - On April 1, 1998, the School District issued \$7,303,427 in voted general obligation bonds to pay notes, in the amount of \$700,000, and to refund bonds previously issued in 1994, in the amount of \$6,604,053, for constructing, furnishing, and equipping a new high school and improvements to other School District buildings. The refunding bond issue included serial, term, and capital appreciation bonds, in the original amount of \$5,290,000, \$1,575,000, and \$438,427, respectively. The serial and term bonds are fully retired.

The capital appreciation bonds were fully retired in fiscal year 2017.

FY 2010 School Improvement Refunding Bonds - On December 16, 2009, the School District issued bonds, in the amount of \$1,570,000, to partially refund bonds previously issued in 1998 for constructing, furnishing, and equipping a new high school and improvements to other School District buildings. The refunding bond issue consists of term bonds, in the amount of \$1,570,000. The bonds were issued for a ten year period, with final maturity during fiscal year 2020.

The School District pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to the net pension liability, see Note 15 to the basic financial statements.

There is no repayment schedule for the net pension liability; however, employer pension contributions are made from the General Fund and the Food Service special revenue fund.

Compensated absences will be paid from the General Fund.

The School District's overall debt margin was \$15,962,679 with an unvoted debt margin of \$188,636 at June 30, 2017.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2017, were as follows:

Fiscal Year Ending June 30,	General Obligations Bonds		
	Term	Interest	Total
2018	\$525,000	\$49,393	\$574,393
2019	545,000	28,946	573,946
2020	500,000	9,500	509,500
	\$1,570,000	\$87,839	\$1,657,839

Liberty-Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 19 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School 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	Bond Retirement	Other Governmental	Total Governmental Funds
Nonspendable for:				
Materials and Supplies Inventory	\$5,751	\$0	\$1,863	\$7,614
Prepaid Items	13,132	0	308	13,440
Total Nonspendable	18,883	0	2,171	21,054
Restricted for:				
Athletics and Music	0	0	56,223	56,223
Debt Retirement	0	555,458	0	555,458
Food Service Operations	0	0	22,628	22,628
Inventory Held for Resale	0	0	5,003	5,003
Regular Instruction	0	0	14,939	14,939
School Aged Childcare	0	0	1,410	1,410
Vocational Instruction	0	0	499	499
Total Restricted	0	555,458	100,702	656,160
Assigned for:				
Extracurricular Activities	43,131	0	0	43,131
Permanent Improvements	0	0	1,502,773	1,502,773
Projected Budget Shortage	192,320	0	0	192,320
Unpaid Obligations	200,504	0	0	200,504
Total Assigned	435,955	0	1,502,773	1,938,728
Unassigned	6,787,647	0	0	6,787,647
Total Fund Balance	\$7,242,485	\$555,458	\$1,605,646	\$9,403,589

Note 20 - Set Asides

The School 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. The amount not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. This amount must be carried forward and used for the same purpose in future years.

Liberty-Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 20 - Set Asides (continued)

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2017.

	Capital Improvements
Balance June 30, 2016	\$0
Current Year Set Aside Requirement	237,661
Current Year Offsets	(237,661)
Reserve Balance June 30, 2017	\$0

Note 21 - Interfund Transfers

During fiscal year 2017, the General Fund made transfers to other governmental funds, in the amount of \$507,490, to subsidize permanent improvements and operations of other governmental funds.

Note 22 - Jointly Governed Organizations

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Seneca, Van Wert, Wood, and Wyandot 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. The governing board of NOACSC consists of two representatives from Hancock, Paulding, Allen, Mercer, Putnam, and Van Wert counties and two at large members. During fiscal year 2017, the School District paid \$47,687 to NOACSC for various services. Financial information can be obtained from NOACSC, 645 South Main Street, Lima, Ohio 45804-1241.

B. Millstream Career and Technology Center

The Millstream Career and Technology Center is a distinct political subdivision of the State of Ohio established under Section 3313.90 of the Ohio Revised Code. The Career Center provides vocational instruction to students. The Career Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. Financial information can be obtained from the Findlay City School District, 1100 Broad Avenue, Findlay, Ohio 45840-3377.

Note 22 - Jointly Governed Organizations (continued)

C. Hancock County Local Professional Development Committee

The Hancock County Local Professional Development Committee (HCLPDC) was established in 1999 to plan, promote, and facilitate effective and efficient professional educator license renewal standards and staff development activities. The HCLPDC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its members. The HCLPDC is governed by a fourteen member Executive Board. Financial information can be obtained from the Hancock County Educational Service Center, who serves as fiscal agent, 7746 County Road 140, Findlay, Ohio 45840.

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., 441 East Market Street, Celina, Ohio, 45822.

E. Bay Area Council of Governments

The Bay Area Council of Governments (Council) is a jointly governed organization among school districts which was formed to purchase quality products and services at the lowest possible cost to the participants. The Council is governed by a board consisting of seven superintendents from the participating school districts. The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained from the Bay Area Council of Governments, North Point Educational Service Center, 1210 East Bogart Road, Sandusky, Ohio 44870.

The School District participates in the Council's prepaid natural gas program. This program allows the School District to purchase natural gas at reduced rates. The School District makes monthly payments based on estimated usage. Each month the estimates are compared to actual usage and adjustments are made.

Note 23 - Insurance Pools

A. Schools of Ohio Risk Sharing Authority

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a board consisting of superintendents, treasurers, and business managers. Carter Raynes Claims Service, Inc. is responsible for processing claims between SORSA and its members. Financial information can be obtained from SORSA, 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

B. Hancock County Schools Health Benefit Fund

The Hancock County Schools Health Benefit Fund is a public entity shared risk pool consisting of seven local school districts, the Hancock County Educational Service Center, and the Blanchard Valley Board of Developmental Disabilities. The Fund is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the consultant concerning aspects of the administration of the Fund.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Fund is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Assured Partners, 285 Cozzins Street, Columbus, Ohio 43215.

C. Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by a five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

Note 24 - Contingencies

A. Grants

The School 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 School District at June 30, 2017.

Liberty-Benton Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 24 - Contingencies (continued)

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2017, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017, foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

C. Litigation

There are currently no matters in litigation with the School District as defendant.

Liberty-Benton Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Four Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.05623430%	0.05273670%	0.04875700%	0.04875700%
School District's Proportionate Share of the Net Pension Liability	\$4,115,831	\$3,009,207	\$2,467,564	\$2,899,422
School District's Employee Payroll	\$1,756,264	\$1,597,193	\$1,583,924	\$1,594,695
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	234.35%	188.41%	155.79%	181.82%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

Liberty-Benton Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Four Fiscal Years (1)

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.05499964%	0.05506630%	0.05554252%	0.05554252%
School District's Proportionate Share of the Net Pension Liability	\$18,410,039	\$15,218,715	\$13,509,863	\$16,092,861
School District's Employee Payroll	\$5,679,329	\$5,766,814	\$5,698,431	\$5,411,062
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	324.16%	263.90%	237.08%	297.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

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Liberty-Benton Local School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2017	2016	2015	2014
Contractually Required Contribution	\$262,890	\$245,877	\$210,510	\$219,532
Contributions in Relation to the Contractually Required Contribution	(262,890)	(245,877)	(210,510)	(219,532)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0
School District Employee Payroll	\$1,877,786	\$1,756,264	\$1,597,193	\$1,583,924
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$220,706	\$215,183	\$187,292	\$199,335	\$148,612	\$145,340
<u>(220,706)</u>	<u>(215,183)</u>	<u>(187,292)</u>	<u>(199,335)</u>	<u>(148,612)</u>	<u>(145,340)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,594,695	\$1,599,874	\$1,489,992	\$1,472,191	\$1,510,286	\$1,480,044
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Liberty-Benton Local School District
 Required Supplementary Information
 Schedule of the School District's Contributions
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	2017	2016	2015	2014
Contractually Required Contribution	\$867,548	\$795,106	\$807,354	\$740,796
Contributions in Relation to the Contractually Required Contribution	(867,548)	(795,106)	(807,354)	(740,796)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0
School District Employee Payroll	\$6,196,771	\$5,679,329	\$5,766,814	\$5,698,431
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$703,438	\$691,668	\$684,992	\$678,285	\$695,306	\$647,400
<u>(703,438)</u>	<u>(691,668)</u>	<u>(684,992)</u>	<u>(678,285)</u>	<u>(695,306)</u>	<u>(647,400)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,411,062	\$5,320,523	\$5,269,169	\$5,217,577	\$5,348,508	\$4,980,000
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Liberty-Benton Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Changes in Assumptions - SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below.

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation

Amounts reported for fiscal year 2017 use morality assumptions that are based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Amounts reported for fiscal year 2016 and prior use mortality assumptions based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used for the period after disability retirement.

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Dave Yost • Auditor of State

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

Liberty-Benton Local School District
Hancock County
9190 County Road 9
Findlay, Ohio 45840

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-Benton Local School District, Hancock County, Ohio (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 5, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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.

Dave Yost
Auditor of State

Columbus, Ohio

April 5, 2018