

**NEW LEBANON LOCAL  
SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

***GENERAL PURPOSE FINANCIAL STATEMENTS  
(AUDITED)***

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2003*

**NANCY WINTERBOTHAM, TREASURER**





**Auditor of State  
Betty Montgomery**

Board of Education  
New Lebanon Local School District  
278 East Main Street  
New Lebanon, Ohio 45345

We have reviewed the Independent Auditor's Report of the New Lebanon Local School District, Montgomery County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2002 to June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

January 21, 2004

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**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

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# TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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## Independent Auditor's Report

Board of Education  
New Lebanon Local School District  
278 East Main Street  
New Lebanon, Ohio 45345

We have audited the accompanying general purpose financial statements of the New Lebanon Local School District, Montgomery County, (the "District") as of and for the fiscal year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of New Lebanon Local School District, Montgomery County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Trimble, Julian & Grube, Inc.  
December 18, 2003

**NEW LEBANON LOCAL SCHOOL DISTRICT**  
**MONTGOMERY COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>ASSETS:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ -	\$ 272,021	\$ 437,680	\$ 11,816,198
Cash with escrow agents. . . . .	-	-	-	61,558
Cash with fiscal agent. . . . .	-	-	159	-
Receivables (net of allowances of uncollectibles):				
Taxes - current & delinquent. . . . .	2,839,840	39,273	445,935	252,767
Accounts. . . . .	45,151	175	-	-
Accrued interest. . . . .	1,165	-	-	-
Interfund loan receivable. . . . .	305,100	-	-	-
Advances to other funds. . . . .	32,000	-	-	-
Due from other government. . . . .	-	192,561	-	9,022,169
Materials and supplies inventory. . . . .	7,998	-	-	-
Prepayments. . . . .	18,020	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents. . . . .	6,603	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable). . . . .	-	-	-	-
<b>OTHER DEBITS:</b>				
Amount available in debt service fund. . . . .	-	-	-	-
Amount to be provided for retirement of general long-term obligations. . . . .	-	-	-	-
<b>Total assets and other debits. . . . .</b>	<b>\$ 3,255,877</b>	<b>\$ 504,030</b>	<b>\$ 883,774</b>	<b>\$ 21,152,692</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>LIABILITIES:</b>				
Accounts payable. . . . .	\$ 30,639	\$ 13,378	\$ -	\$ -
Contracts payable. . . . .	-	-	-	678,301
Retainage payable. . . . .	-	-	-	61,558
Accrued wages and benefits. . . . .	946,007	18,327	-	-
Compensated absences payable. . . . .	5,436	52	-	-
Pension obligation payable. . . . .	135,892	4,356	-	-
Interfund loan payable. . . . .	-	225,100	-	-
Advances from other funds. . . . .	-	9,000	-	23,000
Deferred revenue. . . . .	2,070,953	81,548	413,439	15,143,172
Due to other governments. . . . .	29,721	904	-	-
Due to students. . . . .	-	-	-	-
Matured interest payable. . . . .	-	-	159	-
General obligation bonds payable. . . . .	-	-	-	-
Energy conservation notes payable. . . . .	-	-	-	-
<b>Total liabilities. . . . .</b>	<b>3,218,648</b>	<b>352,665</b>	<b>413,598</b>	<b>15,906,031</b>
<b>EQUITY AND OTHER CREDITS:</b>				
Investment in general fixed assets. . . . .	-	-	-	-
Accumulated deficit: unreserved. . . . .	-	-	-	-
Fund balances (deficit):				
Reserved for encumbrances. . . . .	56,268	15,316	-	11,905,638
Reserved for materials and supplies inventory. . . . .	7,998	-	-	-
Reserved for prepayments. . . . .	18,020	-	-	-
Reserved for debt service. . . . .	-	-	437,680	-
Reserved for tax revenue unavailable for appropriation. . . . .	135,639	2,861	32,496	6,764
Reserved for advances. . . . .	32,000	-	-	-
Reserved for instructional materials. . . . .	25,662	-	-	-
Unreserved-undesignated. . . . .	(238,358)	133,188	-	(6,665,741)
<b>Total equity and other credits. . . . .</b>	<b>37,229</b>	<b>151,365</b>	<b>470,176</b>	<b>5,246,661</b>
<b>Total liabilities, equity and other credits. . . . .</b>	<b>\$ 3,255,877</b>	<b>\$ 504,030</b>	<b>\$ 883,774</b>	<b>\$ 21,152,692</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$ 7,616	\$ 24,692	\$ -	\$ -	\$ 12,558,207
-	-	-	-	61,558
-	-	-	-	159
-	-	-	-	3,577,815
450	-	-	-	45,776
-	-	-	-	1,165
-	-	-	-	305,100
-	-	-	-	32,000
9,972	-	-	-	9,224,702
11,107	-	-	-	19,105
-	-	-	-	18,020
-	-	-	-	6,603
19,321	-	14,363,771	-	14,383,092
-	-	-	470,176	470,176
-	-	-	4,746,058	4,746,058
<u>\$ 48,466</u>	<u>\$ 24,692</u>	<u>\$ 14,363,771</u>	<u>\$ 5,216,234</u>	<u>\$ 45,449,536</u>
\$ 1	\$ -	\$ -	\$ -	\$ 44,018
-	-	-	-	678,301
-	-	-	-	61,558
24,077	-	-	-	988,411
13,049	-	-	404,255	422,792
16,251	-	-	65,026	221,525
80,000	-	-	-	305,100
-	-	-	-	32,000
-	-	-	-	17,709,112
657	-	-	-	31,282
-	24,692	-	-	24,692
-	-	-	-	159
-	-	-	4,650,000	4,650,000
-	-	-	96,953	96,953
<u>134,035</u>	<u>24,692</u>	<u>-</u>	<u>5,216,234</u>	<u>25,265,903</u>
-	-	14,363,771	-	14,363,771
(85,569)	-	-	-	(85,569)
-	-	-	-	11,977,222
-	-	-	-	7,998
-	-	-	-	18,020
-	-	-	-	437,680
-	-	-	-	177,760
-	-	-	-	32,000
-	-	-	-	25,662
-	-	-	-	(6,770,911)
<u>(85,569)</u>	<u>-</u>	<u>14,363,771</u>	<u>-</u>	<u>20,183,633</u>
<u>\$ 48,466</u>	<u>\$ 24,692</u>	<u>\$ 14,363,771</u>	<u>\$ 5,216,234</u>	<u>\$ 45,449,536</u>

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**NEW LEBANON LOCAL SCHOOL DISTRICT**  
**MONTGOMERY COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 3,011,981	\$ 38,370	\$ 416,196	\$ 97,480	\$ 3,564,027
Tuition . . . . .	13,026	-	-	-	13,026
Earnings on investments . . . . .	6,814	-	-	231,619	238,433
Extracurricular . . . . .	-	198,040	-	-	198,040
Other local revenues . . . . .	373,028	30,400	-	-	403,428
Intergovernmental - State . . . . .	5,836,942	68,565	56,153	5,274,855	11,236,515
Intergovernmental - Federal . . . . .	-	241,119	-	-	241,119
Total revenues . . . . .	<u>9,241,791</u>	<u>576,494</u>	<u>472,349</u>	<u>5,603,954</u>	<u>15,894,588</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	4,793,822	105,867	-	9,783	4,909,472
Special . . . . .	623,450	133,353	-	-	756,803
Other . . . . .	174,849	-	-	-	174,849
Support services:					
Pupil . . . . .	441,095	9,223	-	-	450,318
Instructional staff . . . . .	341,664	71,839	-	-	413,503
Board of Education . . . . .	208,227	-	-	-	208,227
Administration . . . . .	952,252	19,321	-	-	971,573
Fiscal . . . . .	183,489	-	-	-	183,489
Business . . . . .	103,329	99,740	-	-	203,069
Operations and maintenance . . . . .	777,418	52	-	-	777,470
Pupil transportation . . . . .	415,749	1,330	-	-	417,079
Central . . . . .	25,412	5,223	-	-	30,635
Extracurricular activities . . . . .	195,170	113,067	-	-	308,237
Facilities acquisition and construction . . . . .	150	-	-	9,520,405	9,520,555
Debt service:					
Principal retirement . . . . .	-	-	187,813	-	187,813
Interest and fiscal charges . . . . .	-	-	244,991	-	244,991
Total expenditures . . . . .	<u>9,236,076</u>	<u>559,015</u>	<u>432,804</u>	<u>9,530,188</u>	<u>19,758,083</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>5,715</u>	<u>17,479</u>	<u>39,545</u>	<u>(3,926,234)</u>	<u>(3,863,495)</u>
Other financing sources (uses):					
Operating transfers in . . . . .	-	-	28,180	-	28,180
Operating transfers out . . . . .	(28,180)	-	-	-	(28,180)
Proceeds from sale of fixed assets . . . . .	2,702	-	-	-	2,702
Total other financing sources (uses) . . . . .	<u>(25,478)</u>	<u>-</u>	<u>28,180</u>	<u>-</u>	<u>2,702</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	<u>(19,763)</u>	<u>17,479</u>	<u>67,725</u>	<u>(3,926,234)</u>	<u>(3,860,793)</u>
Fund balances, July 1 . . . . .	66,697	133,886	402,451	9,172,895	9,775,929
Decrease in reserve for inventory . . . . .	(9,705)	-	-	-	(9,705)
Fund balances, June 30 . . . . .	<u>\$ 37,229</u>	<u>\$ 151,365</u>	<u>\$ 470,176</u>	<u>\$ 5,246,661</u>	<u>\$ 5,905,431</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NEW LEBANON LOCAL SCHOOL DISTRICT**  
**MONTGOMERY COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$ 2,691,165	\$ 2,703,001	\$ 11,836	\$ 24,056	\$ 38,486	\$ 14,430
Tuition . . . . .	12,969	13,026	57	-	-	-
Earnings on investments . . . . .	70,467	34,277	(36,190)	-	-	-
Extracurricular . . . . .	-	-	-	81,073	198,038	116,965
Other local revenues . . . . .	3,501	3,516	15	168,054	31,248	(136,806)
Intergovernmental - State . . . . .	5,811,384	5,836,942	25,558	80,814	67,088	(13,726)
Intergovernmental - Federal . . . . .	-	-	-	19,684	95,373	75,689
Total revenues . . . . .	8,589,486	8,590,762	1,276	373,681	430,233	56,552
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	4,767,051	4,631,297	135,754	157,649	113,262	44,387
Special . . . . .	615,965	623,909	(7,944)	135,145	128,384	6,761
Other . . . . .	183,842	186,213	(2,371)	-	-	-
Support services:						
Pupil . . . . .	431,670	437,237	(5,567)	10,633	10,101	532
Instructional staff . . . . .	364,794	369,499	(4,705)	79,464	75,488	3,976
Board of Education . . . . .	229,958	232,924	(2,966)	-	-	-
Administration . . . . .	958,366	970,726	(12,360)	20,312	19,296	1,016
Fiscal . . . . .	182,552	184,906	(2,354)	-	-	-
Business . . . . .	103,283	104,615	(1,332)	108,808	103,364	5,444
Operations and maintenance . . . . .	779,492	789,545	(10,053)	55	52	3
Pupil transportation . . . . .	407,969	413,231	(5,262)	2,300	2,185	115
Central . . . . .	26,303	26,642	(339)	5,475	5,201	274
Extracurricular activities . . . . .	193,905	196,406	(2,501)	125,051	118,795	6,256
Facilities acquisition and construction . . . . .	148	150	(2)	-	-	-
Debt service:						
Principal retirement . . . . .	22,813	22,813	-	-	-	-
Interest and fiscal charges . . . . .	5,367	5,367	-	-	-	-
Total expenditures . . . . .	9,273,478	9,195,480	77,998	644,892	576,128	68,764
Excess (deficiency) of revenues over (under) expenditures . . . . .	(683,992)	(604,718)	79,274	(271,211)	(145,895)	125,316
<b>Other financing sources (uses):</b>						
Advances in . . . . .	-	36,500	36,500	-	167,600	167,600
Advances out . . . . .	-	(197,600)	(197,600)	-	(36,500)	(36,500)
Proceeds from sale of assets . . . . .	4,733	4,754	21	-	-	-
Refund of prior year expenditures . . . . .	323,464	324,887	1,423	2,388	3,820	1,432
Total other financing sources (uses) . . . . .	328,197	168,541	(159,656)	2,388	134,920	132,532
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	(355,795)	(436,177)	(80,382)	(268,823)	(10,975)	257,848
Fund balances, July 1 . . . . .	242,905	242,905	-	227,880	227,880	-
Prior year encumbrances appropriated . . . . .	112,968	112,968	-	28,662	28,662	-
Fund balances, June 30 . . . . .	\$ 78	\$ (80,304)	\$ (80,382)	\$ (12,281)	\$ 245,567	\$ 257,848

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Debt Service			Capital Projects			Total (Memorandum only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ 385,000	\$ 416,447	\$ 31,447	\$ 94,900	\$ 98,230	\$ 3,330	\$ 3,195,121	\$ 3,256,164	\$ 61,043
-	-	-	-	-	-	12,969	13,026	57
-	-	-	226,000	239,239	13,239	296,467	273,516	(22,951)
-	-	-	-	-	-	81,073	198,038	116,965
-	-	-	-	-	-	171,555	34,764	(136,791)
49,078	56,153	7,075	6,556,131	6,714,855	158,724	12,497,407	12,675,038	177,631
-	-	-	-	-	-	19,684	95,373	75,689
<u>434,078</u>	<u>472,600</u>	<u>38,522</u>	<u>6,877,031</u>	<u>7,052,324</u>	<u>175,293</u>	<u>16,274,276</u>	<u>16,545,919</u>	<u>271,643</u>
-	-	-	12,756	13,340	(584)	4,937,456	4,757,899	179,557
-	-	-	-	-	-	751,110	752,293	(1,183)
-	-	-	-	-	-	183,842	186,213	(2,371)
-	-	-	-	-	-	442,303	447,338	(5,035)
-	-	-	-	-	-	444,258	444,987	(729)
-	-	-	-	-	-	229,958	232,924	(2,966)
-	-	-	-	-	-	978,678	990,022	(11,344)
-	-	-	-	-	-	182,552	184,906	(2,354)
-	-	-	-	-	-	212,091	207,979	4,112
-	-	-	-	-	-	779,547	789,597	(10,050)
-	-	-	-	-	-	410,269	415,416	(5,147)
-	-	-	-	-	-	31,778	31,843	(65)
-	-	-	-	-	-	318,956	315,201	3,755
-	-	-	20,487,656	21,426,044	(938,388)	20,487,804	21,426,194	(938,390)
500,000	165,000	335,000	-	-	-	522,813	187,813	335,000
303,782	239,624	64,158	-	-	-	309,149	244,991	64,158
<u>803,782</u>	<u>404,624</u>	<u>399,158</u>	<u>20,500,412</u>	<u>21,439,384</u>	<u>(938,972)</u>	<u>31,222,564</u>	<u>31,615,616</u>	<u>(393,052)</u>
<u>(369,704)</u>	<u>67,976</u>	<u>437,680</u>	<u>(13,623,381)</u>	<u>(14,387,060)</u>	<u>(763,679)</u>	<u>(14,948,288)</u>	<u>(15,069,697)</u>	<u>(121,409)</u>
-	-	-	-	-	-	-	204,100	204,100
-	-	-	-	-	-	-	(234,100)	(234,100)
-	-	-	-	-	-	4,733	4,754	21
-	-	-	-	3,557	3,557	325,852	332,264	6,412
-	-	-	-	3,557	3,557	330,585	307,018	(23,567)
(369,704)	67,976	437,680	(13,623,381)	(14,383,503)	(760,122)	(14,617,703)	(14,762,679)	(144,976)
369,704	369,704	-	13,508,161	13,508,161	-	14,348,650	14,348,650	-
-	-	-	115,220	115,220	-	256,850	256,850	-
<u>\$ -</u>	<u>\$ 437,680</u>	<u>\$ 437,680</u>	<u>\$ -</u>	<u>\$ (760,122)</u>	<u>\$ (760,122)</u>	<u>\$ (12,203)</u>	<u>\$ (157,179)</u>	<u>\$ (144,976)</u>

**NEW LEBANON LOCAL SCHOOL DISTRICT**  
**MONTGOMERY COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN (ACCUMULATED DEFICIT)  
 PROPRIETARY FUND TYPE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating revenues:	
Tuition and fees . . . . .	\$ 37,321
Sales/charges for services . . . . .	<u>247,658</u>
Total operating revenues . . . . .	<u>284,979</u>
Operating expenses:	
Personal services . . . . .	179,505
Contract services . . . . .	1,160
Materials and supplies . . . . .	236,747
Depreciation . . . . .	<u>1,471</u>
Total operating expenses . . . . .	<u>418,883</u>
Operating loss . . . . .	<u>(133,904)</u>
Nonoperating revenues:	
Intergovernmental grants . . . . .	96,257
Federal commodities . . . . .	<u>14,212</u>
Total nonoperating revenues . . . . .	<u>110,469</u>
Net loss . . . . .	(23,435)
Accumulated deficit, July 1 . . . . .	<u>(62,134)</u>
Accumulated deficit, June 30 . . . . .	<u><u>\$ (85,569)</u></u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NEW LEBANON LOCAL SCHOOL DISTRICT**  
**MONTGOMERY COUNTY, OHIO**  
 COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Cash flows from operating activities:	
Cash received from tuition and fees . . . . .	\$ 43,503
Cash received from sales/service charges . . . . .	247,658
Cash payments for personal services . . . . .	(188,787)
Cash payments for contract services . . . . .	(1,160)
Cash payments for materials and supplies . . . . .	(228,697)
	(127,483)
Net cash used in operating activities . . . . .	(127,483)
Cash flows from noncapital financing activities:	
Cash received from intergovernmental grants . . . . .	96,013
Cash received from interfund loans . . . . .	30,000
	126,013
Net cash provided by noncapital financing activities . . . . .	126,013
Cash flows from capital and related financing activities:	
Acquisition of capital assets . . . . .	(5,470)
	(5,470)
Net cash used in capital and related financing activities . . . . .	(5,470)
Net decrease in cash and cash equivalents . . . . .	(6,940)
Cash and cash equivalents at beginning of year . . . . .	14,556
Cash and cash equivalents at end of year . . . . .	\$ 7,616
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss . . . . .	\$ (133,904)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation . . . . .	1,471
Federal donated commodities . . . . .	14,212
Changes in assets and liabilities:	
Decrease in materials and supplies inventory . . . . .	2,278
Decrease in accounts receivable . . . . .	6,182
Decrease in accrued wages and benefits . . . . .	(1,160)
Decrease in compensated absences payable . . . . .	(1,274)
Decrease in due to other governments . . . . .	(3)
Decrease in pension obligation payable . . . . .	(6,845)
Decrease in deferred revenue . . . . .	(8,440)
	(8,440)
Net cash used in operating activities . . . . .	\$ (127,483)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The New Lebanon Local School District (the "District") is located in west-central Montgomery County, including all of the Village of New Lebanon, and portions of surrounding townships. The District serves an area of approximately 39 square miles.

The District was organized in 1922, in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 86 non-certified and 94 (including administrative) certified full-time and part-time employees to provide services to approximately 1,341 students in grades K through 12 and various community groups, which ranks it 409 out of approximately 740 public and community school districts in Ohio.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below:

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

**A. The Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the general purpose financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable.

The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The general purpose financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

*JOINTLY GOVERNED ORGANIZATIONS*

Miami Valley Career Technology Center

The Miami Valley Career Technology Center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide for the vocational and special education needs of its students. The Board of Education is comprised of 17 members elected from the 27 participating school districts. The school accepts non-tuition students from the District as a member school, however, it is considered to be a separate political subdivision and not part of the District. Financial information is available from Debbie Whitton, Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Southwestern Ohio Educational Purchasing Cooperative (SOEPC)

SOEPC is a purchasing cooperative made up of nearly one hundred school districts in Montgomery and surrounding counties. The Montgomery County Educational Service Center acts as fiscal agent for the group. The purpose of the cooperative is to obtain lower prices for supplies and materials commonly used by the member districts. The members are obligated to pay all fees, charges, and assessments as established by SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by SOEPC is held in trust for the member districts by the fiscal agent. Any district withdrawing from SOEPC shall forfeit its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the District's General fund.

Financial information is available from SOEPC by contacting Robert Brown, Director, at 1831 Harshman Road, Dayton, Ohio 45424.

The District is also a participant in a public entity risk sharing pool, discussed in Note 11.

*PUBLIC ENTITY RISK POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "GRP") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

*General Fund* - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

*Special Revenue Funds* - The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's proprietary fund type:

Enterprise Funds - The enterprise funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*FIDUCIARY FUNDS*

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

*ACCOUNT GROUPS*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

**C. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2003, but which are intended to finance fiscal 2004 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2003, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from income or property taxes.

**D. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2003 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates. Montgomery County Budget Commission has waived this requirement for 2003.
2. By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for tax rate determination. Montgomery County Budget Commission has waived this requirement for fiscal 2003.



**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement of comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2003. The amounts set forth in the budgetary statements reflect the final appropriation amounts approved by the Board.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary basis and GAAP basis of accounting. Encumbrances for enterprise funds are reported in Note 12.

**E. Cash and Cash Equivalents**

To improve cash management, cash received other than cash with fiscal agent by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During 2003, investments were limited to repurchase agreements, U.S. Government money market mutual funds, and federal agency securities.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and money market mutual funds are reported at cost.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Classroom Facilities capital projects fund receives interest based on State mandate. Interest revenue credited to the general fund during fiscal 2003 totaled \$6,814, which included \$3,638 assigned from other funds of the District.

The District utilizes a financial institution to service bonded debt as principal and interest payments come due. This account had a balance of \$159 at June 30, 2003. This depository account is presented on the combined balance sheet as "Cash with Fiscal Agent" since it is not required to be deposited into the District treasury.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

**F. Materials and Supplies Inventory**

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

**G. Prepayments**

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. 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, nor is interest on debt issued to construct or acquire general fixed assets. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

2. Proprietary Funds

Furniture and equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Furniture and equipment	5-20

**I. Fund Equity**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, debt service, prepayments, tax revenue unavailable for appropriation, advances, and instructional materials. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service; or twenty (20) years' service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

**K. Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year. The District had interfund loans receivable/payable at June 30, 2003.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

6. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had advances to/from other funds at June 30, 2003.

An analysis of the District’s interfund transactions for fiscal year 2003 is presented in Note 5.

**L. Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, and long-term notes are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish instructional material reserves. These reserves are required by State statute and can be used only for statutorily-specified purposes. Fund balance reserves have also been established. See Note 17 for statutory reserves.

**N. Estimates**

The preparation of financial statements in conformity with GAAP 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.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

**O. Memorandum Only - Total Columns**

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances/Accumulated Deficit**

Deficit fund balances/accumulated deficit at June 30, 2003 included the following individual fund deficits:

<u>Fund/Fund Type</u>	<u>Deficit Fund Balance/ Accumulated Deficit</u>
<u>Special Revenue Funds</u>	
Auxiliary Services	\$ 4,679
MIS	33
Title VI-B	28,410
Vocational Education	1,363
Title I	29,475
Drug Free School Grant	5,554
Telecommunications Act. Grant	718
Classroom Reduction	27,633
Miscellaneous Federal Grant	9,175
<u>Enterprise Fund</u>	
Lunchroom	94,878

These deficits, caused by the application of GAAP, will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.



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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

- B.** The following funds had expenditures in excess of appropriations contrary to Section 5705.41 (B), Ohio Revised Code:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Special Revenue Funds</u>	
Auxiliary Services	\$ 8,234
Title VI-B	62,360
Vocational Education	1,364
Title I	35,569
Title V	875
Drug Free School Grant	2,279
Improving Teacher Quality	20,648
Miscellaneous Federal Grants	1,211
<u>Capital Projects Fund</u>	
Classroom Facilities	1,237,709
<u>Enterprise Funds</u>	
Food Service	30,316
Uniform School Supplies	1,965

The following funds had appropriations in excess of estimated resources contrary to Section 5705.39, Ohio Revised Code:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Special Revenue Funds</u>	
Management Information System	\$ 100
Telecommunications E-Rate	5,300
Improving Teacher Quality	7,000

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two 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 accounts, including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer Asset Reserve an investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed 25% of the interim monies available for investment at any one time, and;
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Cash with Fiscal Agent:* At year-end, \$159 was on deposit in the District's debt service clearance account and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

*Cash with Escrow Agent:* At year-end, \$61,558 was on deposit with the District's escrow agent for retainage relating to construction contracts and is included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

*Deposits:* At year-end the carrying amount of the District's deposits was \$705,697 and the bank balance was \$1,672,773. Of the bank balance:

1. \$125,159 was covered by federal deposit insurance.
2. \$1,547,614 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to Section 135.81, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

*Investments:* The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. Investments in the U.S. Government money market fund is not categorized because it is not evidenced by securities that exist in physical or book entry form.

	Category of Risk 3	Fair Value
Federal agency securities	\$5,766,547	\$ 5,758,927
U. S. Government money market mutual fund	-	6,100,186
Total investments	<u>\$5,766,547</u>	<u>\$11,859,113</u>

The classification of cash, cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash, cash equivalents, and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$12,626,527	\$ -
Investments of the cash management pool:		
Federal agency securities	(5,758,927)	5,758,927
U.S. Government money market mutual fund	(6,100,186)	6,100,186
Cash with escrow agent	(61,558)	-
Cash with fiscal agent	(159)	-
GASB Statement No. 3	<u>\$ 705,697</u>	<u>\$11,859,113</u>

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 5 - INTERFUND TRANSACTIONS**

A. The following is a reconciliation of the District's operating transfers for fiscal year 2003:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$28,180
<u>Debt Service Fund</u>		
Bond Retirement	<u>28,180</u>	<u>-</u>
Total	<u>\$28,180</u>	<u>\$28,180</u>

**B. Interfund Loans Payable/Receivable**

Interfund balances at June 30, 2003, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans Payable</u>
General Fund	\$305,100	\$ -
<u>Special Revenue Funds</u>		
Auxiliary Services	-	3,000
Title VI-B	-	107,000
Vocational Education	-	1,400
Title I	-	64,000
Title VI	-	4,500
Drug-Free School Grant	-	5,000
Telecommunications Act. Grant	-	1,000
Classroom Reduction	-	28,000
Miscellaneous Federal Grants	-	11,200
<u>Enterprise Fund</u>		
Lunchroom	<u>-</u>	<u>80,000</u>
Total	<u>\$305,100</u>	<u>\$305,100</u>

**NEW LEBANON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

C. Interfund balances at June 30, 2003 consist of the following long-term advances:

	<u>Advanced To Other Funds</u>	<u>Advanced From Other Funds</u>
General Fund	\$32,000	\$ -
<u>Special Revenue Funds</u>		
Title I	-	8,000
Drug Free School Grant	-	1,000
<u>Capital Projects Fund</u>		
Classroom Facilities	<u>-</u>	<u>23,000</u>
Total	<u>\$32,000</u>	<u>\$32,000</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed value upon which the 2002 taxes were collected was \$94,131,505. Agricultural/residential and public utility/minerals real estate represented 87.32% or \$82,198,030 of this total; commercial & industrial real estate represented 7.60% or \$7,154,600 of this total; public utility tangible represented 3.23% or \$3,039,240 of this total and general tangible property represented 1.85% or \$1,739,635 of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$38.45 per \$1,000.00 of assessed valuation for operations, and the voted permanent improvement tax rate of the fiscal year ended June 30, 2003 was \$2.00 per \$1,000.00 of assessed valuation for operations.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Montgomery County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2003 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2003 totaled \$135,639 in the general fund; \$32,496 in the debt service fund; \$6,764 in the capital projects permanent improvement fund; and \$2,861 in the special revenue classroom facilities maintenance fund.



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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 7 - INCOME TAX**

The District levies a voted tax of .75 of 1% for general obligations on the income of residents and of estates. The tax was effective January 1, 1998, and is a continuing tax. 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 District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund, and totaled \$1,082,388 for fiscal 2003.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, advances to other funds, and intergovernmental grants (to the extent such grants relate to the current fiscal year). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of receivables follows:

	<u>Amount</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$2,839,840
Accounts	45,151
Accrued interest	1,165
Interfund loan receivable	305,100
Advances to other funds	32,000
<u>Special Revenue Funds</u>	
Taxes - current & delinquent	39,273
Accounts	175
Due from other governments	192,561
<u>Debt Service Fund</u>	
Taxes - current & delinquent	445,935
<u>Capital Projects Fund</u>	
Taxes - current & delinquent	252,767
Due from other governments	9,022,169
<u>Enterprise Funds</u>	
Accounts	450

**NEW LEBANON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 9 - FIXED ASSETS**

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2003</u>
Land/improvements	\$ 541,914	\$ -	\$ -	\$ 541,914
Buildings	1,884,527	333,064	-	2,217,591
Furniture/equipment	2,262,134	38,375	-	2,300,509
Vehicles	219,186	-	-	219,186
Construction-in-progress	<u>782,064</u>	<u>8,302,507</u>	<u>-</u>	<u>9,084,571</u>
Total	<u>\$5,689,825</u>	<u>\$8,673,946</u>	<u>\$ -</u>	<u>\$14,363,771</u>

A summary of the proprietary fixed assets at June 30, 2003 follows:

Furniture and equipment	\$ 157,696
Less: accumulated depreciation	<u>(138,375)</u>
Net fixed assets	<u>\$ 19,321</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

On April 1, 2001, the District issued \$4,530,000 in general obligation bonds (Series 2001, School Facilities Improvement Bonds), which represent the District's share of a construction and renovation project approved and significantly funded by the Ohio School Facilities Commission (OSFC). OSFC has awarded the District a \$19,327,026 grant for the project, and will make quarterly disbursements to the District until the project is completed. These bonds are a general obligation of the District, for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these bonds are recorded as an expenditure in the Debt Service fund. The source of payment is derived from a current 3.77 (average) mill bonded debt tax levy.

In conjunction with the 3.77 mills which support the bond issue, the District also passed in fiscal 2001 a .5 mill levy to ultimately fund the maintenance costs of the new facility. Tax revenue from this levy has been reported in the special revenue funds.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The Series 1987 general obligation bonds outstanding, which were issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District, for which the full faith and credit of the District are pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term debt obligations group. Payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. The source of payment is derived from a current 1.35 mill bonded debt tax levy.

Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the general long-term debt obligations group. Payments of principal and interest relating to these notes are recorded as expenditures in the general fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation notes without voter approval, and the subsequent repayment of the notes from operating revenues.

A. The following is a description of the District's bonds and notes outstanding as of June 30, 2003:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance 07/01/02</u>	<u>Issued Fiscal 2003</u>	<u>Retired in Fiscal 2003</u>	<u>Balance 06/30/03</u>
Facilities Improvement	5.08%	04/01/01	12/01/23	\$4,530,000	\$4,410,000	\$ -	\$(120,000)	\$4,290,000
Building Renovations	6.875%	01/01/87	12/01/10	1,000,000	405,000	-	(45,000)	360,000
Energy Conservation Notes	4.83%	09/29/97	09/30/07	228,127	119,766	-	(22,813)	96,953
				<u>\$5,758,127</u>	<u>\$4,934,766</u>	<u>\$ -</u>	<u>\$(187,813)</u>	<u>\$4,746,953</u>

**NEW LEBANON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**B.** The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds and energy conservation notes:

Fiscal Year Ending <u>June 30</u>	General Obligation <u>Bonds</u>	Energy Conservation <u>Notes</u>	<u>Total</u>
2004	\$ 334,001	\$ 27,083	\$ 361,084
2005	332,866	25,981	358,847
2006	331,479	24,879	356,358
2007	329,876	23,778	353,654
2008	328,048	5,770	333,818
2009 - 2013	1,554,155	-	1,554,155
2014 - 2018	1,488,766	-	1,488,766
2019 - 2023	1,584,670	-	1,584,670
2024	<u>330,933</u>	<u>-</u>	<u>330,933</u>
Total Obligation	6,614,794	107,491	6,722,285
Less: Interest	<u>(1,964,794)</u>	<u>(10,538)</u>	<u>(1,975,332)</u>
Total Principal	<u>\$ 4,650,000</u>	<u>\$ 96,953</u>	<u>\$ 4,746,953</u>

**C.** During the year ended June 30, 2003, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

	<u>Balance July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2003</u>
Compensated absences	\$ 424,787	\$26,942	\$ (47,474)	\$ 404,255
General obligation bonds	4,815,000	-	(165,000)	4,650,000
Pension obligation payable	95,165	65,026	(95,165)	65,026
Energy conservation notes	<u>119,766</u>	<u>-</u>	<u>(22,813)</u>	<u>96,953</u>
Total	<u>\$5,454,718</u>	<u>\$91,968</u>	<u>\$(330,452)</u>	<u>\$5,216,234</u>

**NEW LEBANON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9% of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district. The code further provides that un-voted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations for the District at June 30, 2003 are a voted debt margin of \$4,292,011 (including available funds of \$470,176), an unvoted debt margin of \$94,132, and an unvoted energy conservation debt margin of \$750,231.

**NOTE 11 - RISK MANAGEMENT**

The District does not have a "self-insurance" fund with formalized risk management programs. The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters.

During fiscal year 2003, The District purchased from the Harcum-Hyre Insurance Agency general liability insurance, which carried a \$1 million per occurrence/\$3 million annual aggregate limitation.

Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded, as are all benefit plans offered to employees.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from fiscal 2002.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 11 - RISK MANAGEMENT - (Continued)**

*OSBA WORKERS' COMPENSATION GROUP RATING*

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains three enterprise funds to account for the operations of food services, uniform school supplies and adult education. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2003.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS - (Continued)**

	<u>Lunchroom</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenues	\$ 247,658	\$ 37,321	\$ -	\$ 284,979
Depreciation	1,471	-	-	1,471
Operating loss	(120,420)	(13,484)	-	(133,904)
Intergovernmental grants	96,257	-	-	96,257
Donated commodities	14,212	-	-	14,212
Net loss	(9,951)	(13,484)	-	(23,435)
Net working capital	(24,890)	5,009	4,300	(15,581)
Total assets    39,157	5,009	4,300	48,466	
Total liabilities	134,035	-	-	134,035
Total retained earnings/ (accumulated deficit)	(94,878)	5,009	4,300	(85,569)
Encumbrances at 6/30/03	154	4,981	-	5,135

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$204,779, \$186,195, and \$176,205, respectively; 41.21% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$120,410, represents the unpaid contribution for fiscal year 2003.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.



**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$665,273, \$657,801, and \$607,376, respectively; 82.27% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$117,936, represents the unpaid contribution for fiscal year 2003.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$47,520 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$107,327 during the 2003 fiscal year.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types 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 that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).
- (d) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (e) The District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been reclassified accordingly.

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess (Deficiency) of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing (Uses)**

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
Budget basis	\$(436,177)	\$ (10,975)	\$ 67,976	\$(14,383,503)
Net adjustment for revenue accruals	651,029	146,261	(251)	(1,448,370)
Net adjustment for expenditure accruals	(127,503)	(9,341)	(28,180)	(674,743)
Net adjustment for other financing sources/(uses)	(194,019)	(134,920)	28,180	(3,557)
Adjustment for encumbrances	<u>86,907</u>	<u>26,454</u>	<u>-</u>	<u>12,583,939</u>
GAAP basis	<u>\$ (19,763)</u>	<u>\$ 17,479</u>	<u>\$ 67,725</u>	<u>\$ (3,926,234)</u>

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2003.

**B. Litigation**

As of the balance sheet date, the District was not involved in any litigation as either defendant or plaintiff.

**C. School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 17 - STATUTORY RESERVES**

The District is required by State law to set-aside certain (cash-basis) general fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of July 1, 2002	\$ 44,522	\$(4,971,605)
Current year set-aside requirement	176,120	176,120
Current year offsets	-	(127,062)
Qualifying disbursements	<u>(194,980)</u>	<u>(85,463)</u>
 Total, June 30, 2003	 <u>\$ 25,662</u>	 <u>\$(5,008,010)</u>
 Cash balance/carry forward to FY 2004	 <u>\$ 25,662</u>	 <u>\$(4,971,605)</u>

The District had qualifying disbursements and offsets during the year that reduced the capital acquisition set-aside amount below zero. The current year offsets in the capital acquisition set-aside may be carried forward to offset future years requirements, however, the excess qualifying disbursements may not be carried forward to future years.

A schedule of the restricted assets at June 30, 2003 follows:

Amount restricted for textbooks	<u>\$6,603</u>
 Total restricted assets	 <u>\$6,603</u>

The District did not have the required Instructional Material set-aside balance of \$25,662 on hand at June 30, 2003. The District did have \$6,603 in cash in the General fund at June 30, 2003. This is due to the District advancing monies at June 30, 2003 to cover other fund deficits. These amounts are shown as interfund loans receivable on the balance sheet at June 30, 2003. The entire amount of \$25,662 has been shown as reserved for instructional materials on the balance sheet at June 30, 2003.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**NOTE 18 - CONTRACTUAL COMMITMENTS**

The District had the following contractual commitments outstanding as of June 30, 2003:

<u>Vendor</u>	<u>Total Contract Amount</u>	<u>Amount Paid June 30, 2003</u>	<u>Balance Remaining</u>
Fanning/Howey	\$1,498,869	\$1,316,019	\$ 182,850
Lepi	61,520	-	61,520
Kelchner	1,999,531	1,433,420	566,111
Fryman/Kuck	3,346,443	1,322,765	2,023,678
Batts	2,984,162	1,317,887	1,666,275
Command Roofing	1,312,430	142,109	1,170,321
Paden	824,232	477,299	346,933
Valley Interiors	186,900	30,848	156,052
OK Interiors	195,800	2,900	192,900
OKI Windows	355,185	21,249	333,936
Wieffenbach	498,900	48,123	450,777
Lehn Painting	212,000	-	212,000
UCM	739,560	29,316	710,244
AMS	4,176,500	1,763,798	2,412,702
A-1	247,941	48,233	199,708
Black Electric	2,471,064	884,243	1,586,821
Bushong	499,398	97,317	402,081
Magnetek	248,121	1,919	246,202
Weidle	148,231	118,693	29,538
AON Risk Service	56,776	28,433	28,343

**NOTE 19 - SUBSEQUENT EVENTS**

**A. Levies**

The District placed two levies on the August, 2003 ballot; the first was a 7.0 mill replacement operating levy, and the second was a 2.0 replacement permanent improvement levy. Both levies are to be effective January 1, 2004. The electorate passed both levies.

**B.** Mr. Timothy Barrett resigned from the District on July 31, 2003 as Superintendent; he was replaced by Mr. Dennis Curtin, effective August 1, 2003.

## **SUPPLEMENTAL DATA**



**NEW LEBANON LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(E) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
<b>Nutrition Cluster:</b>						
(A),(C) Food Distribution	10.550	N/A		\$ 14,212		\$ 14,212
(A),(D) School Breakfast Program	10.553	048710-05-PU-2002	\$ 37		\$ 37	
(A),(D) School Breakfast Program	10.553	048710-05-PU-2003	118		118	
(A),(D) National School Lunch	10.555	048710-LL-P4-2002	24,112		24,112	
(A),(D) National School Lunch	10.555	048710-LL-P4-2003	67,720		67,720	
<b>Total U.S. Department of Agriculture and Nutrition Cluster</b>			<u>91,987</u>	<u>14,212</u>	<u>91,987</u>	<u>14,212</u>
<b>PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I - Grants to Local Educational Agencies	84.010	048710-C1-S1-2002	5,677		62	
Title I - Grants to Local Educational Agencies	84.010	048710-C1-S1-2003	11,518		83,392	
Title I - Grants to Local Educational Agencies	84.010	048710-C1-SD-2003	1,679		-	
<b>Total Title I</b>			<u>18,874</u>		<u>83,454</u>	
<b>Special Education Cluster:</b>						
(B) Title VI-B - Special Education: Grants to States	84.027	048710-6B-SF-2002-P	40,142		23,470	
(B) Title VI-B - Special Education: Grants to States	84.027	048710-6B-SF-2003-P	22,060		101,219	
<b>Total VI-B</b>			<u>62,202</u>		<u>124,689</u>	
(B) Special Education: Preschool	84.173	048710-PG-S1-2002-P	-		402	
(B) Special Education: Preschool	84.173	048710-PG-S1-2003-P	189		-	
<b>Total Special Education: Preschool</b>			<u>189</u>		<u>402</u>	
<b>Total Special Education Cluster</b>			<u>62,391</u>		<u>125,091</u>	
Safe and Drug-Free Schools	84.186	048710-DR-S1-2001	-		381	
Safe and Drug-Free Schools	84.186	048710-DR-S1-2002	-		2,477	
Safe and Drug-Free Schools	84.186	048710-DR-S1-2003	681		637	
<b>Total Safe and Drug-Free Schools</b>			<u>681</u>		<u>3,495</u>	
Eisenhower Professional Development	84.281	048710-MS-S1-2002	-		715	
Title VI - Innovative Educational Program Strategies	84.298	048710-C2-S1-2000	-		830	
Title VI - Innovative Educational Program Strategies	84.298	048710-C2-S1-2001	5,575		536	
Title VI - Innovative Educational Program Strategies	84.298	048710-C2-S1-2002	-		6,220	
Title VI - Innovative Educational Program Strategies	84.298	048710-C2-S1-2003	1,328		-	
<b>Total Title VI</b>			<u>6,903</u>		<u>7,586</u>	
Technology Literacy Challenge	84.318	048710-TJ-S1-2003	315		-	
Title VI-R - Class Size Reduction	84.340	048710-CR-S1-2000	-		4,063	
Title VI-R - Class Size Reduction	84.340	048710-CR-S1-2001	-		315	
Title VI-R - Class Size Reduction	84.340	048710-CR-S1-2002	-		11,082	
<b>Total VI-R</b>			<u>-</u>		<u>15,460</u>	
School Renovation, IDEA and Technology	84.352A	048710-AT-S3-2002	1,709		-	
Improving Teacher Quality	84.367	048710-TR-S1-2003	4,500		-	
<b>Total U.S. Department of Education</b>			<u>95,373</u>		<u>235,801</u>	
<b>Total Federal Financial Assistance</b>			<u>\$ 187,360</u>	<u>\$ 14,212</u>	<u>\$ 327,788</u>	<u>\$ 14,212</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (B) Included as part of "Special Education Grant Cluster" in determining major programs.
- (C) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) This schedule was prepared on the cash basis of accounting.

# TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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## **Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Education  
New Lebanon Local School District  
278 East Main Street  
New Lebanon, Ohio 45345

We have audited the general purpose financial statements of New Lebanon Local School District as of and for the fiscal year ended June 30, 2003, and have issued our report thereon dated December 18, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether New Lebanon Local School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-NLLSD-001 and 2003-NLLSD-002. We also noted certain immaterial instances of noncompliance that we have reported to management of New Lebanon Local School District in a separate letter dated December 18, 2003.

Board of Education  
New Lebanon Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Lebanon Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of New Lebanon Local School District in a separate letter dated December 18, 2003.

This report is intended for the information and use of the management and Board of Education of the New Lebanon Local School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.  
December 18, 2003

# TRIMBLE, JULIAN & GRUBE, INC.

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## **Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With *OMB Circular A-133***

Board of Education  
New Lebanon Local School District  
278 East Main Street  
New Lebanon, Ohio 45345

### Compliance

We have audited the compliance of New Lebanon Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2003. New Lebanon Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of New Lebanon Local School District's management. Our responsibility is to express an opinion on New Lebanon Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about New Lebanon Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on New Lebanon Local School District's compliance with those requirements.

Board of Education  
New Lebanon Local School District

In our opinion, New Lebanon Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2003.

#### Internal Control Over Compliance

The management of New Lebanon Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered New Lebanon Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of Education of New Lebanon Local School District, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.  
December 18, 2003

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO  
JUNE 30, 2003**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program:</i>	Special Education Cluster, CFDA #84.027 and #84.173
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO  
JUNE 30, 2003**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505**

**2. FINDING RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	2003-NLLSD-001
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Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed the total estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources in the following funds:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Special Revenue Funds</u>	
Management Information System	\$ 100
Telecommunications E-Rate	5,300
Improving Teacher Quality	7,000

With appropriations exceeding estimated resources the District may spend more funds than in the Treasury or process of collection and cause fund deficits.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the District should monitor its budgetary process on a regular basis.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO  
JUNE 30, 2003**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505**

**2. FINDING RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)**

Finding Number	2003-NLLSD-002
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Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

It was noted during the audit that the District had expenditures exceeding appropriations in the following funds:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Special Revenue Funds</u>	
Auxiliary Services	\$ 8,234
Title VI-B	62,360
Vocational Education	1,364
Title I	35,569
Title V	875
Drug Free School Grant	2,279
Improving Teacher Quality	20,648
Miscellaneous Federal Grants	1,211
<u>Capital Projects Fund</u>	
Classroom Facilities	1,237,709
<u>Enterprise Funds</u>	
Food Service	30,316
Uniform School Supplies	1,965

With expenditures exceeding appropriations, the District is unlawfully expending monies that have not been appropriated. This could result in unnecessary purchases or fund deficits.

We recommend that the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.



**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO  
JUNE 30, 2003**

**SCHEDULE OF FINDINGS  
*OMB CIRCULAR A-133 § .505***

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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**NEW LEBANON LOCAL SCHOOL DISTRICT**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 3, 2004**