

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2008***



Mary Taylor, CPA
Auditor of State

Board of Education
New Lebanon Local School District
320 South Fuls Road
New Lebanon, Ohio 45345

We have reviewed the *Independent Auditor's Report* of the New Lebanon Local School District, Montgomery County, prepared by Julian & Grube, Inc., for the audit period July 1, 2007 through June 30, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 31, 2009

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education
New Lebanon Local School District
320 South Fuls Road
New Lebanon, Ohio 45345

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of New Lebanon Local School District, Montgomery County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise New Lebanon Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of New Lebanon Local School District's management. Our responsibility is to express opinions on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

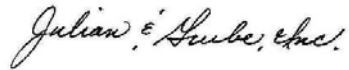
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of New Lebanon Local School District, Montgomery County, Ohio, as of June 30, 2008, and the respective changes in financial position, thereof and the respective budgetary comparison for the General fund 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 our report dated February 25, 2009 on our consideration of New Lebanon Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Report
New Lebanon Local School District
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New Lebanon Local School District's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
February 25, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The management's discussion and analysis of the New Lebanon Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities increased \$377,691 which represents a 1.40% increase from 2007.
- General revenues accounted for \$10,454,105 in revenue or 86.31% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,658,218 or 13.69% of total revenues of \$12,112,323.
- The District had \$11,734,632 in expenses related to governmental activities; \$1,658,218 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,454,105 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$10,311,271 in revenues and other financing sources and \$9,323,392 in expenditures. During fiscal year 2008, the general fund's fund balance increased \$987,879 from \$1,232,245 to \$2,220,124.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant fund. The District's only major governmental fund is the general fund.

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-45 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The District as a Whole

The table below provides a summary of the District's net assets for 2008 and 2007.

	Net Assets	
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Assets</u>		
Current and other assets	\$ 7,452,635	\$ 7,518,935
Capital assets, net	<u>28,039,629</u>	<u>28,271,209</u>
Total assets	<u>35,492,264</u>	<u>35,790,144</u>
<u>Liabilities</u>		
Current liabilities	3,774,795	3,978,319
Long-term liabilities	<u>4,338,385</u>	<u>4,810,432</u>
Total liabilities	<u>8,113,180</u>	<u>8,788,751</u>
<u>Net assets</u>		
Invested in capital assets, net of related debt	24,067,810	23,847,618
Restricted	1,298,096	2,221,155
Unrestricted	<u>2,013,178</u>	<u>932,620</u>
Total net assets	<u>\$ 27,379,084</u>	<u>\$ 27,001,393</u>

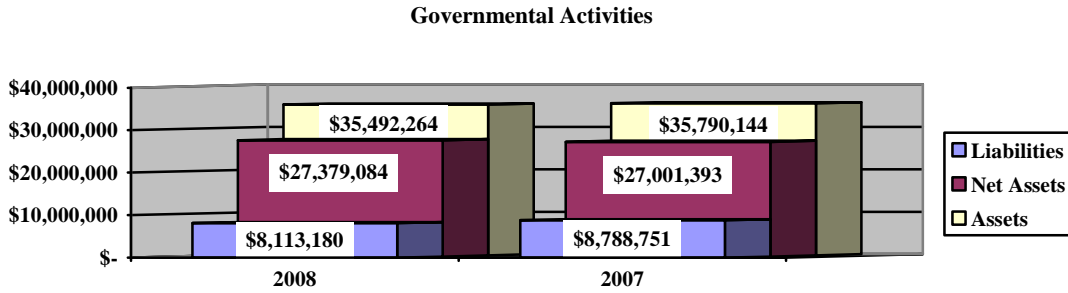
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$27,379,084. Of this total, \$2,013,178 is unrestricted in use. At year-end, capital assets represented 79.00% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$24,067,810. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,298,096 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,013,178 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The graph below presents the District's governmental activities assets, liabilities and net assets for fiscal year 2008 and 2007.



The table below shows the change in net assets for fiscal year 2008 and 2007.

Change in Net Assets

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 450,297	\$ 480,226
Operating grants and contributions	1,205,896	1,109,929
Capital grants and contributions	2,025	7,857
General revenues:		
Property taxes	2,727,555	2,996,994
School district income taxes	1,512,866	1,067,206
Grants and entitlements	6,020,750	5,809,121
Investment earnings	183,750	239,111
Other	9,184	10,971
Total revenues	<u>12,112,323</u>	<u>11,721,415</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Change in Net Assets - (Continued)

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,539,369	\$ 4,359,599
Special	1,568,856	1,225,333
Other	333,387	374,989
Support services:		
Pupil	412,566	427,166
Instructional staff	368,117	498,823
Board of education	110,041	143,548
Administration	870,947	845,348
Fiscal	241,817	246,595
Business	84,249	102,623
Operations and maintenance	1,514,091	1,043,318
Pupil transportation	363,391	499,314
Central	233,411	217,268
Operation of non-instructional services:		
Food service operations	500,603	444,997
Other non-instructional services	-	31
Extracurricular activities	412,137	377,439
Interest and fiscal charges	181,650	207,520
Total expenses	<u>11,734,632</u>	<u>11,013,911</u>
Change in net assets	377,691	707,504
Net assets at beginning of year	<u>27,001,393</u>	<u>26,293,889</u>
Net assets at end of year	<u>\$ 27,379,084</u>	<u>\$ 27,001,393</u>

Governmental Activities

Net assets of the District's governmental activities increased \$377,691. Total governmental expenses of \$11,734,632 were offset by program revenues of \$1,658,218 and general revenues of \$10,454,105. Program revenues supported 14.13% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property and income taxes, and grants and entitlements. These revenue sources represent 84.72% of total governmental revenue.

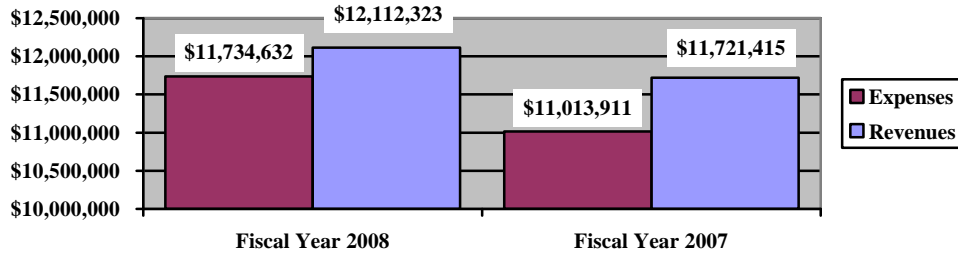
The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,441,612 or 54.89% total governmental expenses for fiscal year 2008.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$ 4,539,369	\$ 4,344,893	\$ 4,359,599	\$ 4,205,212
Special	1,568,856	882,049	1,225,333	525,269
Other	333,387	333,387	374,989	374,989
Support services:				
Pupil	412,566	324,649	427,166	353,813
Instructional staff	368,117	349,762	498,823	479,906
Board of education	110,041	110,041	143,548	143,548
Administration	870,947	852,441	845,348	843,348
Fiscal	241,817	241,817	246,595	246,595
Business	84,249	47,517	102,623	42,787
Operations and maintenance	1,514,091	1,511,401	1,043,318	1,037,562
Pupil transportation	363,391	306,864	499,314	443,812
Central	233,411	218,411	217,268	200,568
Food service operations	500,603	56,478	444,997	38,561
Other non-instructional services	-	-	31	31
Extracurricular activities	412,137	315,054	377,439	272,378
Interest and fiscal charges	181,650	181,650	207,520	207,520
Total expenses	<u>\$ 11,734,632</u>	<u>\$ 10,076,414</u>	<u>\$ 11,013,911</u>	<u>\$ 9,415,899</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 86.32% of instruction activities are supported through taxes and other general revenues.

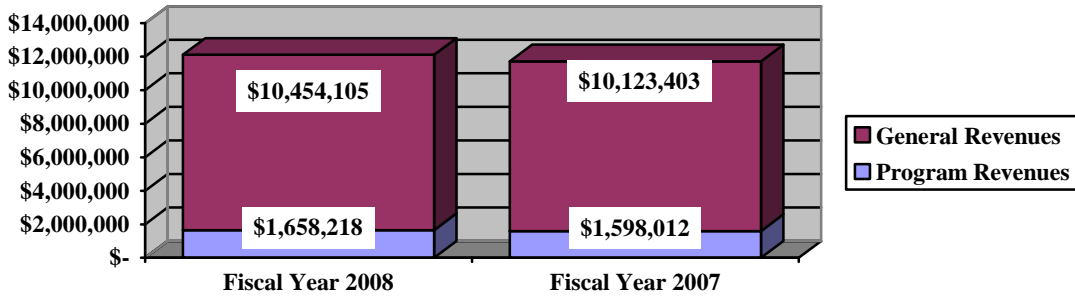
For all governmental activities, general revenue support is 85.87%. The District's taxpayers and grants and entitlements from the State of Ohio are by far the primary support for District's students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The graph below presents the District's governmental activities revenue for fiscal year 2008 and 2007.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$3,513,636, which is greater than last year's total of \$3,454,968. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	<u>Fund Balance</u> <u>June 30, 2008</u>	<u>Fund Balance</u> <u>June 30, 2007</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
General	\$ 2,220,124	\$ 1,232,245	\$ 987,879	80.17 %
Other governmental	<u>1,293,532</u>	<u>2,222,723</u>	<u>(929,191)</u>	(41.80) %
Total	<u>\$ 3,513,656</u>	<u>\$ 3,454,968</u>	<u>\$ 58,688</u>	1.70 %

General Fund

The District's general fund balance increased \$987,879. Revenues exceeded expenditures for fiscal year 2008 by \$987,386. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 3,625,585	\$ 3,387,096	\$ 238,489	7.04 %
Tuition	43,180	50,037	(6,857)	(13.70) %
Earnings on investments	175,635	232,617	(56,982)	(24.50) %
Intergovernmental	6,392,315	6,170,758	221,557	3.59 %
Other revenues	<u>74,063</u>	<u>35,351</u>	<u>38,712</u>	109.51 %
Total	<u>\$10,310,778</u>	<u>\$ 9,875,859</u>	<u>\$ 434,919</u>	4.40 %
<u>Expenditures</u>				
Instruction	\$ 5,602,915	\$ 5,351,635	\$ 251,280	4.70 %
Support services	3,535,330	3,495,825	39,505	1.13 %
Non-instructional services	-	31	(31)	(100.00) %
Extracurricular activities	<u>185,147</u>	<u>166,842</u>	<u>18,305</u>	10.97 %
Total	<u>\$ 9,323,392</u>	<u>\$ 9,014,333</u>	<u>\$ 309,059</u>	3.43 %

Tax revenue increased \$238,489 during the fiscal year. This is due to an increase in income tax collections. Earnings on investments decreased \$56,982 when compared to the prior fiscal year. This can be attributed to lower interest rates and the District investing less of its available funds in interest-bearing accounts. Tuition revenue decreased \$6,857 or 13.70% because of a decrease in open enrollment revenue. Other revenues, which consist of extracurricular revenues, refunds and reimbursements, contributions and donations, rentals and miscellaneous revenues, increased \$38,712. Instructional expenditures increased \$251,280. This can be attributed to increasing wage and benefit costs for the District's teaching staff. Support services increased \$39,505. This is mainly due a decrease in operation and maintenance expenditures. Expenditures for extracurricular activities increased \$18,305 or 10.97% compared to the prior fiscal year. This is due to increased spending for student activities.

General Fund Budgeting Highlights

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

During the course of fiscal 2008, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$7,525,214 were increased to \$9,963,166 in the final budget. Actual revenues and other financing sources for fiscal 2008 were \$10,300,674, which was \$337,508 greater than final budgeted revenues and other financing sources.

General fund original and final appropriations (appropriated expenditures including other financing uses) were \$9,173,233. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$9,642,019, which was \$468,786 more than the final budget appropriations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the District had \$28,039,629 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. The following table shows fiscal 2008 balances compared to 2007:

**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 35,490	\$ 35,490
Land improvements	717,496	89,948
Building and improvements	26,348,652	26,928,560
Furniture and equipment	778,884	891,404
Vehicles	159,107	210,141
Construction in progress	-	115,666
Total	<u>\$ 28,039,629</u>	<u>\$ 28,271,209</u>

The overall decrease in capital assets of \$231,580 is due to depreciation expense of \$819,354 exceeding capital outlays of \$587,774 in the fiscal year.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2008 the District had \$3,750,000 in general obligation bonds and \$221,819 in OSFC loans outstanding. Of this total, \$421,819 is due within one year and \$3,550,000 is due in greater than one year. The following table summarizes the bonds and loans outstanding.

Outstanding Debt, at Year End

	Governmental	Governmental
	Activities	Activities
	<u>2008</u>	<u>2007</u>
OSFC loan payable	\$ 221,819	\$ 483,591
General obligation bonds	<u>3,750,000</u>	<u>3,940,000</u>
Total	<u>\$ 3,971,819</u>	<u>\$ 4,423,591</u>

At June 30, 2008, the District's overall legal debt margin was \$6,026,029, and the District's unvoted debt margin was \$104,682.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Current Financial Related Activities

Another ongoing challenge involves managing the effects/impact of declining enrollment. The District is still projecting significant decreases in State funding due to declining enrollment. The decreasing enrollment trend has been present, at varying degrees, over the past 10 years and has not yet slowed down. The District will continue to address the declining enrollment issue and its wide sweeping impact.

With anticipated decreases and uncertainties in State funding, declining enrollment, and renewal levies on the ballot in the near future, the District is being financially cautious. Under these constraints, the students are receiving only the most essential offerings, items, and services at the present time, which are fortunately provided by a very experienced staff of dedicated and caring professionals. All of the District's personnel and financial abilities/resources will be needed to meet the financial challenges of the future.

As a result of the challenges mentioned above, it is imperative the District's management continue to carefully and prudently plan the future of this District in order to provide the necessary resources to meet the students need over the next few years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Kimberly DeWeese, Treasurer, New Lebanon Local School District, 320 South Fuls Road, New Lebanon, Ohio 45345.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 3,864,867
Receivables:	
Taxes	3,292,980
Accounts	859
Intergovernmental	266,501
Accrued interest	15,524
Materials and supplies inventory	11,904
Capital assets:	
Land	35,490
Depreciable capital assets, net	28,004,139
Capital assets, net	<u>28,039,629</u>
 Total assets.	 <u>35,492,264</u>
Liabilities:	
Accounts payable.	151,351
Accrued wages and benefits	884,706
Pension obligation payable.	220,316
Intergovernmental payable	191,442
Accrued interest payable	15,641
Unearned revenue.	2,311,339
Long-term liabilities:	
Due within one year.	455,631
Due in more than one year.	3,882,754
 Total liabilities	 <u>8,113,180</u>
Net assets:	
Invested in capital assets, net of related debt.	24,067,810
Restricted for:	
Capital projects	659,870
Debt service.	352,319
Classroom facilities maintenance.	138,871
Locally funded programs.	1,000
State funded programs.	17,369
Federally funded programs.	20,186
Student activities.	31,715
Other purposes	76,766
Unrestricted	<u>2,013,178</u>
 Total net assets	 <u>\$ 27,379,084</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 4,539,369	\$ 66,467	\$ 128,009	\$ -	\$ (4,344,893)
Special	1,568,856	10,609	676,198	-	(882,049)
Other	333,387	-	-	-	(333,387)
Support services:					
Pupil.	412,566	-	87,917	-	(324,649)
Instructional staff	368,117	-	18,355	-	(349,762)
Board of education	110,041	-	-	-	(110,041)
Administration.	870,947	-	18,506	-	(852,441)
Fiscal.	241,817	-	-	-	(241,817)
Business.	84,249	36,732	-	-	(47,517)
Operations and maintenance.	1,514,091	2,690	-	-	(1,511,401)
Pupil transportation	363,391	-	54,502	2,025	(306,864)
Central	233,411	-	15,000	-	(218,411)
Food service operations	500,603	241,252	202,873	-	(56,478)
Extracurricular activities.	412,137	92,547	4,536	-	(315,054)
Interest and fiscal charges.	181,650	-	-	-	(181,650)
Total governmental activities	\$ 11,734,632	\$ 450,297	\$ 1,205,896	\$ 2,025	(10,076,414)

General revenues:

Property taxes levied for:	
General purposes	2,125,199
Special revenue	36,920
Debt service.	337,097
Capital projects	228,339
School district income tax.	1,512,866
Grants and entitlements not restricted	
to specific programs.	6,020,750
Investment earnings	183,750
Miscellaneous	9,184
Total general revenues.	10,454,105
Change in net assets	377,691
Net assets at beginning of year.	27,001,393
Net assets at end of year	\$ 27,379,084

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments	\$ 2,490,753	\$ 1,353,498	\$ 3,844,251
Receivables:			
Taxes	2,670,781	622,199	3,292,980
Accounts	859	-	859
Intergovernmental	-	266,501	266,501
Accrued interest	15,524	-	15,524
Interfund receivable	215,700	-	215,700
Materials and supplies inventory	-	11,904	11,904
Restricted assets:			
Equity in pooled cash and investments	20,616	-	20,616
Total assets	\$ 5,414,233	\$ 2,254,102	\$ 7,668,335
Liabilities:			
Accounts payable	\$ 119,574	\$ 31,777	\$ 151,351
Accrued wages and benefits	829,295	55,411	884,706
Pension obligation payable.	206,714	13,602	220,316
Intergovernmental payable.	183,833	7,609	191,442
Interfund payable.	-	215,700	215,700
Deferred revenue.	91,813	88,012	179,825
Unearned revenue.	1,762,880	548,459	2,311,339
Total liabilities	3,194,109	960,570	4,154,679
Fund balances:			
Reserved for encumbrances	157,738	99,583	257,321
Reserved for materials and supplies inventory.	-	11,904	11,904
Reserved for property tax unavailable for appropriation	170,529	49,888	220,417
Reserved for instructional materials	20,616	-	20,616
Reserved for debt service.	-	326,666	326,666
Unreserved, undesignated, reported in:			
General fund	1,871,241	-	1,871,241
Special revenue funds.	-	246,770	246,770
Capital projects funds.	-	558,721	558,721
Total fund balances	2,220,124	1,293,532	3,513,656
Total liabilities and fund balances	\$ 5,414,233	\$ 2,254,102	\$ 7,668,335

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		\$ 3,513,656
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		28,039,629
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 108,476	
Intergovernmental receivable	64,160	
Accrued interest receivable	7,189	
Total		179,825
Accrued interest payable is not due within the current period and therefore is not reported in the funds		(15,641)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	366,566	
General obligation bonds payable	3,750,000	
OSFC loan payable	221,819	
Total		(4,338,385)
Net assets of governmental activities		\$ 27,379,084

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 3,625,585	\$ 597,424	\$ 4,223,009
Tuition.	43,180	-	43,180
Earnings on investments.	175,635	1,879	177,514
Charges for services.	-	241,252	241,252
Extracurricular.	22,626	67,290	89,916
Classroom materials and fees	10,056	23,840	33,896
Other local revenues.	41,381	44,899	86,280
Intergovernmental - Intermediate.	5,687	-	5,687
Intergovernmental - State.	6,386,628	163,458	6,550,086
Intergovernmental - Federal	-	599,510	599,510
Total revenue	<u>10,310,778</u>	<u>1,739,552</u>	<u>12,050,330</u>
Expenditures:			
Current:			
Instruction:			
Regular	4,025,375	213,181	4,238,556
Special.	1,244,153	263,578	1,507,731
Other.	333,387	-	333,387
Support services:			
Pupil.	328,745	84,130	412,875
Instructional staff	290,358	29,810	320,168
Board of education	110,041	-	110,041
Administration.	794,130	19,314	813,444
Fiscal	236,828	4,373	241,201
Business	34,468	61,481	95,949
Operations and maintenance.	1,239,190	165,118	1,404,308
Pupil transportation	307,995	-	307,995
Central.	193,575	39,836	233,411
Food service operations	-	430,660	430,660
Extracurricular activities.	185,147	98,499	283,646
Facilities acquisition and construction	-	608,305	608,305
Debt service:			
Principal retirement	-	451,772	451,772
Interest and fiscal charges	-	198,686	198,686
Total expenditures	<u>9,323,392</u>	<u>2,668,743</u>	<u>11,992,135</u>
Excess of revenues over (under) expenditures	<u>987,386</u>	<u>(929,191)</u>	<u>58,195</u>
Other financing sources:			
Sale of assets	493	-	493
Total other financing sources	<u>493</u>	<u>-</u>	<u>493</u>
Net change in fund balances	987,879	(929,191)	58,688
Fund balances at beginning of year	<u>1,232,245</u>	<u>2,222,723</u>	<u>3,454,968</u>
Fund balances at end of year	<u>\$ 2,220,124</u>	<u>\$ 1,293,532</u>	<u>\$ 3,513,656</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds	\$	58,688
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	\$ 587,774	
Depreciation expense	(819,354)	
Total		(231,580)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	17,412	
Intergovernmental revenue	36,899	
Accrued interest	7,189	
Total		61,500
 Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		451,772
 Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		17,036
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>20,275</u>
Change in net assets of governmental activities	\$	<u>377,691</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 2,519,071	\$ 3,335,176	\$ 3,448,158	\$ 112,982
Tuition.	31,326	41,475	42,880	1,405
Earnings on investments.	131,674	174,332	180,238	5,906
Extracurricular.	16,530	21,885	22,626	741
Classroom materials and fees	7,346	9,727	10,056	329
Other local revenues	29,939	39,638	40,981	1,343
Intergovernmental - Intermediate	4,155	5,501	5,687	186
Intergovernmental - State.	4,665,786	6,177,366	6,386,628	209,262
Total revenue	<u>7,405,827</u>	<u>9,805,100</u>	<u>10,137,254</u>	<u>332,154</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,885,966	3,885,966	3,993,178	(107,212)
Special.	1,180,867	1,180,867	1,213,447	(32,580)
Other.	326,511	326,511	335,519	(9,008)
Support services:				
Pupil.	320,132	320,132	328,964	(8,832)
Instructional staff	301,347	301,347	309,661	(8,314)
Board of education	107,823	107,823	110,798	(2,975)
Administration.	770,365	770,365	791,619	(21,254)
Fiscal	233,118	233,118	239,550	(6,432)
Business	35,513	35,513	36,493	(980)
Operations and maintenance.	1,260,617	1,260,617	1,295,397	(34,780)
Pupil transportation	388,549	388,549	399,269	(10,720)
Central.	186,992	186,992	192,151	(5,159)
Extracurricular activities.	175,272	175,272	180,108	(4,836)
Total expenditures	<u>9,173,072</u>	<u>9,173,072</u>	<u>9,426,154</u>	<u>(253,082)</u>
Excess of revenues over (under) expenditures .	<u>(1,767,245)</u>	<u>632,028</u>	<u>711,100</u>	<u>79,072</u>
Other financing sources (uses):				
Refund of prior year expenditure.	59,487	78,759	81,427	2,668
Refund of prior year (receipts).	(161)	(161)	(165)	(4)
Advances in.	59,540	78,830	81,500	2,670
Advances (out)	-	-	(215,700)	(215,700)
Sale of assets	360	477	493	16
Total other financing sources (uses)	<u>119,226</u>	<u>157,905</u>	<u>(52,445)</u>	<u>(210,350)</u>
Net change in fund balance	(1,648,019)	789,933	658,655	(131,278)
Fund balance at beginning of year.	1,478,079	1,478,079	1,478,079	-
Prior year encumbrances appropriated . .	169,941	169,941	169,941	-
Fund balance at end of year	<u>\$ 1</u>	<u>\$ 2,437,953</u>	<u>\$ 2,306,675</u>	<u>\$ (131,278)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2008

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 24,098
Total assets.	\$ 24,098
Liabilities:	
Accounts payable.	\$ 2,015
Due to students	22,083
Total liabilities	\$ 24,098

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 55 non-certified and 75 (including administrative) certified full-time and part-time employees to provide services to approximately 1,172 students in grades K through 12 and various community groups, which ranks it 436th out of 896 public school districts and community schools in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity”, and as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”. The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the basic 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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.

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 materials and supplies 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.

Metropolitan Dayton Educational Cooperative Association (MDECA)

The District is a participant in MDECA, which is a computer consortium of 25 public school districts within the boundaries of Darke, Greene, Miami, and Montgomery Counties. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The governing board of MDECA consists of one representative from each district plus one representative from the fiscal agent. The District pays MDECA an enrollment based fee for services provided during the year. Financial information is available from Jerry C. Woodyard, Executive Director, at 201 Riverside Drive, Dayton, Ohio 45405.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (c) for grants and other resources whose use is restricted to a particular purpose; and (d) for food service operations.

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. The District has no proprietary funds.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from income taxes is recognized in the period in which the income is earned (see Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue in the governmental funds.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

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

1. Prior to January 15, 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 purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for tax rate determination. The Montgomery County Commissioners waived this requirement for fiscal year 2008.
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 of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2008.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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, the District has elected to present budgetary statement comparisons at the fund and function levels 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. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. 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.
7. Appropriations 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 prior to June 30, 2008; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. 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.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all 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 investments" on the basic financial statements.

During fiscal year 2008, investments were limited to U.S. Treasury Bonds, money market mutual funds and federal agency securities. Investments are reported at fair value, which is based on quoted market prices.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$175,635, which includes \$83,370 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess any infrastructure.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 45 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

I. Interfund Balances

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments 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. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, 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 sick leave on employees expected to become eligible to retire in the future, all employees age 50 or above with 10 or more years of service, or any age with 20 or more years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for debt service, instructional materials, encumbrances, materials and supplies inventory, and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted by State statute for instructional materials and termination benefits.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. The District had no prepayments at June 30, 2008.

O. Estimates

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

P. Restricted Assets

Restricted assets in the general fund represent cash and investments set-aside to establish an instructional materials reserve. This reserve is required by State statute. A schedule of statutory reserves is presented in Note 16.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**NEW LEBANON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Ohio reads	\$ 1
Title VI-B	23,407
Title I	13,622
Class size reduction	11,003

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

C. Compliance

- i.* Ohio Revised Code Section 117.38 requires an annual GAAP report to be filed within one-hundred-fifty days after close of the fiscal year. The fiscal year 2008 report was not filed until February 16, 2009 with the Auditor of State.
- ii.* The District has appropriations over actual resources at fiscal year-end in noncompliance with Ohio Revised Code Section 5705.36(A)(4).
- iii.* The District had appropriations over resources throughout the fiscal year and at fiscal year-end in noncompliance with Ohio Revised Code Sections 5705.36 and 5705.39.
- iv.* The District had expenditures over appropriations at fiscal year-end in noncompliance with Ohio Revised Code Sections 5705.40 and 5705.41(B).

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the 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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$(92,789). A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft due to the “zero-balance” nature of the District’s bank accounts. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2008, \$37,640 of the District’s bank balance of \$175,765 was exposed to custodial risk as discussed below, while \$138,125 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>
U.S Treasury bonds	\$ 105,657	\$ 105,657	\$ -	\$ -	\$ -
FHLB	323,720	181,265	35,580	106,875	-
FHLB discount note	79,772	79,772	-	-	-
FNMA	342,483	190,721	70,974	40,900	39,888
FNMA discount note	34,937	34,937	-	-	-
FHLMC	177,411	30,052	111,912	35,447	-
FHLMC discount note	114,352	114,352	-	-	-
Money market funds	<u>2,803,422</u>	<u>2,803,422</u>	-	-	-
Total	<u>\$ 3,981,754</u>	<u>\$ 3,540,178</u>	<u>\$ 218,466</u>	<u>\$ 183,222</u>	<u>\$ 39,888</u>

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District’s investments were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and U.S. Treasury Bonds are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
U.S Treasury bonds	\$ 105,657	2.65
FHLB	323,720	8.13
FHLB - discount note	79,772	2.00
FNMA	342,483	8.60
FNMA - discount note	34,937	0.88
FHLMC	177,411	4.46
FHLMC- discount note	114,352	2.87
Money market funds	<u>2,803,422</u>	<u>70.41</u>
Total	<u>\$ 3,981,754</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (92,789)
Investments	<u>3,981,754</u>
Total	<u>\$ 3,888,965</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,864,867
Agency fund	<u>24,098</u>
Total	<u>\$ 3,888,965</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances consist of the following interfund loans receivable and payable, as reported on the fund financial statements at June 30, 2008.

<u>Interfund loans receivable</u>	<u>Interfund loans payable</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 215,700

The primary purpose of these interfund loans is to cover costs in specific funds where revenues were not received by June 30. These interfund loans will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2008 are reported on the statement of net assets.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available as an advance at June 30, 2008 was \$170,529 in the general fund, \$27,973 in the debt service fund, (a nonmajor governmental fund), \$18,876 in the permanent improvement fund, (a nonmajor governmental fund) and \$3,039 in the classroom facilities maintenance fund, a nonmajor governmental fund. These amounts have been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$126,863 in the general fund, \$20,812 in the debt service fund, (a nonmajor governmental fund), \$14,043 in the permanent improvement fund, (a nonmajor governmental fund) and \$2,261 in the classroom facilities maintenance fund, (a nonmajor governmental fund).

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 101,515,440	96.22	\$ 101,803,190	96.49
Public utility personal	3,262,140	3.09	2,878,920	2.73
Tangible personal property	<u>730,182</u>	<u>0.69</u>	<u>824,625</u>	<u>0.78</u>
Total	<u>\$ 105,507,762</u>	<u>100.00</u>	<u>\$ 105,506,735</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$45.45		\$45.45	
Permanent improvement	2.80		2.80	
Debt service	3.77		3.77	

NOTE 7 - INCOME TAX

The District levies a voted tax of 1.25% for general obligations on the income of residents and of estates. An income tax of .75% was effective January 1, 1998 and was renewed in May 2005. The District passed an additional .5% income tax in November 2005. 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 \$1,512,866 for fiscal year 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accrued interest, accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 3,292,980
Accounts	859
Intergovernmental	266,501
Accrued interest	<u>15,524</u>
Total	<u>\$ 3,575,864</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected with the subsequent year.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>6/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/08</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 35,490	\$ -	\$ -	\$ 35,490
Construction in progress	<u>115,666</u>	<u>506,009</u>	<u>(621,675)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>151,156</u>	<u>506,009</u>	<u>(621,675)</u>	<u>35,490</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	386,224	654,590	-	1,040,814
Buildings and improvements	28,995,428	-	-	28,995,428
Furniture and equipment	1,973,669	48,850	-	2,022,519
Vehicles	<u>1,054,945</u>	<u>-</u>	<u>-</u>	<u>1,054,945</u>
Total capital assets, being depreciated	<u>32,410,266</u>	<u>703,440</u>	<u>-</u>	<u>33,113,706</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(296,276)	(27,042)	-	(323,318)
Buildings and improvements	(2,066,868)	(579,908)	-	(2,646,776)
Furniture and equipment	(1,082,265)	(161,370)	-	(1,243,635)
Vehicles	<u>(844,804)</u>	<u>(51,034)</u>	<u>-</u>	<u>(895,838)</u>
Total accumulated depreciation	<u>(4,290,213)</u>	<u>(819,354)</u>	<u>-</u>	<u>(5,109,567)</u>
Governmental activities capital assets, net	<u>\$ 28,271,209</u>	<u>\$ 390,095</u>	<u>\$ (621,675)</u>	<u>\$ 28,039,629</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 340,586
Special	52,192
<u>Support services:</u>	
Instructional staff	49,466
Administration	59,519
Fiscal	2,784
Operations and maintenance	36,194
Pupil transportation	56,410
Extracurricular activities	143,405
Food service operations	<u>78,798</u>
Total depreciation expense	<u><u>\$ 819,354</u></u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. Bonds and Loans Payable

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). These bonds are a general obligation of the District, for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these bonds are recorded as an expenditure in the debt service fund, (a nonmajor governmental fund). The source of payment is derived from a current 3.77 (average) mil bonded debt tax levy.

In conjunction with the 3.77 mils which support the bond issue, the District also passed in fiscal year 2001 a .5 mil levy to ultimately fund the maintenance costs of the new facility. Tax revenue from this levy has been reported in the classroom facilities maintenance fund, (a nonmajor governmental fund).

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. Payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund, (a nonmajor governmental fund). The source of payment is derived from a current 1.35 mil bonded debt tax levy.

During fiscal year 2005, the District received a loan from the Ohio School Facilities Commission (OSFC). This loan is a general obligation of the District, for which the District's full faith and credit are pledged for repayment. The loan is interest free and principal payments relating to this loan are recorded as expenditures in the permanent improvement fund, (a nonmajor governmental fund). The District made \$261,772 in principal payments during fiscal year 2008. As of June 30, 2008, \$1,268,907 of total loan proceeds of \$1,308,861 has been received by the District. A portion of the principal has been paid down in fiscal years 2006, 2007 and 2008. The final principal payment in the amount of \$221,819 is expected to be made in fiscal year 2009.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a description of the District's bonds and loans outstanding as of June 30, 2008:

Purpose	Interest Rate	Issue Date	Maturity Date	Balance			Balance Outstanding 6/30/08	Amounts Due in One Year
				Outstanding 6/30/07	Additions	Reductions		
Facilities improvement	5.080%	04/01/01	12/01/23	\$ 3,760,000	\$ -	\$ (145,000)	\$ 3,615,000	\$ 155,000
Building renovations	6.875%	01/01/87	12/01/10	180,000	-	(45,000)	135,000	45,000
OSFC loan	N/A	06/10/05	06/10/10	483,591	-	(261,772)	221,819	221,819
Total bonds and loans outstanding				<u>\$ 4,423,591</u>	<u>\$ -</u>	<u>\$ (451,772)</u>	<u>\$ 3,971,819</u>	<u>\$ 421,819</u>

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

Fiscal Year Ending June 30,	General Obligation Series 1987 Building Renovation			General Obligation Series 2001 Facilities Improvement		
	Principal	Interest	Total	Principal	Interest	Total
	2009	\$ 45,000	\$ 7,734	\$ 52,734	\$ 155,000	\$ 123,257
2010	45,000	4,641	49,641	160,000	118,916	278,916
2011	45,000	1,547	46,547	165,000	114,330	279,330
2012	-	-	-	175,000	109,490	284,490
2013	-	-	-	180,000	104,240	284,240
2014 - 2018	-	-	-	1,075,000	413,766	1,488,766
2019 - 2023	-	-	-	1,385,000	199,670	1,584,670
2024	-	-	-	320,000	10,933	330,933
Total	<u>\$ 135,000</u>	<u>\$ 13,922</u>	<u>\$ 148,922</u>	<u>\$ 3,615,000</u>	<u>\$ 1,194,602</u>	<u>\$ 4,809,602</u>

C. During the year ended June 30, 2008, the following changes occurred in long-term liabilities.

	Balance Outstanding 6/30/07			Balance Outstanding 6/30/08		
	Outstanding 6/30/07	Additions	Reductions	Outstanding 6/30/08	Amounts Due in One Year	
Governmental activities:						
Compensated absences	\$ 386,841	\$ 51,947	\$ (72,222)	\$ 366,566	\$ 33,812	
General obligation bonds	3,940,000	-	(190,000)	3,750,000	200,000	
OSFC loan	483,591	-	(261,772)	221,819	221,819	
Total long-term obligations, governmental activities	<u>\$ 4,810,432</u>	<u>\$ 51,947</u>	<u>\$ (523,994)</u>	<u>\$ 4,338,385</u>	<u>\$ 455,631</u>	

Compensated absences will be paid from the general fund and the termination benefits fund, (a nonmajor governmental fund).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the 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 additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$6,026,029 (including available funds of \$354,639) and an unvoted debt margin of \$104,682.

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 2008, The District purchased from the Hylant Group (through the Ohio School Plan) 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 year 2007.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent 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 2008, 9.16 percent 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$121,265, \$129,460 and \$116,960, respectively; 50.00 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 12 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$577,902, \$575,319 and \$556,171, respectively; 82.67 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$12,594 made by the District and \$12,736 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$74,383, \$60,882 and \$67,152, respectively; 50.00 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$8,737, \$8,803 and \$9,309, respectively; 50.00 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$44,454, \$44,255 and \$42,782 respectively; 82.67 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 14 - 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 statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses 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, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Advance-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ 658,655
Net adjustment for revenue accruals	173,524
Net adjustment for expenditure accruals	(99,466)
Net adjustment for other sources/uses	52,938
Adjustment for encumbrances	<u>202,228</u>
GAAP basis	<u><u>\$ 987,879</u></u>

NOTE 15 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 16 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Maintenance</u>
Set-aside balance as of June 30, 2007	\$ 66,879	\$ (4,971,605)
Current year set-aside requirement	174,949	174,949
Current year offsets	-	(221,646)
Qualifying disbursements	<u>(221,212)</u>	<u>(38,798)</u>
Total	<u>\$ 20,616</u>	<u>\$ (5,057,100)</u>
Balance carried forward to FY 2009	<u>\$ 20,616</u>	<u>\$ (4,971,605)</u>

In prior years, the District issued bonds for the District's share of construction and renovation costs associated with the Ohio School Facilities Commission Project. These proceeds may be used to reduce the capital maintenance requirement below zero for future years. Therefore, this negative amount is presented as being carried forward to future fiscal years.

A schedule of the restricted assets at June 30, 2008 follows:

Amounts restricted for textbooks/instructional materials	<u>\$ 20,616</u>
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NOTE 17 - SIGNIFICANT SUBSEQUENT EVENT

Kimberly DeWeese became Treasurer for the District effective December 8, 2008.

SUPPLEMENTARY DATA

NEW LEBANON LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(C) Food Donation	10.550	2008	\$ 22,673	\$ 22,673
Total Food Donation			<u>22,673</u>	<u>22,673</u>
Nutrition Cluster:				
(D)(E) School Breakfast Program	10.553	2008	21,989	21,989
Total School Breakfast Program			<u>21,989</u>	<u>21,989</u>
(D)(E) National School Lunch Program	10.555	2008	143,398	143,398
Total National School Lunch Program			<u>143,398</u>	<u>143,398</u>
Total Nutrition Cluster			<u>165,387</u>	<u>165,387</u>
Total U.S. Department of Agriculture			<u>188,060</u>	<u>188,060</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(G) Title I Grants to Local Educational Agencies	84.010	2007	(1,385)	-
(G) Title I Grants to Local Educational Agencies	84.010	2007	2,427	2,427
Title I Grants to Local Educational Agencies	84.010	2008	47,014	70,902
Title I Grants to Local Educational Agencies	84.010	2008	28,273	83,523
Total Title I Grants to Local Educational Agencies			<u>76,329</u>	<u>156,852</u>
Special Education Cluster:				
(F) Special Education_Grants to States	84.027	2008	112,854	229,766
Total Special Education_Grants to States			<u>112,854</u>	<u>229,766</u>
(F)(G) Special Education_Preschool Grants	84.173	2007	(562)	-
(F)(G) Special Education_Preschool Grants	84.173	2008	672	1,598
Total Special Education_Preschool Grants			<u>110</u>	<u>1,598</u>
Total Special Education Cluster			<u>112,964</u>	<u>231,364</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2008	3,337	3,089
Total Safe and Drug-Free Schools and Communities_State Grants			<u>3,337</u>	<u>3,089</u>
(G) State Grants for Innovative Programs	84.298	2007	(598)	-
(G) State Grants for Innovative Programs	84.298	2008	4,573	4,546
Total State Grants for Innovative Programs			<u>3,975</u>	<u>4,546</u>
(G) Education Technology State Grants	84.318	2007	(389)	-
(G) Education Technology State Grants	84.318	2008	478	593
Total Education Technology State Grants			<u>89</u>	<u>593</u>
(G) Improving Teacher Quality State Grants	84.367	2007	(9,891)	-
(G) Improving Teacher Quality State Grants	84.367	2008	15,430	20,476
Total Improving Teacher Quality State Grants			<u>5,539</u>	<u>20,476</u>
Total U.S. Department of Education			<u>202,233</u>	<u>416,920</u>
Total Federal Financial Assistance			<u>\$ 390,293</u>	<u>\$ 604,980</u>

**NEW LEBANON LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

- (A) OAKS did not assign pass through numbers for fiscal year 2008.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (F) Included as part of "Special Education Cluster" in determining major programs.
- (G) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2008, the ODE authorized the following transfers:

Program Title	CFDA Number	Grant Year	Transfers Out	Transfers In
Title I Grants to Local Educational Agencies	84.010	2007	\$ 1,385	
Title I Grants to Local Educational Agencies	84.010	2008		\$ 1,385
Special Education_Preschool Grants	84.173	2007	562	
Special Education_Preschool Grants	84.173	2008		562
State Grants for Innovative Programs	84.298	2007	598	
State Grants for Innovative Programs	84.298	2008		598
Education Technology State Grants	84.318	2007	389	
Education Technology State Grants	84.318	2008		389
Improving Teacher Quality State Grants	84.367	2007	9,891	
Improving Teacher Quality State Grants	84.367	2008		9,891
Totals			<u>\$ 12,825</u>	<u>\$ 12,825</u>



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**Report on Internal Control Over Financial Reporting and On Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Education
New Lebanon Local School District
320 South Fuls Road
New Lebanon, Ohio 45345

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of New Lebanon Local School District, Montgomery County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise New Lebanon Local School District's basic financial statements and have issued our report thereon dated February 25, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Lebanon Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Lebanon Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of New Lebanon Local School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects New Lebanon Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of New Lebanon Local School District's financial statements that is more than inconsequential will not be prevented or detected by New Lebanon Local School District's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting as 2008-NLLSD-001.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by New Lebanon Local School District's internal control.

Board of Education
New Lebanon Local School District

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

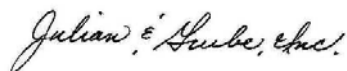
Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Lebanon Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 six instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as items 2008-NLLSD-001, 2008-NLLSD-002, 2008-NLLSD-003, 2008-NLLSD-004, 2008-NLLSD-005 and 2008-NLLSD-006.

We noted certain matters that we reported to the management of New Lebanon Local School District in a separate letter dated February 25, 2009.

New Lebanon Local School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit New Lebanon Local School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management and Board of Education of 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.



Julian & Grube, Inc.
February 25, 2009



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Board of Education
New Lebanon Local School District
320 South Fuls Road
New Lebanon, Ohio 45345

Compliance

We have audited the compliance of New Lebanon Local School District, Montgomery County, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that is applicable to its major federal program for the fiscal year ended June 30, 2008. 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 and responses. 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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.

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, 2008.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of New Lebanon Local School District's internal control over compliance.

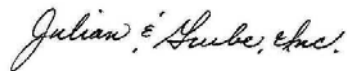
Board of Education
New Lebanon Local School District

A control deficiency in New Lebanon Local School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects New Lebanon Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by New Lebanon Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by New Lebanon Local School District's internal control.

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

This report is intended for the information and use of management and Board of Education of 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.



Julian & Grube, Inc.
February 25, 2009

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Special Education Cluster: Special Education - Grants to States - CFDA #84.027, Special Education - Preschool Grants - CFDA #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**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2008-NLLSD-001

Significant Deficiency/Noncompliance

The District is in noncompliance with Ohio Revised Code Section 117.38 which requires the annual GAAP report to be filed within one hundred fifty days after the close of the fiscal year. The District consults with a firm to prepare its financial statements; however, the fiscal year 2008 financial report was not filed until February 16, 2009 with the Auditor of State.

The District's Treasurer was placed on administrative leave effective August 25, 2008 through February 23, 2009 and then resigned effective February 23, 2009. At the time of the effective date of separation, the District hired an Interim Treasurer. Before the former Treasurer's departure, he received Board approval to file the District's financial statements on the cash basis of reporting not in accordance with Generally Accepted Accounting Principles (GAAP). The Interim Treasurer suggested that the audit of the financial statements not take place until a new Treasurer was hired. On December 8, 2008, the District hired a new Treasurer. The new Treasurer was informed that the financial statements were not going to be completed in accordance with GAAP, at which time she sought approval from the Board to correct this matter. Once approved, the Treasurer submitted all necessary documents to the preparers of the financial statements to complete them and file them with the Auditor of State's office per requirement of the Ohio Revised Code and in accordance with GAAP.

We recommend the District management take a more active role in overseeing the timeliness of the financial reporting process. This may require providing information to the consultants shortly after fiscal year end in order to help facilitate a more timely accurate financial report.

Client's Response: The Treasurer is aware of the requirements and will ensure the report will be more timely for 2009.

Finding Number	2008-NLLSD-002
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Ohio Revised Code Section 5705.36 (A)(4) states that upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify an amended certificate reflecting the deficiency.

At fiscal year end, the District had appropriations greater than actual resources, which consist of actual revenues, beginning fund balance and prior year encumbrances appropriated in the following funds:

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2008-NLLSD-002 - (Continued)

<u>Nonmajor Funds</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Public School Support	\$ 118,571	\$ 143,072	\$ 24,501
Termination Benefits	124,512	159,512	35,000
Improving Teacher Quality Grant	10,715	27,958	17,243

By appropriating more funds than actual resources, the District is at risk of spending more money than is available, this may result in negative fund balances.

We recommend that the District monitor appropriations in comparison to actual resources and obtain decreased amended appropriations as needed. Further guidance may be found in Auditor of State bulletin 97-010.

Client Response: The Treasurer will attempt to prepare modifications to amend certificates throughout the fiscal year and certify them to the County Auditor more timely.

Finding Number	2008-NLLSD-003
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Ohio Revised Code Section 5705.36 in part requires that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

The District had appropriations exceeding estimated resources and thus did not request timely amended certificates throughout the year and at fiscal year end June 30, 2008.

With appropriations exceeding estimated resources the District is appropriating monies that are not in the treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the District comply with the Ohio Revised Code 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.

Client Response: The District Treasurer will attempt to prepare modifications to amended certificates throughout the year and certify them to the County Auditor.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2008-NLLSD-004

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources.

The District had appropriations exceeding the total estimated resources in the following funds:

<u>September 30, 2007</u>		<u>Estimated</u>	
<u>Nonmajor Fund</u>	<u>Appropriations</u>	<u>Resources</u>	<u>Excess</u>
Permanent Improvement	\$ 456,508	\$ 193,934	\$ 262,574
 <u>June 30, 2008</u>			
<u>Nonmajor Funds</u>			
Permanent Improvement	553,098	193,934	359,164
Food Service	435,410	371,994	63,416
Uniform Supplies	104,535	75,341	29,194
Public School	129,205	123,257	5,948
Termination Benefits	159,512	154,512	5,000
District Managed Student Activity	140,931	27,382	113,549
Auxiliary Service	94,178	8,170	86,008
Management Information Systems	6,300	6,000	300
SchoolNet Professional Development	8,061	5,360	2,701
Ohio Reads	9,154	-	9,154
Poverty Based Assistance	17,540	10,040	7,500
Miscellaneous State Grants	36,943	4,889	32,054
Title V	4,963	3,899	1,064
Safe and Drug Free School Grant	5,004	4,448	556
Improving Teacher Quality	27,958	27,603	355
Miscellaneous Federal Grants	1,277	1,002	275

With appropriations exceeding estimated resources the District is appropriating monies that are not in the treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the District comply with the Ohio Revised Code 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.

Client Response: The District Treasurer is attempting to prepare modifications to amended certificates throughout the year and certify them to the County Auditor.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2008-NLLSD-005

Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by Board resolution and comply with the same provisions of the law as used in making the original appropriations.

The District did not timely modify its appropriations throughout the fiscal year.

By not timely and properly modifying the District's appropriations, the District is not adequately monitoring its expenditures versus appropriations. This may result in appropriating monies in excess of estimated resources, and having expenditures exceed appropriations, and possibly, fund deficits.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring its budgetary process on a regular basis and approving amendments as necessary. We recommend that the Board adopt accounting policies for amending appropriations and include these policies in the Board's accounting policies and procedures manual, consider reviewing estimated resources and appropriations and expenditures versus appropriations on a monthly basis, and certify amendments to the Board of Commissioners as necessary. We recommend the Board utilize its accounting software or a spreadsheet to help monitor the budget.

Client Response: The District will more closely monitor its expenditures versus approved appropriations throughout the fiscal year and obtain additional approved modifications as necessary.

Finding Number	2008-NLLSD-006
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Ohio Revised Code Section 5705.41(B) in part requires that expenditures shall not exceed appropriations.

The District had expenditures in excess of appropriations at June 30, 2008 in the following funds:

<u>June 30, 2008</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Major Fund</u>			
General	\$ 9,173,233	\$ 9,426,319	\$ 253,086
<u>Nonmajor Funds</u>			
Other Grant Funds	-	17,748	17,748
Miscellaneous State Grants	36,943	39,365	2,422
Title I	103,716	190,420	86,704

With expenditures exceeding appropriations, the District is expending monies that have not been appropriated and approved by the Board. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

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 appropriations on a more continual basis.

Client Response: The Treasurer will modify its appropriations as needed to be in compliance and monitor the expenditures on a regular basis.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

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
APRIL 14, 2009**