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## **Lebanon City School District**

Basic Financial Statements

Year Ended June 30, 2012

with Independent Auditors' Report





# Dave Yost • Auditor of State

Board of Education  
Lebanon City School District  
700 Holbrook Ave  
Lebanon, Ohio 45036

We have reviewed the *Independent Auditors' Report* of the Lebanon City School District, Warren County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2011 through June 30, 2012. 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 Lebanon City School District is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

April 3, 2013

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## TABLE OF CONTENTS

Independent Auditors' Report .....	1 - 2
Management's Discussion and Analysis .....	3 - 9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – Modified Cash Basis.....	10
Statement of Activities – Modified Cash Basis.....	11
Fund Financial Statements:	
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds .....	12
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances - Governmental Funds .....	13
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – General Fund .....	14
Statement of Fiduciary Net Assets – Modified Cash Basis – Fiduciary Funds .....	15
Statement of Changes in Fiduciary Net Assets – Modified Cash Basis – Fiduciary Fund .....	16
Notes to the Basic Financial Statements .....	17 - 35
Additional Information:	
Schedule of Expenditures of Federal Awards .....	36
Schedule of Prior Audit Findings .....	37
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	38 - 39
Report on Compliance with Requirements That Could Have a Direct And Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	40 - 41
Schedule of Findings and Questioned Costs .....	42 - 43

## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Lebanon City School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lebanon City School District (the School District) as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 *Governmental 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 the 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.

Ohio Administrative Code Section 117-02-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on the modified cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lebanon City School District as of June 30, 2012, and the respective changes in modified cash basis financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2012 on our consideration of the 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 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Clark, Schaefer, Hackett & Co.*

Dayton, Ohio  
December 27, 2012

**Lebanon City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2012**  
**Unaudited**

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The Lebanon City School District is presenting the following discussion and analysis in order to provide an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The discussion and analysis is within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

- ❑ In total, net assets increased by \$5,050,173 or 46.95%.
- ❑ General receipts accounted for \$50,512,069 in revenue or 89.08% of all revenues. Program specific receipts in the form of charges for services and sales, grants and contributions accounted for \$6,190,099 or 10.92% of total revenues of \$56,702,168.
- ❑ The District had \$51,651,995 in cash disbursements to governmental activities; only \$6,190,099 of these expenses was offset by program specific charges for services, grants or contributions. General receipts (primarily property taxes and entitlements) of \$50,512,069 were also used to provide for these services.
- ❑ Among major funds, the general fund had \$42,736,289 in receipts and \$42,221,482 in disbursements. The general fund's fund balance increased \$317,387 from fiscal year 2011 to a fund balance of \$7,456,071 at June 30, 2012.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's modified cash basis of accounting.

**Report Components**

The *Statement of Net Assets - Modified Cash Basis and Statement of Activities - Modified Cash Basis* provide information about the cash activities of the District as a whole. Fund financial statements provide the next level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Lebanon City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2012**  
**Unaudited**

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**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the District as a Whole**

The *Statement of Net Assets - Modified Cash Basis* and the *Statement of Activities - Modified Cash Basis* reflect how the District performed financially during 2012, within the limitations of modified cash basis accounting. The *Statement of Net Assets - Modified Cash Basis* presents the cash balances and investments of the governmental activities of the District at year-end. The *Statement of Activities - Modified Cash Basis* compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, the reader can utilize these statements as one measure of the District's financial condition. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial condition is improving or deteriorating. When evaluating the District's financial condition, the reader should also consider other nonfinancial factors as well, such as the District's property tax base, the condition of the District's capital assets, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the *Statement of Net Assets - Modified Cash Basis* and the *Statement of Activities - Modified Cash Basis*, all of the District's programs and services are reported as Governmental Activities.

**Lebanon City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2012**  
**Unaudited**

**Reporting the District's Most Significant Funds**

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's major funds.

**Governmental Funds** – 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 fiscal year-end available for spending in future periods. These funds are reported on a modified cash basis. The governmental fund statements provide a detailed short-term view of the District's general governmental 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.

**Fiduciary Funds** – The District maintains two fiduciary funds, an agency fund and a private purpose trust fund. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations.

**The District as a Whole**

The Statement of Net Assets - Modified Cash Basis provides the perspective of the District as a whole. Table 1 below provides a summary of the District's net assets for 2012 and 2011:

(Table 1)  
**Net Assets**

	Governmental Activities		% of Change
	2012	2011	
<b>Assets</b>			
Cash and Investments	\$15,806,119	\$10,218,431	54.68%
Restricted Cash	0	537,515	-100.00%
<b>Total Assets</b>	<b>\$15,806,119</b>	<b>\$10,755,946</b>	<b>46.95%</b>
<b>Restricted</b>			
Other Purposes	\$1,345,203	\$1,476,498	-8.89%
Set Asides	0	537,515	-100.00%
Debt Service	2,246,823	1,333,722	68.46%
Capital Projects	4,426,892	954,545	363.77%
Unrestricted	7,787,201	6,453,666	20.66%
<b>Total Net Assets</b>	<b>\$15,806,119</b>	<b>\$10,755,946</b>	<b>46.95%</b>

Total assets increased by \$5,050,173. The increase can be attributed in part to the issuance of tax exempt bonds and qualified school construction bonds in relation to House Bill 264.

**Lebanon City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2012**  
**Unaudited**

Table 2 demonstrates the changes in net assets for fiscal year 2012. The District experienced a 32.63% increase in operating grants, interest and contributions due to the education jobs fund that the District received during fiscal year 2012. The District also experienced a 7.77% increase in total general receipts during 2012 due to the issuance of the House Bill 264 Bonds.

(Table 2)  
**Change in Net Assets**

	Governmental Activities		% of
	2012	2011	Change
<b>Revenues</b>			
Program Receipts:			
Charges for Services	\$2,313,599	\$2,170,933	6.57%
Operating Grants, Interest and Contributions	3,876,500	2,922,777	32.63%
Total Program Receipts	6,190,099	5,093,710	21.52%
General Receipts:			
Property Taxes			
General Purposes	21,079,056	18,966,562	11.14%
Debt Service	3,690,920	3,675,197	0.43%
Capital Projects	1,018,453	1,002,002	1.64%
Grants and Entitlements not Restricted to			
Specific Programs	20,916,224	22,332,618	-6.34%
Revenue in Lieu of Taxes	148,744	302,886	-50.89%
Bonds Issued	3,370,000	0	100.00%
Premium on Bonds Issued	22,630	0	100.00%
Interest	15,757	23,441	-32.78%
Gifts and Donations	62,567	30,931	102.28%
Miscellaneous	194,139	537,226	-63.86%
Advances	(6,421)	0	100.00%
Total General Receipts	50,512,069	46,870,863	7.77%
Total All Receipts	\$56,702,168	\$51,964,573	9.12%

(Continued)

Expenditures decreased by \$1,051,827 or 2.00% from 2011. The decrease can be primarily attributed to the decrease in the amount of debt payments that the District had to make in fiscal year 2012. There was also no base line increase in salaries or any step increases other than educational level changes.

**Lebanon City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2012**  
**Unaudited**

(Table 2)  
**Change in Net Assets**  
(Continued)

	Governmental Activities		% of Change
	2012	2011	
<b>Cash Disbursements</b>			
Instruction			
Regular	\$18,913,618	\$19,131,610	-1.14%
Special	3,910,257	4,077,155	-4.09%
Vocational	29,914	52,043	-42.52%
Other	3,589,700	3,072,837	16.82%
Support Services			
Pupils	2,174,471	2,047,993	6.18%
Instructional Staff	2,426,570	2,390,692	1.50%
Board of Education	41,998	50,029	-16.05%
Administration	3,633,340	3,514,071	3.39%
Fiscal	1,197,013	1,203,557	-0.54%
Business	128	0	100.00%
Operation of Maintenance of Plant	3,573,126	3,717,026	-3.87%
Pupil Transportation	4,519,024	4,696,602	-3.78%
Central	284,465	267,334	6.41%
Operating of Non-Instructional Services	1,961,503	1,964,912	-0.17%
Extracurricular Activities	1,043,845	1,089,106	-4.16%
Capital Outlay	286,949	250,132	14.72%
Debt Service	4,066,074	5,172,171	-21.39%
Intergovernmental	0	6,552	-100.00%
Total Cash Disbursements	51,651,995	52,703,822	-2.00%
Change in Net Assets	\$5,050,173	(\$739,249)	-783.15%

**Governmental Activities**

The District receives 45.48% of its receipts from property taxes and 36.89% from grants and entitlements. The balance of receipts received, or 17.63%, is in the form of program receipts, investment income, gifts and donations, and miscellaneous items.

Disbursements for instruction represent 51.20% of the total governmental disbursements. Support services represent 34.56% of the total disbursements. The remaining 14.24% of expenses are attributed to food services, community services, extracurricular activities, capital outlay and debt service.

**Lebanon City School District, Ohio**  
**Management's Discussion and Analysis**  
**June 30, 2012**  
**Unaudited**

The Statement of Activities - Modified Cash Basis demonstrates the cost of program services and the charges for services and grants offsetting those services. In Table 3, the total cost of services and the net cost of services are presented. The table identifies the cost of services supported by tax revenues and unrestricted State entitlements.

(Table 3)

**Governmental Activities**

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011	% of Change in Net Cost
Instruction	\$26,443,489	23,314,783	\$26,333,645	24,102,334	-3.27%
Support Services	17,850,135	17,441,467	17,887,304	17,571,932	-0.74%
Operation of Non-Instructional Services	1,961,503	(106,075)	1,964,912	(131,065)	-19.07%
Extracurricular Activities	1,043,845	458,698	1,089,106	638,056	-28.11%
Capital Outlay	286,949	286,949	250,132	250,132	14.72%
Debt Service	4,066,074	4,066,074	5,172,171	5,172,171	-21.39%
Intergovernmental	0	0	6,552	6,552	-100.00%
Total Cash Disbursements	\$51,651,995	\$45,461,896	\$52,703,822	\$47,610,112	-4.51%

**The District's Funds**

Total governmental funds had receipts of \$53,304,093 and disbursements of \$51,651,995. The fund balance of the general fund increased \$317,387. The fund balance of the debt service fund increased by \$913,101, the fund balance of the building capital projects fund increased \$3,300,096, while the other governmental funds balances increased by \$519,589. The increase in the debt service fund was due to less debt payments being due in fiscal year 2012 compared to fiscal year 2011. The increase in the building capital projects fund was due to the issue of the Energy Conservation Bonds and Qualified School Construction Bonds.

**General Fund Budget 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. During the course of fiscal 2012, the District revised its budget to accommodate changes in expected revenues and planned expenditures.

**Lebanon City School District, Ohio  
Management's Discussion and Analysis  
June 30, 2012  
Unaudited**

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**Capital Assets and Debt Administration**

**Capital Assets**

The District does not currently present its capital assets on its financial statements. The District still maintains capital asset records in the event the District elects to present its financial statements in accordance with generally accepted accounting principles in future fiscal years.

**Debt**

As of June 30, 2012, the District had the following outstanding debt: \$35,139,924 in general obligation bonds issued for new construction and improvements, \$3,357,000 in capital leases for facilities and equipment, \$3,015,000 in tax exempt qualified school construction bonds and \$280,000 in tax exempt energy conservation bonds for a total of \$41,791,924. The tax exempt qualified school construction bonds and tax exempt energy conservation bonds were issued in September, 2011. At June 30, 2012, the District's overall legal debt limitation was \$39,005,670, and the unvoted debt margin was \$798,875. The District currently has bond ratings of AA- from Standard & Poor's and Aa3 from Moody's Investor Services. Further information regarding the District's debt can be found in Note 9 to the basic financial statements.

**The Future of Lebanon City School District**

In November 2011, the voters passed a five-year 3.78 mill operating levy. The passage of this levy was critical for the District to sustain the staff, services and programs that the District has without requiring another three million dollars in cuts. Citizens, community members and taxpayers of the District can obtain a five-year forecast and the accompanying assumptions at [www.lebanon.k12.oh.us/finance](http://www.lebanon.k12.oh.us/finance) which provides additional detail regarding the financial outlook.

**District Contact Information**

This financial report is available to all of the citizens, taxpayers, investors and creditors that may have an interest in the finances of the Lebanon City School District. Anyone having questions regarding this report or desiring additional information may contact (Paul) Eric Sotzing, Treasurer at Lebanon City Schools, 700 Holbrook Avenue, Lebanon, OH 45036, by phone at 513-934-5790 or by email at [Sotzing.Eric@lebanon.k12.oh.us](mailto:Sotzing.Eric@lebanon.k12.oh.us).

**Lebanon City School District, Ohio**  
**Statement of Net Assets - Modified Cash Basis**  
**June 30, 2012**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$15,806,119</u>
 Total Assets	 <u><u>\$15,806,119</u></u>
 Net Assets:	
Restricted for:	
Other Purposes	\$1,345,203
Debt Service	2,246,823
Capital Projects	4,426,892
Unrestricted	<u>7,787,201</u>
 Total Net Assets	 <u><u>\$15,806,119</u></u>

See Accompanying Notes to the Basic Financial Statements

**Lebanon City School District, Ohio**  
**Statement of Activities - Modified Cash Basis**  
**For the Fiscal Year Ended June 30, 2012**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants, Interest and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$18,913,618	\$0	\$963,530	(\$17,950,088)
Special	3,910,257	0	1,177,478	(2,732,779)
Vocational	29,914	0	44,709	14,795
Other	3,589,700	589,160	353,829	(2,646,711)
Support Services:				
Pupils	2,174,471	0	6,719	(2,167,752)
Instructional Staff	2,426,570	0	147,041	(2,279,529)
Board of Education	41,998	0	0	(41,998)
Administration	3,633,340	0	54,884	(3,578,456)
Fiscal	1,197,013	0	0	(1,197,013)
Business	128	0	0	(128)
Operation and Maintenance of Plant	3,573,126	83,763	0	(3,489,363)
Pupil Transportation	4,519,024	0	105,461	(4,413,563)
Central	284,465	0	10,800	(273,665)
Operation of Non-Instructional Services	1,961,503	1,065,691	1,001,887	106,075
Extracurricular Activities	1,043,845	574,985	10,162	(458,698)
Capital Outlay	286,949	0	0	(286,949)
Debt Service	4,066,074	0	0	(4,066,074)
<b>Total Governmental Activities</b>	<b>\$51,651,995</b>	<b>\$2,313,599</b>	<b>\$3,876,500</b>	<b>(45,461,896)</b>

**General Receipts:**

Property Taxes Levied for:

General Purposes	21,079,056
Debt Service	3,690,920
Capital Outlay	1,018,453
Grants and Entitlements not Restricted to Specific Programs	20,916,224
Payment in Lieu of Taxes	148,744
Bonds Issued	3,370,000
Premium on Bonds Issued	22,630
Interest	15,757
Gifts and Donations	62,567
Miscellaneous	194,139
Advances	(6,421)
<b>Total General Receipts</b>	<b>50,512,069</b>

Change in Net Assets 5,050,173

Net Assets Beginning of Year 10,755,946

Net Assets End of Year \$15,806,119

See Accompanying Notes to the Basic Financial Statements

**Lebanon City School District, Ohio**  
**Statement of Modified Cash Basis Assets and Fund Balances**  
**Governmental Funds**  
**June 30, 2012**

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>BUILDING FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Assets:					
Equity in Pooled Cash and Investments	\$7,456,071	\$2,246,823	\$3,343,399	\$2,759,826	\$15,806,119
Total Assets	<u>\$7,456,071</u>	<u>\$2,246,823</u>	<u>\$3,343,399</u>	<u>\$2,759,826</u>	<u>\$15,806,119</u>
Fund Balances:					
Restricted	\$15,249	\$2,246,823	\$3,343,399	\$2,413,447	\$8,018,918
Committed	0	0	0	346,379	346,379
Assigned	777,951	0	0	0	777,951
Unassigned	<u>6,662,871</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,662,871</u>
Total Fund Balances	<u>\$7,456,071</u>	<u>\$2,246,823</u>	<u>\$3,343,399</u>	<u>\$2,759,826</u>	<u>\$15,806,119</u>

See Accompanying Notes to the Basic Financial Statements

**Lebanon City School District, Ohio**  
**Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2012**

	GENERAL	DEBT SERVICE	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Receipts:					
Property and Other Taxes	\$21,079,056	\$3,690,920	\$0	\$1,018,453	\$25,788,429
Intergovernmental	20,275,193	490,889	0	4,006,312	24,772,394
Interest	14,504	749	113	559	15,925
Tuition and Fees	589,160	0	0	0	589,160
Rent	83,763	0	0	100	83,863
Extracurricular Activities	308,293	0	0	249,498	557,791
Gifts and Donations	62,384	0	0	16,567	78,951
Charges for Services	17,919	0	0	1,089,866	1,107,785
Payment in Lieu of Taxes	148,744	0	0	0	148,744
Miscellaneous	157,273	0	0	3,778	161,051
<b>Total Receipts</b>	<b>42,736,289</b>	<b>4,182,558</b>	<b>113</b>	<b>6,385,133</b>	<b>53,304,093</b>
Disbursements:					
Current:					
Instruction:					
Regular	17,709,960	0	0	1,203,658	18,913,618
Special	2,734,562	0	0	1,175,695	3,910,257
Vocational	29,914	0	0	0	29,914
Other	3,239,298	0	0	350,402	3,589,700
Support Services:					
Pupils	2,167,481	0	0	6,990	2,174,471
Instructional Staff	2,284,775	0	0	141,795	2,426,570
Board of Education	41,998	0	0	0	41,998
Administration	3,571,545	5,346	0	56,449	3,633,340
Fiscal	1,150,176	36,392	0	10,445	1,197,013
Business	128	0	0	0	128
Operation and Maintenance of Plant	3,482,876	0	0	90,250	3,573,126
Pupil Transportation	4,413,310	0	0	105,714	4,519,024
Central	268,284	0	0	16,181	284,465
Operation of Non-Instructional Services	1,665	0	0	1,959,838	1,961,503
Extracurricular Activities	795,631	0	0	248,214	1,043,845
Capital Outlay	490	0	0	286,459	286,949
Debt Service:					
Principal Retirement	163,000	1,560,027	0	402,000	2,125,027
Interest and Fiscal Charges	166,389	1,667,692	0	36,949	1,871,030
Issuance Costs	0	0	70,017	0	70,017
<b>Total Disbursements</b>	<b>42,221,482</b>	<b>3,269,457</b>	<b>70,017</b>	<b>6,091,039</b>	<b>51,651,995</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>514,807</b>	<b>913,101</b>	<b>(69,904)</b>	<b>294,094</b>	<b>1,652,098</b>
Other Financing Sources (Uses):					
Proceeds from Sale of Bonds	0	0	3,370,000	0	3,370,000
Premium on Sale of Bonds	22,630	0	0	0	22,630
Transfers - In	0	0	0	250,000	250,000
Transfers - Out	(250,000)	0	0	0	(250,000)
Refund of Prior Year Receipts	0	0	0	(12,381)	(12,381)
Refund of Prior Year Expenditures	24,247	0	0	0	24,247
Advances - In	285,401	0	0	148,085	433,486
Advances - Out	(279,698)	0	0	(160,209)	(439,907)
<b>Total Other Financing Sources (Uses)</b>	<b>(197,420)</b>	<b>0</b>	<b>3,370,000</b>	<b>225,495</b>	<b>3,398,075</b>
<b>Net Change in Fund Balances</b>	<b>317,387</b>	<b>913,101</b>	<b>3,300,096</b>	<b>519,589</b>	<b>5,050,173</b>
<b>Fund Balances at Beginning of Year</b>	<b>7,138,684</b>	<b>1,333,722</b>	<b>43,303</b>	<b>2,240,237</b>	<b>10,755,946</b>
<b>Fund Balances at End of Year</b>	<b>\$7,456,071</b>	<b>\$2,246,823</b>	<b>\$3,343,399</b>	<b>\$2,759,826</b>	<b>\$15,806,119</b>

See Accompanying Notes to the Basic Financial Statements

**Lebanon City School District, Ohio**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property and Other Taxes	\$23,612,373	\$25,393,074	\$21,079,056	(\$4,314,018)
Intergovernmental	16,379,476	16,469,168	20,275,193	3,806,025
Interest	16,709	14,296	14,504	208
Tuition and Fees	196,345	180,299	337,008	156,709
Rent	78,522	70,490	83,763	13,273
Extracurricular	8,326	185,466	238,963	53,497
Gifts and Donations	3,311	4,792	10,600	5,808
Charges for Services	0	12,788	17,919	5,131
Payment in Lieu of Taxes	244,394	244,518	148,744	(95,774)
Miscellaneous	70,724	27,974	109,203	81,229
<b>Total Revenues</b>	<b>40,610,180</b>	<b>42,602,865</b>	<b>42,314,953</b>	<b>(287,912)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	17,695,881	17,930,918	17,491,151	439,767
Special	3,121,735	3,140,180	2,939,455	200,725
Vocational	94,098	42,020	29,914	12,106
Other	3,372,256	3,288,945	3,240,613	48,332
<b>Support Services:</b>				
Pupils	2,304,822	2,362,072	2,167,806	194,266
Instructional Staff	2,303,601	2,354,225	2,261,886	92,339
Board of Education	59,531	53,258	41,998	11,260
Administration	3,503,717	3,725,538	3,635,096	90,442
Fiscal	1,064,813	1,163,123	1,159,306	3,817
Business	160	128	128	0
Operation and Maintenance of Plant	3,789,910	3,679,512	3,555,706	123,806
Pupil Transportation	4,812,107	4,814,577	4,544,347	270,230
Central	137,159	313,444	283,909	29,535
Operation of Non-Instructional Services	890	1,930	1,665	265
Extracurricular Activities	687,963	709,720	676,281	33,439
Capital Outlay	0	490	490	0
<b>Debt Service:</b>				
Principal Retirement	0	88,000	163,000	(75,000)
Interest and Fiscal Charges	0	162,090	166,389	(4,299)
<b>Total Expenditures</b>	<b>42,948,643</b>	<b>43,830,170</b>	<b>42,359,140</b>	<b>1,471,030</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(2,338,463)</b>	<b>(1,227,305)</b>	<b>(44,187)</b>	<b>1,183,118</b>
<b>Other Financing Sources (Uses):</b>				
Premium on Sale of Bonds	0	22,630	22,630	0
Refund of Prior Year Receipts	(6,124)	(6,124)	0	6,124
Refund of Prior Year Expenditures	131,052	81,052	23,992	(57,060)
Advances - In	975,078	983,724	277,378	(706,346)
Advances - Out	(1,160,910)	(847,720)	(271,675)	576,045
Transfers - Out	0	(250,000)	(250,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(60,904)</b>	<b>(16,438)</b>	<b>(197,675)</b>	<b>(181,237)</b>
<b>Net Change in Fund Balance</b>	<b>(2,399,367)</b>	<b>(1,243,743)</b>	<b>(241,862)</b>	<b>1,001,881</b>
Fund Balance at Beginning of Year	6,275,307	6,275,307	6,275,307	0
Prior Year Encumbrances Appropriated	644,675	644,675	644,675	0
<b>Fund Balance at End of Year</b>	<b>\$4,520,615</b>	<b>\$5,676,239</b>	<b>\$6,678,120</b>	<b>\$1,001,881</b>

See Accompanying Notes to the Basic Financial Statements

**Lebanon City School District, Ohio**  
**Statement of Fiduciary Net Assets - Modified Cash Basis**  
**Fiduciary Funds**  
**June 30, 2012**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$191,425	\$98,125
Net Assets:		
Restricted for Students	0	98,125
Held in Trust for Scholarships	191,425	0
Total Net Assets	\$191,425	\$98,125

See Accompanying Notes to the Basic Financial Statements

**Lebanon City School District, Ohio**  
**Statement of Changes in Fiduciary Net Assets - Modified Cash Basis**  
**Fiduciary Fund**  
**For the Fiscal Year Ended June 30, 2012**

	Private Purpose Trust
Additions:	
Interest	\$3,142
Gifts and Donations	9,375
Total Additions	12,517
Deductions:	
Payments in Accordance with Trust Agreements	14,500
Total Deductions	14,500
Change in Net Assets	(1,983)
Net Assets Beginning of Year	193,408
Net Assets End of Year	\$191,425

See Accompanying Notes to the Basic Financial Statements

**Lebanon City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Lebanon City School District (the "District") is a body politic and corporate for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by State and/or federal agencies. It is staffed by 241 non-certified employees, 297 certified full time personnel, who provide services to 5,442 students and other community members. The District currently operates eight instructional/support facilities.

*Reporting Entity*

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

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

The District participates in three jointly governed organizations and one insurance purchasing pool. These organizations include the Southwest Ohio Computer Association (SWOCA), the Southwestern Ohio Educational Purchasing Council (SOEPC), the Warren County Career Center and Ohio School Board's Association Group Rating Program (GRP), respectively. These organizations are presented in Note 11 to the basic financial statements.

As discussed further in section C of Note 2, these financial statements are presented on a modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting.

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

**A. Basis of Presentation**

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

**Lebanon City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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

*Government-Wide Financial Statements*

The statement of net assets - modified cash basis and the statement of activities - modified cash basis 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 statements usually distinguish between those activities of the District that are governmental and those that are business-type. The District, however, does not have any activities which are presented as business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets - modified cash basis presents the cash balance of the governmental activities of the District at fiscal year-end. The statement of activities - modified cash basis compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

*Fund Financial Statements*

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

**B. Fund Accounting**

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

*Governmental:* The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants) and other nonexchange transactions as governmental funds. The following are the District's major governmental funds:

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

*Debt Service Fund* - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**Lebanon City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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

*Building Capital Projects Fund* – The building capital projects fund is used to account for the receipts and expenditures related to all special bond funds in the District. All proceeds from the sale of bonds, notes or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities.

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

*Fiduciary Fund Types:* 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. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. The District's only fiduciary funds are a private purpose trust fund and an agency fund. The private purpose trust fund accounts for college scholarship programs for students. The District's agency fund accounts for those student activities, which consist of a student body, student president, student treasurer and faculty advisor.

**C. Basis of Accounting**

The District's financial statements are prepared using the modified cash basis of accounting, which is not in compliance with the Ohio Administrative Code 117-2-03(B) that states all school districts shall file annual financial reports prepared using generally accepted accounting principles. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

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

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

**Lebanon City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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

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

**E. Cash and Investments**

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash and cash equivalents.

At June 30, 2012, the District's investments included money market funds, Federal Home Loan Mortgage Association Notes, Federal National Mortgage Corporation Discount Notes, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Discount Note, and STAR Ohio. Investments are reported at fair value, which is based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2012 were \$14,504, which included \$7,213 assigned from other District funds.

**F. Interfund Receivables/Payables**

The District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The differences between advances - in and advances - out is due to interfund activity with the agency funds.

**G. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**H. Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories can be used:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

**Lebanon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

**I. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and State grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

The statement of net assets – modified cash basis reports \$8,018,918 of restricted net assets, of which none is restricted by enabling legislation.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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 Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and modified cash basis are that:

1. 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 restriction, commitment or assignment of fund balance for that portion of outstanding encumbrances (GAAP basis).

**Lebanon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING** (continued)

2. Two funds are included in the general fund (GAAP basis), but have separate, legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statement for the general fund.

Cash Basis	\$317,387
Funds Budgeted Elsewhere	(1,709)
Adjustment for Encumbrances	<u>(557,540)</u>
Budget Basis	<u><u>(\$241,862)</u></u>

**NOTE 4 - 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 certain tangible personal property located in the District. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 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.

The District receives property taxes from Warren 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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Lebanon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**NOTE 4 - PROPERTY TAXES** (continued)

The assessed values upon which the fiscal year 2012 taxes were collected are:

	<u>2011 Second- Half Collections</u>		<u>2012 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$760,960,080	93.70%	\$758,641,700	95.41%
Public Utility	<u>51,143,670</u>	<u>6.30%</u>	<u>36,485,770</u>	<u>4.59%</u>
Total Assessed Value	<u>\$812,103,750</u>	<u>100.00%</u>	<u>\$795,127,470</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$62.32		\$66.12	

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. The District did not have any inactive deposits for the period ending June 30, 2012.

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

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, notes, 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 Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency or instrumentality securities must be a direct issuance of the federal agency or instrumentality;

**Lebanon City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

3. STAR Ohio is eligible as long as the fund maintains the highest letter rating provided by at least one nationally recognized standard rating service as outlined in ORC 135.45;
4. Bonds and other obligations of the state of Ohio;
5. Interim deposits, such as certificates of deposits, in the eligible institutions having been approved by the Board for interim moneys. All demand and time deposits must be properly collateralized as required by ORC 135.18;
6. No-load money market funds offered by eligible depositories under ORC 135.03 consisting exclusively of obligations described in (1) or (2) above; and
7. Written repurchase agreements (repos) with any eligible public depository mentioned in ORC 135.03, or with any dealer who is a member of the NASD. The market value of the securities held as collateral for an overnight repo (including sweep accounts) or term repo must exceed principal by at least 2 percent, and the securities must be marked to market daily. Term repurchase agreement with an eligible securities dealer must be transacted on a delivery versus payment basis. All securities purchased pursuant to a repurchase agreement must be delivered into the custody of the Treasurer or an agent designated by the Treasurer. Such institution or dealer must agree in writing to unconditionally repurchase any of the securities used for any repo transaction.

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. Investments may only be made through specified dealers and institutions.

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$9,716,906 of the District's bank balance of \$10,152,041 was exposed to custodial credit risk because it was uninsured, but collateralized as defined by GASB Statement No. 3. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State 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.

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

**Lebanon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

**B. Investments**

As of June 30, 2012, the District had the following investments. All investments are in an internal investment pool.

<u>Investment Type (Cost)</u>	<u>Investment Maturities (in years)</u>			<u>Percent of Total Investments</u>
	<u>Fair Value</u>	<u>1-2</u>	<u>3 or more</u>	
Money Market Funds	\$2,228	\$0	\$0	0.03%
STAR Ohio	4,869,791	0	0	70.07%
Federal Home Loan Mortgage Corporation Note	299,765	299,765	0	4.31%
Federal National Mortgage Association Notes	794,077	374,077	420,000	11.43%
Federal Home Loan Bank Notes	714,792	714,792	0	10.28%
Federal Home Loan Mortgage Corporation Discount Note	269,428	269,428	0	3.88%
<b>Total Investments</b>	<b><u>\$6,950,081</u></b>	<b><u>\$1,658,062</u></b>	<b><u>\$420,000</u></b>	

*Interest Rate Risk:* The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity.

*Credit Risk:* The Federal Home Loan Mortgage Corporation Note carries a rating of Aaa by Moody's. Federal Home Loan Bank Notes and Federal National Mortgage Association Notes carry a rating of AA+ by Standard and Poor's. STAR Ohio's rating as of June 30, 2012 from Standard and Poor's is AAAM. The District's investment policy limits investments to those authorized by State statute. The District has no investment policy that addresses credit risk.

*Concentration of Credit Risk:* The District places no limit on the amount it may invest in any one issuer. The District's investment percentages are disclosed in the above table.

**NOTE 6 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the District contracted with the Rixey-Berry Insurance Company for general liability insurance with a \$1,000,000 single occurrence limit and a \$2,000,000 aggregate with a \$2,500 deductible. Property is protected by the Rixey-Berry Insurance Company and holds a \$1,000 deductible.

The maintenance vehicles and grounds equipment are insured by the Rixey-Berry Insurance Company with a \$1,000 deductible and a \$1,000,000 limit per occurrence.

**Lebanon City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**NOTE 6 - RISK MANAGEMENT** (continued)

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

**B. Workers' Compensation**

For fiscal year 2012, the District participated in the Ohio School Board's Association Group Rating Program/Ohio Association of School Business Officials' (GRP), an insurance purchasing pool (Note 11). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 7 – DEFINED CONTRIBUTION AND DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employer/Audit Resources.

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. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$911,379, \$834,216 and \$913,589, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**Lebanon City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**NOTE 7 – DEFINED CONTRIBUTION AND DEFINED BENEFIT PENSION PLANS** (continued)

**B. State Teachers Retirement System**

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 Web site at [www.strsoh.org](http://www.strsoh.org).

Plan Options - New members have a choice of three retirement plans. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DB plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest as specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Members contributions are allocated by the members, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

**Lebanon City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**NOTE 7 – DEFINED CONTRIBUTION AND DEFINED BENEFIT PENSION PLANS** (continued)

A retiree of STRS Ohio is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB plan participants.

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. A death benefit of \$ 1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$ 2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% of member and 14% for employers. Contribution requirements and contributions actually made for the fiscal year ended June 30, 2012, were 10% of covered payroll for members and 14% for employers. The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$2,517,258, \$2,570,891 and \$2,539,514, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

Medicare Part B Plan - The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011 and 2010 were \$45,569, \$53,684 and \$54,329, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**Lebanon City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**NOTE 8 - POSTEMPLOYMENT BENEFITS** (continued)

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2012, 2011 and 2010 were \$27,341, \$101,010 and \$32,833, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**B. State Teachers Retirement System**

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health 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](http://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 2012, 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, 2012, 2011 and 2010, were \$179,804, \$197,761 and \$195,347, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**Lebanon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**NOTE 9 - LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during fiscal year 2012 were as follows:

	Amount Outstanding 7/1/11	Additions	Deductions	Amount Outstanding 6/30/12	Amounts Due In One Year
Governmental Activities					
General Obligation Bonds:					
Ohio School Facilities Construction And Improvement Bonds – 2002, 4.3%-5.5%	\$1,845,000	\$0	\$845,000	\$1,000,000	\$1,000,000
New School Construction Bond – 2002, 3.95%-4.25%	64,999	0	35,027	29,972	29,972
June 5, 2006 Refunding of General Obligation Bonds, 3.5%-5%	16,309,965	0	400,000	15,909,965	420,000
2007 Refunding of General Obligation Bonds, 4%-5%	18,479,987	0	280,000	18,199,987	275,000
Energy Conservation Bonds:					
Tax Exempt Bonds – 2011	0	355,000	75,000	280,000	75,000
Qualified School Construction Bonds - 2011, 4.45%	0	3,015,000	0	3,015,000	115,000
Capital Leases:					
COPS Capital Lease	3,042,000	0	88,000	2,954,000	93,000
OASBO Pool Capital Lease	805,000	0	402,000	403,000	403,000
Total Governmental Activities Long – Term Liabilities	<u>\$40,546,951</u>	<u>\$3,370,000</u>	<u>\$2,125,027</u>	<u>\$41,791,924</u>	<u>\$2,410,972</u>

*General Obligation Bonds*

In fiscal year 2002, the District issued \$45,000,000 and \$5,000,000 in voted general obligation bonds for the purpose of constructing a new high school and elementary school. The bonds were issued for a 28 year period with a final maturity date of December 1, 2029. The 2006 and the 2007 refunding bonds were used to advance refund the bonds due December 1, 2029. There was no cash effect to this refunding. These bonds are paid from the debt service fund.

*Energy Conservation Bonds*

In fiscal year 2012, the District issued \$355,000 in tax exempt School Energy Conservation Improvement Bonds (Series 2011A) and \$3,015,000 in School Energy Conservation Improvement Bonds - Qualified School Construction Bonds (Series 2011B). The 2011A Series bonds are payable semi-annually on June 1 and December 1 of each year with the first payment due on December 1, 2011 and the final payment due on December 1, 2014. The 2011B Series bonds have interest payments due on June 1 and December 1 of each year with the first interest payment due on June 1, 2012. The final interest payment as well as the principal payment is due on December 1, 2025. These bonds are paid from the general fund.

**Lebanon City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**NOTE 9 - LONG-TERM OBLIGATIONS** (continued)

*Capital Leases*

In fiscal year 2004, the District issued a \$2,887,000 OASBO Pool Loan for the purpose of financing the bus garage construction and improvement. This loan was refinanced during fiscal year 2007 with a final maturity date of May 1, 2013. These are paid from the permanent improvement fund.

In fiscal year 2006, the District issued \$3,740,000 in Certificates of Participation (COPS). The COPS were issued for the purpose of constructing new school buildings and related facilities, renovating and constructing additions to existing school buildings and facilities, furnishing those buildings, landscaping and improving the sites and acquiring land and interests necessary. These COPS were refinanced at an amount of \$3,401,000 with a final maturity date of June 1, 2031. These are paid from the general fund.

All general obligation debt is supported by the full faith and credit of the District. At June 30, 2012 the District's overall legal debt limitation was \$39,005,670, and the unvoted debt margin was \$798,875.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2012, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$2,410,972	\$1,776,413	\$4,187,385
2014	1,775,438	2,305,492	4,080,930
2015	1,840,760	2,355,490	4,196,250
2016	1,923,766	2,370,208	4,293,974
2017	3,154,000	1,412,376	4,566,376
2018-2022	13,098,581	5,509,532	18,608,113
2023-2027	10,704,407	4,586,882	15,291,289
2028-2031	6,884,000	442,313	7,326,313
Total	<u>\$41,791,924</u>	<u>\$20,758,706</u>	<u>\$62,550,630</u>

**Lebanon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**NOTE 10 – LEASES**

The District leases buildings, vehicles and other equipment under noncancelable leases. The District disbursed \$689,039 to pay lease costs for the year ended June 30, 2012. Future lease payments are as follows:

Fiscal Year Ending June 30,	Total Payments
2013	\$670,974
2014	250,042
2015	249,613
2016	249,887
2017	248,863
2018-2022	1,243,948
2023-2027	1,240,077
2028-2031	988,620
Total	5,142,024
Less: Amount Representing Interest	(1,785,024)
Present Value of Net Minimum Lease Payments	\$3,357,000

**NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL**

**A. Jointly Governed Organizations**

*Southwest Ohio Computer Association*

The District is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble 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 SWOCA consists of one representative from each district plus one representative from the fiscal agent. The District paid SWOCA \$111,525 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

*Southwestern Ohio Educational Purchasing Council*

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

**Lebanon City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL**

(continued)

Payments to SOEPC are made from the General Fund. During fiscal year 2012, the District paid \$356,889 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive Suite 208, Vandalia, OH 45377.

*Warren County Career Center*

The Warren County Career Center is a distinct political subdivision of the State of Ohio. It is operated under the direction of a Board consisting of one of the elected board members from each of the participating school districts, including one member from the Lebanon City School District Board of Education. Warren County Career Center was formed for the purpose of providing vocational education opportunities to the students of the District. Financial information can be obtained from Karen Royer, who serves as treasurer, at 3525 State Route 48, Lebanon, Ohio 45036.

**B. Insurance Purchasing Pool**

*Ohio School Board's Association/Ohio Association of School Business Officials' Group Rating Program*

The District participates in the Ohio School Board's Association/Ohio Association of School Business Officials' Group Rating Program (GRP) for workers' compensation, an insurance purchasing pool. The GRP's business and affairs are conducted by an 11 member Board of directors. The Executive Director of the GRP, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 12 – FUND BALANCE**

Fund balance is classified as restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**Lebanon City School District**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

**NOTE 12 – FUND BALANCE** (continued)

	General	Debt Service	Building Fund	Other Governmental Funds	Total Governmental
<b>Restricted for:</b>					
Career Tech Funds	\$15,249	\$0	\$0	\$0	\$15,249
Debt Retirement	0	2,246,823	0	0	2,246,823
Permanent Improvements	0	0	0	1,083,493	1,083,493
Building Projects	0	0	43,384	0	43,384
Energy Conservation Projects	0	0	3,300,015	0	3,300,015
Food Service	0	0	0	1,094,338	1,094,338
Miscellaneous Local Grants	0	0	0	8,217	8,217
Athletic Activities	0	0	0	97,903	97,903
Auxiliary Services	0	0	0	90,492	90,492
Data Connectivity	0	0	0	6,829	6,829
Special Education (IDEA, Part B)	0	0	0	2,307	2,307
Title III – Immigrant Funds	0	0	0	595	595
Intervention (Title I)	0	0	0	23,934	23,934
Teacher Quality Improvement (Title IIA)	0	0	0	5,339	5,339
<b>Total Restricted</b>	<u>15,249</u>	<u>2,246,823</u>	<u>3,343,399</u>	<u>2,413,447</u>	<u>8,018,918</u>
<b>Committed for:</b>					
School Bus Purchases	0	0	0	250,000	250,000
Athletic Stadium Improvements	<u>0</u>	<u>0</u>	<u>0</u>	<u>96,379</u>	<u>96,379</u>
<b>Total Committed</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>346,379</u>	<u>346,379</u>
<b>Assigned for:</b>					
School Supplies	72,684	0	0	0	72,684
Public School Support	147,727	0	0	0	147,727
Educational Activities	<u>557,540</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>557,540</u>
<b>Total Assigned</b>	<u>777,951</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>777,951</u>
<b>Unassigned</b>	<u>6,662,871</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,662,871</u>
<b>Total Fund Balance</b>	<u><u>\$7,456,071</u></u>	<u><u>\$2,246,823</u></u>	<u><u>\$3,343,399</u></u>	<u><u>\$2,759,826</u></u>	<u><u>\$15,806,119</u></u>

**NOTE 13 – SET-ASIDE CALCULATION**

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

**Lebanon City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**NOTE 13 – SET-ASIDE CALCULATION** (continued)

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

	Textbooks/ Instructional Materials	Capital Improvements
Set-aside Reserve Balance as of June 30, 2011	\$537,515	\$0
Current Year Set-aside Requirement	0	958,385
Qualifying Disbursements	0	(133,736)
Current Year Offsets	0	(1,018,453)
H.B. 30 Elimination	(537,515)	0
Total	\$0	(\$193,804)
Set-aside Reserve Balance as of June 30, 2012	\$0	\$0

The District had offsets during the fiscal year that reduced the capital improvements amount below zero. This negative amount may not be carried forward to offset the set-aside requirement for the next fiscal year. Effective July 1, 2011, House Bill 30 repealed the Textbook/Instructional Materials set-aside requirement.

**NOTE 14 - CONTINGENCIES**

**A. Student Attendance Review**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

**B. Grants**

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**C. Litigation**

The District was a party to legal proceedings at June 30, 2012. The District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

**LEBANON CITY SCHOOL DISTRICT**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Receipts</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u> (Passed through Ohio Department of Education)				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	n/a	10.555	\$ 82,088	82,088
<i>Cash Assistance:</i>				
School Breakfast Program	05PU	10.553	69,296	69,296
National School Lunch Program	LLP4	10.555	552,909	552,909
<i>Cash Assistance Subtotal</i>			<u>622,205</u>	<u>622,205</u>
Nutrition Cluster Total			<u>704,293</u>	<u>704,293</u>
Total U.S. Department of Agriculture			<u>704,293</u>	<u>704,293</u>
<u>U.S. Department of Education:</u> (Passed through Ohio Department of Education)				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	C1S1-2011	84.010	147,721	84,038
Title I Grants to Local Educational Agencies	C1S1-2012	84.010	550,226	610,561
ARRA-Title I Grants to Local Educational Agencies	C1S1-2012	84.389	5,792	-
Title I, Part A Cluster Total			<u>703,739</u>	<u>694,599</u>
Special Education Cluster:				
Special Education - Grants to States	6BSF-2011	84.027	110,301	113,622
Special Education - Grants to States	6BSF-2012	84.027	830,540	831,423
Special Education - Preschool Grants	PGS1/PGD7-2012	84.173	6,972	6,972
ARRA-Special Education - Grants to States	6BSF-2012	84.391	145,101	143,674
ARRA-Special Education - Preschool Grants	6BSF-2012	84.392	1,562	1,884
Special Education Cluster Total			<u>1,094,476</u>	<u>1,097,575</u>
ARRA-State Fiscal Stabilization Fund - Education State Grants	ARRA-2012	84.394	-	43,071
Education Technology State Grants	TJSL-2012	84.318	5,805	6,446
English Language Acquisition Grants	T3S2-2012	84.365	16,404	16,353
English Language Acquisition Grants	T3S2-2011	84.365	654	-
			<u>17,058</u>	<u>16,353</u>
Improving Teacher Quality State Grants	TRS1-2011	84.367	34,965	32,147
Improving Teacher Quality State Grants	TRS1-2012	84.367	115,018	118,764
			<u>149,983</u>	<u>150,911</u>
ARRA-Education for Homeless Children and Youth	ARRA-2011	84.387	1,359	1,359
Education Jobs Fund	n/a	84.410	862,252	865,794
Total U.S. Department of Education			<u>2,834,672</u>	<u>2,876,108</u>
Total Federal Awards			<u>\$ 3,538,965</u>	<u>3,580,401</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**NOTE C - NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**Lebanon City School District**  
Schedule of Prior Audit Findings  
Year Ended June 30, 2012

2011-1 Filing of Financial Reports:

Ohio Administrative Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements in accordance with the modified cash basis of accounting. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

**Status:** Repeated as current year finding 2012-1.

2011-2 Appropriation Compliance

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. During our budgetary compliance review at June 30, 2011, we noted that the general fund had expenditures and encumbrances that exceeded appropriations. We recommend the School District implement procedures to amend the appropriations prior to incurring additional expenditures to ensure the funds are available and prevent fund deficits.

**Status:** Corrected in the current year.

## **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***

To the Board of Education  
Lebanon City School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lebanon City School District (the School District) as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 27, 2012. 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**

Management of the School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-1.

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We noted a certain matter that we reported to management of the School District in a separate letter dated December 27, 2012.

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School District's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, others within the entity 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.

*Clark, Schaefer, Hackett & Co.*

Dayton, Ohio  
December 27, 2012

## **REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
Lebanon City School District:

### **Compliance**

We have audited the Lebanon City School District's (the School District) compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2012. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the 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, *Audits 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 the 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 of the School District's compliance with those requirements.

In our opinion, Lebanon City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### **Internal Control Over Compliance**

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

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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 solely for the information and use of the Board of Education, management, others within the entity 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.

*Clark, Schaefer, Hackett & Co.*

Dayton, Ohio  
December 27, 2012

**Lebanon City School District**  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2012

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of report issued on financial statements:	unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	none
Significant deficiency(ies) identified not considered to be material weakness(es)?	none
Noncompliance material to financial statements noted?	yes

**Federal Awards**

Internal Control over major programs:	
Material weakness(es) identified?	none
Significant deficiency(ies) identified not considered to be material weakness(es)?	none

Type of auditors' report issued on compliance for major programs:	unqualified
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Any audit findings that are required to be reported in accordance with Circular A-133, Section .510(a)?	no
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Identification of major programs:

*CFDA 84.410 – Education Jobs Fund*

*Special Education Cluster:*

- CFDA 84.027 – Special Education Grants to States*
- CFDA 84.391 – ARRA-Special Education Grants to States*
- CFDA 84.173 – Special Education Preschool Grants*
- CFDA 84.392 – ARRA-Special Education Preschool Grants*

Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
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Auditee qualified as low-risk auditee?	yes
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## **Section II - Financial Statement Findings**

### 2012-1 Filing of Financial Reports:

Ohio Administrative Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements in accordance with the modified cash basis of accounting. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

**Management Response:** The School District chose again not to report on a GAAP basis for 2012 mainly to avoid the additional audit costs of \$12,000 to \$15,000.

The School District continues to examine the costs vs. benefits of reporting on a GAAP basis. It has been debated with the Community Audit Advisory Committee that as the School District gets closer to being eligible for OSFC monies, having financial statements on a GAAP basis may become more cost effective in order to obtain a more favorable bond rating. The decision to prepare General Purpose Financial Statements or a Comprehensive Annual Financial Report has not been made at this point. However, the financial condition of the School District, staff availability and costs will be considered carefully before a decision is made.

## **Section III - Federal Award Findings and Questioned Costs**

None noted.



# Dave Yost • Auditor of State

**LEBANON CITY SCHOOL DISTRICT**

**WARREN 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  
MAY 9, 2013**