



Dave Yost • Auditor of State

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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INDEPENDENT AUDITOR'S REPORT

New Lebanon Local School District
Montgomery County
320 South Fuls Road
New Lebanon, Ohio 45345

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Lebanon Local School District, Montgomery County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of New Lebanon Local School District, Montgomery County, Ohio, as of June 30, 2013, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

January 22, 2014

**New Lebanon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

The discussion and analysis of New Lebanon Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- Net position of governmental activities increased \$165,931 which represents a 1% increase from 2012.
- General revenues accounted for \$9,815,639 in revenue or 77.6% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,833,679 or 22.4% of total revenues of \$12,649,318 .
- The District had \$12,483,387 in expenses related to governmental activities; \$2,833,679 of these expenses were offset by program specific charges for services, grants or contributions. General revenues were also used to provide for these programs.

Overview of the Financial Statements

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

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

**New Lebanon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in those assets. This change in net position is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented as Governmental Activities. All of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major funds is presented in the Fund Financial Statements. 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 most significant funds.

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

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

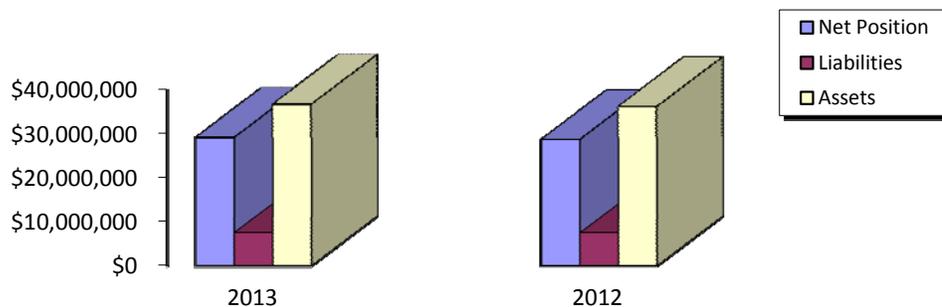
**New Lebanon Local School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District’s net position for 2013 compared to 2012:

Table 1
Net Position

	Governmental Activities	
	2013	2012
Assets:		
Current and Other Assets	\$11,120,059	\$10,457,555
Capital Assets	25,203,365	25,628,073
Total Assets	36,323,424	36,085,628
Liabilities:		
Other Liabilities	4,240,989	3,950,444
Long-Term Liabilities	3,287,791	3,506,471
Total Liabilities	7,528,780	7,456,915
Net Position:		
Net Investment in Capital Assets	22,436,668	22,644,403
Restricted	1,451,487	1,479,065
Unrestricted	4,906,489	4,505,245
Total Net Position	\$28,794,644	\$28,628,713



Over time, net position can serve as a useful indicator of a government’s financial position. At June 30, 2013, the District’s assets exceeded liabilities by \$28,794,644 .

At year-end, capital assets represented 69% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2013, was \$22,436,668 . These capital assets are used to provide services to the students and are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**New Lebanon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

A portion of the District's net position, \$1,451,487 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current assets increased mainly due to an increase in the District's bank balance in fiscal year 2013 as compared to fiscal year 2012. Long-term liabilities decreased mainly due to the District continuing to pay down its debt obligations.

Table 2 shows the changes in net position for fiscal years 2013 and 2012.

Table 2
Changes in Net Position

	Governmental Activities	
	2013	2012
Revenues:		
Program Revenues		
Charges for Services	\$1,291,633	\$956,830
Operating Grants, Contributions	1,542,046	1,611,681
General Revenues:		
Income Taxes	1,392,510	1,426,913
Property Taxes	2,680,030	2,771,053
Grants and Entitlements	5,648,248	5,672,378
Other	94,851	173,292
Total Revenues	<u>12,649,318</u>	<u>12,612,147</u>
Program Expenses:		
Instruction	6,720,508	6,682,674
Support Services:		
Pupil and Instructional Staff	1,399,889	1,395,702
School Administrative, General Administration, Fiscal and Business	1,253,894	1,260,934
Operations and Maintenance	1,251,267	1,344,948
Pupil Transportation	546,667	570,806
Central	168,761	131,567
Operation of Non-Instructional Services	549,882	453,198
Extracurricular Activities	475,498	475,184
Interest and Fiscal Charges	117,021	156,673
Total Program Expenses	<u>12,483,387</u>	<u>12,471,686</u>
Change in Net Position	165,931	140,461
Net Position - Beginning of Year	<u>28,628,713</u>	<u>28,488,252</u>
Net Position - End of Year	<u>\$28,794,644</u>	<u>\$28,628,713</u>

**New Lebanon Local School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

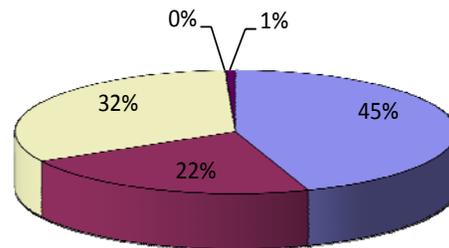
Governmental Activities

The District revenues are mainly from three sources. Income taxes, property taxes levied for general, special revenue, debt service, capital project purposes, and grants and entitlements comprised 77% of the District’s revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 21% of revenue for governmental activities for the District in fiscal year 2013.

Revenue Sources	2013	Percent of Total
General Grants	\$5,648,248	45%
Program Revenues	2,833,679	22%
General Tax Revenues	4,072,540	32%
Investment Earnings	6,478	0%
Other Revenues	88,373	1%
	<u>\$12,649,318</u>	<u>100%</u>



Instruction comprises 53.84% of governmental program expenses. Support services expenses were 37.01% of governmental program expenses. All other expenses including interest expense were 9.15% . Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Income tax revenues decreased mainly due to a decrease in income tax receipts received in fiscal year 2013 as compared to fiscal year 2012. Grants and Entitlements remained relatively consistent from fiscal year 2013 as compared to fiscal year 2012. Instructional expenses increased due to an increase in personnel costs and general inflationary costs.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**New Lebanon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$6,720,508	\$6,682,674	(\$4,913,246)	(\$4,894,010)
Support Services:				
Pupil and Instructional Staff	1,399,889	1,395,702	(1,098,995)	(1,306,937)
School Administrative, General				
Administration, Fiscal and Business	1,253,894	1,260,934	(1,250,715)	(1,247,393)
Operations and Maintenance	1,251,267	1,344,948	(1,171,909)	(1,276,092)
Pupil Transportation	546,667	570,806	(509,582)	(542,113)
Central	168,761	131,567	(166,634)	(118,533)
Operation of Non-Instructional Services	549,882	453,198	(82,043)	14,364
Extracurricular Activities	475,498	475,184	(339,563)	(375,788)
Interest and Fiscal Charges	117,021	156,673	(117,021)	(156,673)
Total Expenses	<u>\$12,483,387</u>	<u>\$12,471,686</u>	<u>(\$9,649,708)</u>	<u>(\$9,903,175)</u>

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$9,035,967 (80%) of the total \$11,315,622 governmental funds' assets.

General Fund: Fund balance at June 30, 2013 was \$5,433,920. The primary reason for the increase in fund balance was due to an increase in tuition and fees revenue.

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$10,787,774, above original budget estimates of \$10,749,039. Of this \$38,735 difference, most was due to a difference in estimate for taxes and intergovernmental revenue.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$25,203,365 invested in land, buildings and improvements, furniture, equipment and vehicles. Table 4 shows fiscal year 2013 balances compared to fiscal year 2012:

**New Lebanon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2013	2012
Land	\$35,490	\$35,490
Buildings and Improvements	24,065,466	24,649,790
Furniture, Equipment and Vehicles	1,102,409	942,793
Total Net Capital Assets	<u>\$25,203,365</u>	<u>\$25,628,073</u>

The decrease in capital assets is due to depreciation exceeding additions.

See Note 9 in the notes to the basic financial statements for further details on the District's capital assets.

Debt

At June 30, 2013, the District had \$2,766,697 in bonds payable, \$195,000 due within one year. Table 5 summarizes outstanding debt at year end.

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2013	2012
General Obligation Bonds:		
2001 Facilities Improvement Bonds	\$930,000	\$930,000
2012 Refunding Bonds:		
Current Interest Bonds -		
Facilities Improvements Bonds	1,815,000	2,030,000
Premium on 2012 Refunding Bonds	21,697	23,670
Total Outstanding Debt at Year End	<u>\$2,766,697</u>	<u>\$2,983,670</u>

See Note 10 in the notes to the basic financial statements for further details on the District's outstanding debt.

For the Future

The District continues to face many challenges. As the preceding information shows, the District relies heavily upon property and income taxes, as well as state and federal grants. The District made extensive cuts in fiscal years 2004 and 2005 in order to balance the budget. The renewal of a ½ of 1 percent income tax in May, 2011 was greatly needed. Even so, the District is still operating near State minimums.

**New Lebanon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

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

Contacting the District's Financial Management

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

New Lebanon Local School District
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$7,601,538
Receivables:	
Taxes	3,357,837
Accounts	43,556
Interest	7,121
Intergovernmental	82,530
Deferred Bond Issuance Costs	19,415
Inventory	8,062
Nondepreciable Capital Assets	35,490
Depreciable Capital Assets, Net	<u>25,167,875</u>
 Total Assets	 <u>36,323,424</u>
Liabilities:	
Accounts Payable	358,203
Accrued Wages and Benefits	1,315,991
Accrued Interest Payable	8,682
Unearned Revenue	2,558,113
Long-Term Liabilities:	
Due Within One Year	250,766
Due In More Than One Year	<u>3,037,025</u>
 Total Liabilities	 <u>7,528,780</u>
Net Position:	
Net Investment in Capital Assets	22,436,668
Restricted for:	
Debt Service	508,782
Capital Projects	505,144
Classroom Facilities Maintenance	87,198
Food Service	258,775
Auxiliary Services	7,397
Federal Grants	76,143
Other Purposes	8,048
Unrestricted	<u>4,906,489</u>
 Total Net Position	 <u><u>\$28,794,644</u></u>

See accompanying notes to the basic financial statements.

New Lebanon Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Program Revenues		Net (Expense) Revenue	
	Expenses	Charges for Services and Sales	and Changes in Net Position Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$4,932,563	\$790,536	\$11,741	(\$4,130,286)
Special	1,419,515	144,953	789,069	(485,493)
Vocational	0	0	2,517	2,517
Other	368,430	49,259	19,187	(299,984)
Support Services:				
Pupil	487,779	0	295,241	(192,538)
Instructional Staff	912,110	0	5,653	(906,457)
General Administration	82,898	0	0	(82,898)
School Administration	883,463	0	3,069	(880,394)
Fiscal	208,254	0	110	(208,144)
Business	79,279	0	0	(79,279)
Operations and Maintenance	1,251,267	18,684	60,674	(1,171,909)
Pupil Transportation	546,667	0	37,085	(509,582)
Central	168,761	0	2,127	(166,634)
Operation of Non-Instructional Services	549,882	152,266	315,573	(82,043)
Extracurricular Activities	475,498	135,935	0	(339,563)
Interest and Fiscal Charges	117,021	0	0	(117,021)
Total Governmental Activities	\$12,483,387	\$1,291,633	\$1,542,046	(9,649,708)

General Revenues:	
Income Taxes	1,392,510
Property Taxes Levied for:	
General Purposes	2,094,850
Special Revenue Purposes	15,597
Debt Service Purposes	337,406
Capital Projects Purposes	232,177
Grants and Entitlements not Restricted	5,648,248
Investment Earnings	6,478
Other Revenues	88,373
Total General Revenues	9,815,639
Change in Net Position	165,931
Net Position - Beginning of Year	28,628,713
Net Position - End of Year	\$28,794,644

See accompanying notes to the basic financial statements.

New Lebanon Local School District
 Balance Sheet
 Governmental Funds
 June 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$6,037,154	\$1,564,384	\$7,601,538
Receivables:			
Taxes	2,733,818	624,019	3,357,837
Accounts	42,896	660	43,556
Interest	7,121	0	7,121
Intergovernmental	0	82,530	82,530
Interfund	214,978	0	214,978
Inventory	0	8,062	8,062
Total Assets	9,035,967	2,279,655	11,315,622
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	204,471	153,732	358,203
Accrued Wages and Benefits	1,235,673	80,318	1,315,991
Compensated Absences	18,465	0	18,465
Interfund Payable	0	214,978	214,978
Deferred Revenue	2,143,438	640,914	2,784,352
Total Liabilities	3,602,047	1,089,942	4,691,989
Fund Balances:			
Nonspendable	0	8,062	8,062
Restricted	0	1,394,805	1,394,805
Assigned	41,629	0	41,629
Unassigned	5,392,291	(213,154)	5,179,137
Total Fund Balances	5,433,920	1,189,713	6,623,633
Total Liabilities and Fund Balances	\$9,035,967	\$2,279,655	\$11,315,622

See accompanying notes to the basic financial statements.

New Lebanon Local School District
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2013

Total Governmental Fund Balance \$6,623,633

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

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 25,203,365

Other long-term assets are not available to pay for current-
 period expenditures and therefore are deferred in the funds.

Delinquent Property Taxes	\$177,265	
Interest	4,619	
Intergovernmental	44,355	
		226,239

In the statement of net position interest payable is accrued when
 incurred, whereas in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources. (8,682)

Some liabilities reported in the statement of net position do not
 require the use of current financial resources and therefore
 are not reported as liabilities in governmental funds.

Compensated Absences (502,629)

Deferred bond issuance cost associated with long-term liabilities
 are not reported in the funds. 19,415

Long-term liabilities, are not due and payable in the current
 period and therefore are not reported in the funds. (2,766,697)

Net Position of Governmental Activities \$28,794,644

See accompanying notes to the basic financial statements.

New Lebanon Local School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$3,493,723	\$586,845	\$4,080,568
Tuition and Fees	984,750	0	984,750
Investment Earnings	7,886	869	8,755
Intergovernmental	6,178,340	1,149,151	7,327,491
Extracurricular Activities	25,892	67,132	93,024
Charges for Services	0	170,950	170,950
Other Revenues	121,225	10,060	131,285
Total Revenues	10,811,816	1,985,007	12,796,823
Expenditures:			
Current:			
Instruction:			
Regular	4,528,444	102,441	4,630,885
Special	1,006,046	348,460	1,354,506
Other	374,195	3	374,198
Support Services:			
Pupil	363,297	122,659	485,956
Instructional Staff	855,944	8,575	864,519
General Administration	82,898	0	82,898
School Administration	809,055	3,718	812,773
Fiscal	198,764	6,986	205,750
Business	79,279	0	79,279
Operations and Maintenance	1,075,241	193,780	1,269,021
Pupil Transportation	562,099	84,212	646,311
Central	166,052	123,217	289,269
Operation of Non-Instructional Services	513	463,114	463,627
Extracurricular Activities	285,252	81,535	366,787
Debt Service:			
Principal Retirement	0	215,000	215,000
Interest and Fiscal Charges	0	111,132	111,132
Total Expenditures	10,387,079	1,864,832	12,251,911
Excess of Revenues Over (Under) Expenditures	424,737	120,175	544,912
Other Financing Sources (Uses):			
Transfers In	210,324	10,000	220,324
Transfers (Out)	0	(220,324)	(220,324)
Total Other Financing Sources (Uses)	210,324	(210,324)	0
Net Change in Fund Balance	635,061	(90,149)	544,912
Fund Balance - Beginning of Year	4,798,859	1,279,862	6,078,721
Fund Balance - End of Year	\$5,433,920	\$1,189,713	\$6,623,633

See accompanying notes to the basic financial statements.

New Lebanon Local School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2013

Net Change in Fund Balance - Total Governmental Funds \$544,912

Amounts reported for governmental activities in the
 statement of activities are different because:

Governmental funds report capital asset additions as expenditures.
 However, in the statement of activities, the cost of those assets is
 allocated over their estimated useful lives as depreciation
 expense. This is the amount of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	\$455,116	
Depreciation Expense	<u>(879,824)</u>	
		(424,708)

Revenues in the statement of activities that do not provide
 current financial resources are not reported as revenues in
 the funds.

Delinquent Property Taxes	(\$8,028)	
Interest	(2,277)	
Intergovernmental	<u>(137,200)</u>	
		(147,505)

Repayment of bond and capital lease principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net position. 215,000

Interest expense in the statement of activities differs from the amount
 reported in governmental funds for two reasons. Additional accrued
 interest was calculated for bonds and notes payable, and the difference
 arising from the advance refunding due to premium and bond issuance
 costs.

Accrued Interest		(6,097)
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Some expenses reported in the statement of activities do not require the
 use of current financial resources and therefore are not reported as
 expenditures in governmental funds.

Compensated Absences	(\$15,879)	
Amortization of Bond Issuance Cost	(1,765)	
Amortization of Bond Premium	<u>1,973</u>	
		<u>(15,671)</u>

Change in Net Position of Governmental Activities \$165,931

See accompanying notes to the basic financial statements.

New Lebanon Local School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$3,535,848	\$3,548,590	\$3,557,109	\$8,519
Tuition and Fees	964,995	968,473	970,798	2,325
Investment Earnings	4,065	4,079	4,089	10
Intergovernmental	6,145,875	6,168,023	6,182,830	14,807
Extracurricular Activities	21,507	21,584	21,636	52
Charges for Services	7,484	7,511	7,529	18
Other Revenues	69,265	69,514	69,681	167
Total Revenues	10,749,039	10,787,774	10,813,672	25,898
Expenditures:				
Current:				
Instruction:				
Regular	3,222,801	3,065,478	2,969,139	96,339
Special	471,238	448,235	435,300	12,935
Other	395,571	376,261	363,148	13,113
Support Services:				
Pupil	343,559	326,788	316,362	10,426
Instructional Staff	753,018	716,259	692,752	23,507
General Administration	100,273	95,378	92,805	2,573
School Administration	872,901	830,290	804,257	26,033
Fiscal	224,431	213,475	205,577	7,898
Business	36,092	34,331	31,605	2,726
Operations and Maintenance	1,159,970	1,103,346	1,069,562	33,784
Pupil Transportation	631,703	600,866	582,692	18,174
Central	182,806	173,882	168,695	5,187
Extracurricular Activities	302,466	287,701	279,987	7,714
Total Expenditures	8,696,829	8,272,290	8,011,881	260,409
Excess of Revenues Over (Under) Expenditures	2,052,210	2,515,484	2,801,791	286,307
Other financing sources (uses):				
Advances (Out)	0	0	(280,973)	(280,973)
Transfers In	9,940	9,976	10,000	24
Transfers (Out)	(2,268,999)	(2,158,237)	(2,163,602)	(5,365)
Total Other Financing Sources (Uses)	(2,259,059)	(2,148,261)	(2,434,575)	(286,314)
Net Change in Fund Balance	(206,849)	367,223	367,216	(7)
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	5,433,835	5,433,835	5,433,835	0
Fund Balance - End of Year	\$5,226,986	\$5,801,058	\$5,801,051	(\$7)

See accompanying notes to the basic financial statements.

New Lebanon Local School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2013

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$26,120</u>
Total Assets	<u>26,120</u>
Liabilities:	
Accounts Payable	4,343
Other Liabilities	<u>21,777</u>
Total Liabilities	<u>\$26,120</u>

See accompanying notes to the basic financial statements.

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013**

Note 1 - Description of the School District

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

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

The District currently operates 1 elementary school, 1 middle school and 1 comprehensive high school. The District employs 62 non-certified and 90 (including administrative) certified full-time and part-time employees to provide services to approximately 1,200 students in grades K through 12 and various community groups, which ranks it 435th out of 936 public school districts and community schools in Ohio.

Note 2 - Summary of Significant Accounting Policies

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

Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013**

The following organizations are described due to their relationship to the District:

Jointly Governed Organizations

Miami Valley Career Technology Center (MVCTC)

The Miami Valley Career Technology Center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide for the vocational and special education needs of its students. The Board of Education is comprised of 17 members elected from the 27 participating school districts. The school accepts non-tuition students from the District as a member school, however, it is considered to be a separate political subdivision and not part of the District. The District made no payments to MVCTC in fiscal year 2013. Financial information is available from Debbie Gossett, Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

Southwestern Ohio Educational Purchasing Council (SOEPC)

SOEPC is a purchasing cooperative made up of nearly one hundred school districts in Montgomery and surrounding counties. The Montgomery County Educational Service Center acts as fiscal agent for the group. The purpose of the cooperative is to obtain lower prices for materials and supplies commonly used by the member districts. The members are obligated to pay all fees, charges and assessments as established by SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by SOEPC is held in trust for the member districts by the fiscal agent. Any district withdrawing from SOEPC shall forfeit its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the District's general fund. The District made no payments to SOEPC in fiscal year 2013. Financial information is available from SOEPC by contacting Steffnay O'Bryan, Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Metropolitan Dayton Educational Cooperative Association (MDECA)

The District is a participant in MDECA, which is a computer consortium of 34 public school districts within the boundaries of Darke, Greene, Miami, and Montgomery Counties. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The governing board of MDECA consists of one representative from each district plus one representative from the fiscal agent. The District pays MDECA an enrollment based fee for services provided during the year. The District made payments of \$26,975 to MDECA in fiscal year 2013. Financial information is available from Dean Reineke, Executive Director, at 201 Riverside Drive, Dayton, Ohio 45405.

Fund Accounting

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

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013**

Governmental Funds

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

General Fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary Funds

Proprietary funds are used to account for the District's ongoing activities, which are similar to those often found in the private sector. The District has no proprietary funds.

Fiduciary Funds

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

Basis of Presentation and Measurement Focus

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

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

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013**

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

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

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

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

Basis of Accounting

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

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

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

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013**

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2013 are recorded as deferred revenue in the governmental funds.

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

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

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

Budgets

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

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for tax rate determination. The Montgomery County Commissioners waived this requirement for fiscal year 2013.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013**

then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2013.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level, the District has elected to present budgetary statement comparisons at the fund and function levels of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2013; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

Cash and Investments

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

During fiscal year 2013, investments were limited to U.S. Treasury notes, U.S. Government money markets and federal agency securities. Investments are reported at fair value, which is based on quoted market prices.

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013**

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the General Fund during fiscal year 2013 amounted to \$7,886 (no interest revenue credited from other funds) and \$869 was credited to Other Governmental Funds.

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

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

Inventory

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

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

Capital Assets

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

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

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

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

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013**

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due to/from other funds”. These amounts are eliminated in the governmental activities column on the statement of net position.

Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2013, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 or above with 10 or more years of service, or any age with 20 or more years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2013 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

Accrued Liabilities and Long-Term Obligations

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

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

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013**

Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally 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 are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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 (the highest level of decision making authority). 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 nor 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 policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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 could be used.

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013**

Net Position

Net position represent the difference between assets and deferred inflows of resources, and liabilities and deferred outflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for extracurricular activities and state grants.

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

Estimates

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

Interfund Activity

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

Note 3 - Accountability and Compliance

Deficit Fund Balance

Fund balances at June 30, 2013 included the following individual fund deficit:

<u>Other Governmental Funds</u>	<u>Deficit</u>
Special Revenue:	
IDEA Part B	\$204,906
Improving Teacher Quality	8,248

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013**

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

Note 4 - Deposits and Investments

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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6. The State Treasurer's Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$5,059,441. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$4,861,494 of the District's bank balance of \$5,111,494 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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

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Investments

As of June 30, 2013, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)	% of Total
Money Market Funds	\$260,882	0.00	10.16%
Federal Farm Credit Bank	136,454	0.65	5.31%
Federal Home Loan Bank	957,254	0.51	37.27%
Freddie Mac	626,861	0.84	24.41%
Fannie Mae	485,870	0.37	18.92%
Federal National Mortgage Association	55,855	0.61	2.17%
Treasury Bill	45,041	1.79	1.76%
Total Fair Value	\$2,568,217		100.00%
Portfolio Weighted Average Maturity		0.54	

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

Credit Risk: The District's investments, except for the Money Market Funds were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The Money Market Funds are not rated. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer.

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Note 5 - Interfund Transactions

Interfund transactions at fiscal year end, consisted of the following individual fund receivables and payables:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$214,978	\$0	\$210,324	\$0
Other Governmental Funds	0	214,978	10,000	220,324
Total All Funds	<u>\$214,978</u>	<u>\$214,978</u>	<u>\$220,324</u>	<u>\$220,324</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers to the general fund funded the schoolwide building program, which is accounted for in the general fund. Transfers between governmental funds are eliminated in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Note 6 - Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property tax revenue received during calendar year 2013 (other than public utility property tax) represents the collection of 2013 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2013 were levied after April 1, 2012, on the value as of December 31, 2012. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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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. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2014 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2013. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year appropriations. The amount available as an advance at June 30, 2013 was \$96,484 in the General Fund and \$27,460 in Other Governmental Funds.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$102,611,200	97.20	\$100,339,380	97.05
Public utility personal	2,950,920	2.80	3,048,530	2.95
Total	<u>\$105,562,120</u>	<u>100.00</u>	<u>\$103,387,910</u>	<u>100.00</u>

Tax rate per \$1,000 of
assessed valuation for:

Operations	\$45.45	\$45.45
Permanent improvement	2.80	2.80
Debt service	3.77	3.77

Note 7 - Income Tax

The District levies a voted income tax of 1.25% for general obligations on the income of residents and of estates. An income tax of .75% was effective January 1, 1998 and was renewed in May 2011. The District passed an additional .5% income tax in November 2005, which was renewed in May 2012. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and totaled \$1,392,510 for fiscal year 2013.

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Note 8 – Receivables

Receivables at June 30, 2013 consisted of taxes, accounts, accrued interest, interfund and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$35,490	\$0	\$0	\$35,490
Total Capital Assets, not being depreciated	35,490	0	0	35,490
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	30,033,365	15,879	0	30,049,244
Furniture, Equipment and Vehicles	3,400,180	439,237	21,726	3,817,691
<i>Total Capital Assets, being depreciated:</i>	<u>33,433,545</u>	<u>455,116</u>	<u>21,726</u>	<u>33,866,935</u>
Totals at Historical Cost	<u>33,469,035</u>	<u>455,116</u>	<u>21,726</u>	<u>33,902,425</u>
Less Accumulated Depreciation:				
Buildings and Improvements	5,383,575	600,203	0	5,983,778
Furniture, Equipment and Vehicles	2,457,387	279,621	21,726	2,715,282
Total Accumulated Depreciation	<u>7,840,962</u>	<u>879,824</u>	<u>21,726</u>	<u>8,699,060</u>
Governmental Activities Capital Assets, Net	<u>\$25,628,073</u>	<u>(\$424,708)</u>	<u>\$0</u>	<u>\$25,203,365</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$384,367
Special	57,499
Support Services:	
Instructional Staff	51,917
School Administration	44,644
Fiscal	2,921
Operations and Maintenance	88,728
Pupil Transportation	19,898
Central	15,374
Operation of Non-Instructional Services	84,329
Extracurricular Activities	130,147
Total Depreciation Expense	<u>\$879,824</u>

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Note 10 - Long-Term Liabilities

The following is a description of the District's bonds outstanding as of June 30, 2013:

	Interest Rate	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:						
General Obligation Bonds:						
2001 Facilities Improvement Bonds	5.08%	\$930,000	\$0	\$0	\$930,000	\$0
2012 Refunding of Facilities Improvement	3.12%	2,030,000	0	(215,000)	1,815,000	195,000
Premium on 2012 Refunding Bonds		23,670	0	(1,973)	21,697	0
Subtotal Bonds		2,983,670	0	(216,973)	2,766,697	195,000
Compensated Absences		522,801	57,261	(58,968)	521,094	55,766
Total Governmental Activities Long-Term Liabilities		\$3,506,471	\$57,261	(\$275,941)	\$3,287,791	\$250,766

On April 1, 2001, the District issued \$4,530,000 in general obligation bonds (Series 2001, School Facilities Improvement Bonds), which represent the District's share of a construction and renovation project approved and significantly funded by the Ohio School Facilities Commission (OSFC). These bonds are a general obligation of the District, for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these bonds are recorded as an expenditure in the debt service fund, (a nonmajor governmental fund). The source of payment is derived from a current 3.77 (average) mil bonded debt tax levy.

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

In 2012, the District issued \$2,030,000 in term bonds with an average interest rate of 3.12% of which was used to refund \$2,030,000 of outstanding 2001 Facilities Improvement Bonds with average interest rate of 5.08%. The net proceeds of \$2,053,670 (after payments of premium, underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments on the bond issue.

The District refunded their 2001 Facilities Improvement Bonds to reduce its total debt service payments by \$354,372 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$252,517.

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

Fiscal Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2014	\$195,000	\$104,736	\$299,736
2015	205,000	98,496	303,496
2016	220,000	89,308	309,308
2017	230,000	77,051	307,051
2018	245,000	64,108	309,108
2019-2023	1,355,000	157,025	1,512,025
2024	295,000	4,602	299,602
Total	\$2,745,000	\$595,326	\$3,340,326

Note 11 - Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters.

During fiscal year 2013, The District purchased from the Governmental Underwriters of America general liability insurance, which carried a \$1 million per occurrence/\$3 million annual aggregate limitation.

Fleet and property/casualty insurance are purchased through Governmental Underwriters of America and traditionally funded, as are all benefit plans offered to employees.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2012.

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

Note 12 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit 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 state statute per 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 can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

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Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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, 2013, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2013, 2012, and 2011 were \$265,872, \$265,272, and \$177,063, respectively; contributions equaled the required contributions for each year.

State Teachers Retirement System of Ohio

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and 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 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 credit 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

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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 at 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

Member contributions are allocated by the member, 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.

A retiree of STRS Ohio or another Ohio public retirement system 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.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 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.

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Funding Policy

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% for members and 14% for employers.

Contribution requirements and the 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 contributions to STRS for the years ended June 30, 2013, 2012, and 2011 were \$706,512, \$712,860, and \$651,636, respectively; 84% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

Note 13- Post Employment Benefits

School Employees Retirement System of Ohio

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 B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. 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 2013 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was .74%. District contributions for the years ended June 30, 2013, 2012 and 2011 were \$14,053, \$14,211, and \$11,394, respectively, which equaled the required contributions each year.

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 HMO's, PPO's, 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. At June 30, 2013, the health care allocation was .16%. An additional health care surcharge on employers is collected for

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employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide 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 2013, the minimum compensation level was established at \$20,525. 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 contributions assigned to health care for the years ended June 30, 2013, 2012, and 2011 were \$3,039, \$28,005, and \$43,566, respectively.

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 under *Employers/Audit Resources*.

State Teachers Retirement System of Ohio

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2013, 2012 and 2011. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2013, 2012, and 2011 were \$50,465, \$50,919, and \$50,126, 84% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

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For the Fiscal Year Ended June 30, 2013**

Note 14 - Budgetary Basis of Accounting

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to restricted, assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis);
- (e) Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions;
- (f) Transfers in and transfers out are operating transactions as opposed to balance sheet transactions;
- (g) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance:

	<u>General</u>
GAAP Basis	\$635,061
Revenue Accruals	1,856
Expenditure Accruals	2,604,198
Transfers In	(200,324)
Transfers (Out)	(2,163,602)
Advances (Out)	(280,973)
Encumbrances	(202,370)
Funds Budgeted Elsewhere	(26,630)
Budget Basis	<u><u>\$367,216</u></u>

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013**

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund, termination benefits fund and schoolwide building program fund.

Note 15 – Contingencies

Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

Litigation

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

Note 16 - Set-Asides

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

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

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2012	\$0
Current Year Set Aside Requirements	197,893
Qualified Disbursements	(123,581)
Current Year Offsets	(74,312)
Set Aside Reserve Balance as of June 30, 2013	<u>\$0</u>
Restricted Cash as of June 30, 2013	<u>\$0</u>

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013**

Note 17 – Fund Balances

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

Fund Balances	General	Other Governmental Funds	Total
Nonspendable:			
Inventory	\$0	\$8,062	\$8,062
Total Nonspendable	0	8,062	8,062
Restricted for:			
Other Grants	0	2	2
Classroom Facilities Maintenance	0	84,811	84,811
District Managed Student Activity	0	7,856	7,856
Auxiliary Services	0	7,397	7,397
Miscellaneous State Grants	0	190	190
Race to the Top	0	450	450
Drug Free School Grant	0	522	522
Title I	0	35,584	35,584
Miscellaneous Federal Grants	0	102	102
Food Service	0	270,777	270,777
Bond Retirement	0	496,673	496,673
Permanent Improvements	0	490,441	490,441
Total Restricted	0	1,394,805	1,394,805
Assigned to:			
Encumbrances	25,728	0	25,728
Public Schools	15,901	0	15,901
Total Assigned	41,629	0	41,629
Unassigned (Deficit)	5,392,291	(213,154)	5,179,137
Total Fund Balance	\$5,433,920	\$1,189,713	\$6,623,633

Note 18 – Change in Accounting Principles

The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements and GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 62 incorporates Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants' (AICPA) accounting and financial reporting guidance issued on or before November 30, 1989 into GASB authoritative literature. GASB Statement No. 63 provides financial reporting guidance for deferred outflows and inflows of resources and net position.

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**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program		10.555		\$29,392		\$29,392
Cash Assistance:						
School Breakfast Program		10.553	\$45,891		\$45,891	
National School Lunch Program		10.555	234,017		234,017	
			<u>279,908</u>	<u>29,392</u>	<u>279,908</u>	<u>29,392</u>
State Administrative Expenses for Child Nutrition		10.560	5,313		5,211	
Total U.S. Department of Agriculture			<u>285,221</u>	<u>29,392</u>	<u>285,119</u>	<u>29,392</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Title I, Part A:						
Title I Grants to Local Educational Agencies	2013	84.010	276,195		240,611	
Title I Grants to Local Educational Agencies	2012	84.010	33,787		34,331	
Total Title I, Part A			<u>309,982</u>		<u>274,942</u>	
Special Education Cluster:						
Special Education Grants to States	2013	84.027	223,710		228,579	
Special Education Grants to States	2012	84.027	49,036		49,036	
Total Special Education Grants to States			<u>272,746</u>		<u>277,615</u>	
Special Education Preschool Grants	2013	84.173	851		851	
Special Education Preschool Grants	2012	84.173	27		29	
Total Special Education Preschool Grants			<u>878</u>		<u>880</u>	
Total Special Education Cluster			<u>273,624</u>		<u>278,495</u>	
Improving Teacher Quality State Grants	2013	84.367	25,919		25,919	
Improving Teacher Quality State Grants	2012	84.367	5,763		6,063	
			<u>31,682</u>		<u>31,982</u>	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants	2013	84.395	34,503		31,366	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants	2012	84.395	2,309		2,810	
			<u>36,812</u>		<u>34,176</u>	
Education Jobs Fund	2012	84.410	38,329		41,965	
Education Jobs Fund	2012	84.410	(1,836)			
			<u>36,493</u>		<u>41,965</u>	
Total U.S. Department of Education			<u>688,593</u>		<u>661,560</u>	
Total			<u>\$973,814</u>	<u>\$29,392</u>	<u>\$946,679</u>	<u>\$29,392</u>

The accompanying notes are an integral part of this schedule.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the New Lebanon Local School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D – REFUND OF EDUCATION JOBS GRANT RECEIPTS FOR FY2012, CFDA #84.410

\$1,836 of Education Jobs Grant for fiscal year 2012 was refunded to the Ohio Department of Education during the audit period. It is reflected as a negative receipt on the accompanying Schedule.



Dave Yost • Auditor of State

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

New Lebanon Local School District
Montgomery County
320 South Fuls Road
New Lebanon, Ohio 45345

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Lebanon Local School District, Montgomery County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 22, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-002 and 2013-003 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2013-001 and 2013-003.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

January 22, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

New Lebanon Local School District
Montgomery County
320 South Fuls Road
New Lebanon, Ohio 45345

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the New Lebanon Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the New Lebanon Local School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on Special Education Cluster

As described in finding 2013-004 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding allowable costs/cost principles applicable to its Special Education Cluster major federal program. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Special Education Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Cluster* paragraph, the New Lebanon Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education Cluster major federal program for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, New Lebanon Local School District complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings and questioned costs as item 2013-005. This finding did not require us to modify our compliance opinion on each major federal program.

The District's responses to our noncompliance findings are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-004 and 2013-005 to be material weaknesses.

New Lebanon Local School District
Montgomery County
Independent Auditor's Report on Compliance with Requirements Applicable
To Each Major Federal Program and on Internal Control Over
Compliance Required by OMB Circular A-133
Page 3

The District's responses to our internal control over compliance findings are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

January 22, 2014

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**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified: Child Nutrition Cluster Unmodified: Title I Qualified: Special Education Cluster
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: CFDA #10.553: National School Breakfast Program CFDA #10.555: National School Lunch Program CFDA #84.010: Title I Special Education Cluster: CFDA #84.027: Special Education-Grants to States CFDA #84.173: Special Education-Preschool Grants
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
 REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2013-001

Noncompliance

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established. The existence of a deficit fund balance indicates money from another fund or funds was used to pay obligations of funds that carry the deficit fund balance.

Ohio Rev. Code Section 3315.20 states that a School District may have a deficit in any special fund of the district only if both of the following conditions are satisfied:

- A. The district has a request for payment pending with the state sufficient to cover the amount of the deficit and there is a reasonable likelihood that payment will be made.
- B. The unspent and unencumbered balance in the district's general fund is greater than the aggregate of deficit amounts in all of the district's special funds.

According to the month end Financial Report by Fund, the District had negative fund balances throughout the year as follows. Both of the above conditions were not satisfied for these funds.

Month	Fund	Amount
September 2012	300	\$3,928
September 2012	432	2,071
September 2012	572	19,132
September 2012	587	144
September 2012	590	2,623
January 2013	432	4,026
January 2013	506	8,271
January 2013	516	52,022
January 2013	572	19,132
January 2013	587	144

All District fund cash balances at June 30, 2013 were in a positive position.

The District should monitor fund balances to ensure that expenditures are made within appropriated levels of available funds and if negative fund balances are anticipated, the Board should make an approved transfer or advance of funds to cover the necessary expenditure. We recommend the District monitor financial activity and develop a plan to avoid negative cash balances.

Official's Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2013-002

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

**FINDING NUMBER 2013-002
 (Continued)**

The District did not properly report intergovernmental receivable in the financial statements for the fiscal year ended June 30, 2013. The District overstated intergovernmental receivable in the amount of \$290,350 for Other Governmental Funds. The District posted the adjustment to the accompanying financial statements.

Failure to properly report financial activity can result in inaccurate financial statements. To improve record keeping and accountability of financial activity we recommend that the District properly report all financial activity. The District should develop review procedures over the reporting of District financial activity.

Official's Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2013-003

Noncompliance/Material Weakness

Finding Number 2013-005 describes deficiencies in preparing the District's Schedule of Federal Awards Receipts and Expenditures. We believe this finding also represents material noncompliance and a material weakness under auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2013-004

Noncompliance/Questioned Cost/Material Weakness – Allowable Costs/Cost Principles

Finding Number	2013-004
CFDA Title and Number	Special Education Cluster: CFDA #84.027: Special Education-Grants to States CFDA #84.173: Special Education-Preschool Grants
Federal Award Number / Year	2013
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section (C)(1)(j) provides that for a cost to be allowable, the expenditure must be adequately documented.

During the audit period, expenditures totaling \$239,959 originally charged to the General Fund were re-coded to charge to Fund 516 (IDEA Part B). There was no supporting documentation available to support the re-coding of these charges; therefore, a questioned cost in the amount of \$239,959 will be issued.

We recommend that all expenditures charged to a federal grant be adequately documented.

The Auditor of State recommends that sufficient supporting documentation be retained and made available for all transactions in the accounting system.

**FINDING NUMBER 2013-004
 (Continued)**

Official's Response:

See "Corrective Action Plan" on page 60.

FINDING NUMBER 2013-005

Noncompliance/Material Weakness - Reporting

Finding Number	2013-005
CFDA Title and Number	Nutrition Cluster: 10.553: National School Breakfast Program 10.555: National School Lunch Program Special Education Cluster: 84.027: Special Education-Grants to States 84.173: Special Education-Preschool Grants 84.010 – Title I
Federal Award Number / Year	2013
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Office of Management and Budget (OMB) Circular A-133 Subpart C, §__.310(b) Schedule of Expenditures of Federal Awards, states that the auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

1. List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
2. For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
3. Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
4. Include notes that describe the significant accounting policies used in preparing the schedule.
5. To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub-recipients from each Federal program.
6. Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

**FINDING NUMBER 2013-005
(Continued)**

The District did not accurately report receipts and expenditures on the 2013 Federal Awards Receipts and Expenditures Schedule (SFAE) as evidenced by the following:

- Child Nutrition Cluster receipts and expenditures were overstated by \$28,244. This includes commodities receipts and expenditures that were omitted from the federal schedule totaling \$29,392 and a state receipt erroneously included in the amount of \$1,148;
- Race to the Top receipts were overstated by \$37,210;
- Special Education Preschool Grant receipts and expenditures were overstated by \$173;
- Special Education Cluster Grant receipts were overstated by \$165,342. Expenditures were overstated by \$160,473;
- Title I receipts were overstated by \$12,443. Expenditures were overstated by \$41,201.

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

Adjustments were posted to the Federal Awards Receipts and Expenditures Schedule to correct the above errors. The lack of proper management oversight could result in misstatements relating to financial data. To improve record keeping and accountability of financial activity we recommend that all federal grant award receipts and expenditures be properly reported. The District should develop review procedures over the reporting of District Federal receipts and expenditures.

Official's Response:

See "Corrective Action Plan" on page 60.

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**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	2 C.F.R. Part 225, Appendix B, Section 8(h)(3), failure to maintain personnel activity reports to support time spent on the Child Nutrition Cluster federal program.	Yes	

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
Fiscal year end JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-04	For FY2014 I have designated specific monthly charges to be covered by the Fund 516 (IDEA part B). These charges are detailed and can be cross checked for verification at a later date. These charges are to cover special education costs for Middle and High School teachers plus contracted labor from ESC for ED students. Costs will be in excess of grant and charges will be stopped when that threshold is reached.	11/1/2013	Rob Wannemacher
2013-05	Due to the inexperience of office personnel and lack of supervision deposit account errors were made. To resolve problem going forward I am personally posting all deposit entries relating to State and Federal grants. After first year I will train staff to handle procedures properly with a year's history for reference.	11/1/2013	Rob Wannemacher



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

New Lebanon Local School District
Montgomery County
320 South Fuls Road
New Lebanon, Ohio 45345

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether New Lebanon Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on October 22, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

January 22, 2014

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Dave Yost • Auditor of State

NEW LEBANON LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 18, 2014**