

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2015
Unaudited

The Lebanon City School District is presenting the following discussion and analysis in order to provide an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The discussion and analysis is within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

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

Financial Highlights

- ❑ In total, net position increased by \$17,380,405 or 38.22%.
- ❑ General receipts accounted for \$73,177,830 in revenue. Program specific receipts in the form of charges for services and sales, grants and contributions accounted for \$5,069,466. Total revenues were \$78,247,296.
- ❑ The District had \$60,866,891 in cash disbursements to governmental activities; \$5,069,466 of these expenses was offset by program specific charges for services, grants or contributions. General receipts (primarily property taxes and entitlements) of \$73,177,830 were also used to provide for these services.
- ❑ Among major funds, the general fund had \$48,742,985 in receipts and \$45,351,118 in disbursements. The general fund's fund balance increased \$4,043,652 from fiscal year 2014 to a fund balance of \$14,861,361 at June 30, 2015.

Using the Basic Financial Statements

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

Report Components

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

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

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Basis of Accounting

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

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

Reporting the District as a Whole

The *Statement of Net Position - Modified Cash Basis* and the *Statement of Activities - Modified Cash Basis* reflect how the District performed financially during 2015, within the limitations of modified cash basis accounting. The *Statement of Net Position - Modified Cash Basis* presents the cash balances and investments of the governmental activities of the District at year-end. The *Statement of Activities - Modified Cash Basis* compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

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

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Reporting the District’s Most Significant Funds

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

Governmental Funds – The District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported on a modified cash basis. The governmental fund statements provide a detailed short-term view of the District’s general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

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

The District as a Whole

The Statement of Net Position - Modified Cash Basis provides the perspective of the District as a whole. Table 1 below provides a summary of the District’s net position for 2015 and 2014:

(Table 1)
Net Position

	Governmental Activities		% of
	2015	2014	Change
Assets			
Cash and Investments	\$62,849,294	\$45,468,889	38.22%
Total Assets	\$62,849,294	\$45,468,889	38.22%
Restricted			
Other Purposes	\$1,846,322	\$1,543,232	19.64%
Debt Service	4,815,968	4,680,429	2.90%
Capital Projects	41,184,539	28,308,430	45.49%
Unrestricted	15,002,465	10,936,798	37.17%
Total Net Position	\$62,849,294	\$45,468,889	38.22%

Total assets increased by \$17,380,405. The increase can mostly be attributed to the increase in cash due to the receipt of Ohio School Facilities funds.

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Table 2 demonstrates the changes in net position for fiscal year 2015.

(Table 2)
Change in Net Position

	Governmental Activities	
	2015	2014
Revenues		
Program Receipts:		
Charges for Services	\$2,070,147	\$2,189,827
Operating Grants, Interest and Contributions	2,999,319	2,830,096
Total Program Receipts	5,069,466	5,019,923
General Receipts:		
Property Taxes		
General Purposes	22,986,424	22,640,530
Debt Service	4,988,940	4,394,574
Capital Projects	1,426,366	1,261,800
Grants and Entitlements not Restricted to Specific Programs	24,488,869	22,248,282
Grants and Entitlements for Construction	18,109,521	0
Revenue in Lieu of Taxes	395,853	311,924
Interest	121,920	24,704
Gifts and Donations	82,062	43,588
Bond Anticipation Notes Issued	0	27,414,231
General Obligation Bonds Issued	0	27,065,000
Refunding Bonds Issued	0	3,835,000
Premium on Bonds and Notes Issued	0	655,115
Premium on Refunding Bonds Issued	0	342,549
Miscellaneous	577,875	754,849
Transfers	0	6,932
Advances	0	848
Total General Receipts	73,177,830	110,999,926
Total All Receipts	\$78,247,296	\$116,019,849

(Continued)

Expenditures decreased by \$25,275,886 or 29.34% from 2014. This decrease is attributed to the payoff of the bond anticipation notes that were issued during the prior fiscal year.

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(Table 2)
Change in Net Position
(Continued)

	Governmental Activities	
	2015	2014
Cash Disbursements		
Instruction		
Regular	\$19,776,973	\$19,204,344
Special	5,632,531	5,922,998
Vocational	67,100	60,492
Other	3,793,152	4,159,161
Support Services		
Pupils	2,304,431	2,440,387
Instructional Staff	1,240,185	1,176,518
Board of Education	48,785	53,931
Administration	3,318,224	3,188,815
Fiscal	1,085,622	965,747
Operation and Maintenance of Plant	3,571,979	3,655,190
Pupil Transportation	5,298,396	4,927,745
Central	460,503	494,877
Operating of Non-Instructional Services	1,744,112	1,786,639
Extracurricular Activities	1,160,220	1,017,494
Capital Outlay	5,780,250	953,575
Debt Service	5,584,428	36,133,785
Intergovernmental	0	1,079
Total Cash Disbursements	<u>60,866,891</u>	<u>86,142,777</u>
Change in Net Position	<u>\$17,380,405</u>	<u>\$29,877,072</u>

Governmental Activities

The District receives 37.58% of its receipts from property taxes and 31.30% from grants and entitlements. The balance of receipts received, or 31.12%, is in the form of program receipts, investment income, gifts and donations, bonds issued, and miscellaneous items.

Disbursements for instruction represent 48.09% of the total governmental disbursements. Support services represent 28.47% of the total disbursements. The remaining 23.44% of expenses are attributed to food services, community services, extracurricular activities, capital outlay and debt service.

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

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(Table 3)
Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Instruction	\$29,269,756	\$26,808,502	\$29,346,995	\$27,017,239
Support Services	17,328,125	17,010,509	16,903,210	16,614,609
Operation of Non-Instructional Services	1,744,112	43,338	1,786,639	(9,708)
Extracurricular Activities	1,160,220	570,398	1,017,494	412,275
Capital Outlay	5,780,250	5,580,250	953,575	953,575
Debt Service	5,584,428	5,584,428	36,133,785	36,133,785
Intergovernmental	0	0	1,079	1,079
Total Cash Disbursements	<u>\$60,866,891</u>	<u>\$55,797,425</u>	<u>\$86,142,777</u>	<u>\$81,122,854</u>

The District's Funds

Total governmental funds had receipts of \$77,790,201 and disbursements of \$60,866,891. The fund balance of the general fund increased \$4,043,652. The fund balance of the classroom facilities project capital project fund increased by \$12,893,733, while the other governmental funds balances increased by \$443,020.

General Fund Budget Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal 2015, the District revised its budget to accommodate changes in expected revenues and planned expenditures.

Capital Assets and Debt Administration

Capital Assets

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

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Debt

As of June 30, 2015, the District had the following outstanding debt:

Refunding of General Obligation Bonds	\$30,329,754
School Improvement General Obligation Bonds	26,885,000
Energy Conservation Bonds:	
Qualified School Construction Bonds	2,665,000
COPS Capital Lease	2,660,000
Total Debt Issues	<u>\$62,539,754</u>

In fiscal year 2014, the District issued \$17,335,000 and \$9,730,000 in voted general obligation bonds for the purpose of additions to Bowman Elementary to house grades PK-2, additions and renovations to Donovan Elementary to house grades three and four, and partial demolition, addition and renovations to Berry Intermediate to house grades five and six. At the secondary level, a new junior high will be built to house grades seven and eight, and there were be additions to Lebanon High School to house grades nine through 12. These bonds were issued for the local portion of State of Ohio Classroom Facilities Assistance Program. The bonds are payable semi-annually on June 1 and December 1 of each year with the first payment having been made on December 1, 2014 and the final payment is due on December 1, 2050. In addition, the District refunded \$3,835,000 of the 2005 Series general obligation bonds during fiscal year 2014. These bonds will be paid from the bond retirement fund.

At June 30, 2015 the District’s overall legal debt limitation was \$18,246,782, and the unvoted debt margin was \$794,620. The District currently has bond ratings of A+ Stable from Standard & Poor’s and Aa3 from Moody’s Investor Services. Further information regarding the District’s debt can be found in Note 9 to the basic financial statements.

Pensions

During 2015, the District adopted GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27,” which significantly revises accounting for pension costs and liabilities.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio’s statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District’s proportionate share of each plan’s collective:

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1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

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

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

Because the District has presented their financial statements on a modified cash basis of accounting, there is no pension liability reported on the statements. Please see Note 7 for further disclosure about the pension reporting changes.

The Future of Lebanon City School District

On November 5, 2013, voters approved a 37-year, 1.87 mill bond levy and corresponding .5 mill permanent improvement maintenance levy to build, renovate and maintain the District's school buildings. The levies provided the local share of funding for school construction under the State of Ohio Classroom Facilities Assistance Program. At the elementary school level, there were additions to Bowman Elementary to house grades PK-2, additions and renovations to Donovan Elementary School to house grades three and four, and partial demolition, addition and renovations to Berry Intermediate School to house grades five and six. At the secondary level, a new junior high is in the process of being built to house grades seven and eight, and there were additions done to Lebanon High School to house grades

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nine through 12. Construction on Bowman Elementary and Lebanon High School were complete before school opened in August, 2015. Donovan and the New Junior High Building projects have begun, and the Berry Intermediate renovation will begin upon completion of the New Junior High Building.

District Contact Information

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

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Statement of Net Position - Modified Cash Basis
June 30, 2015

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$62,849,294
Total Assets	\$62,849,294
Net Position:	
Restricted for:	
Other Purposes	\$1,846,322
Debt Service	4,815,968
Capital Projects	41,184,539
Unrestricted	15,002,465
Total Net Position	\$62,849,294

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District, Ohio
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2015

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services	Operating Grants, Interest and Contributions	Receipts and Changes in Net Position
			Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$19,776,973	\$0	\$122,305	(\$19,654,668)
Special	5,632,531	0	1,389,242	(4,243,289)
Vocational	67,100	0	51,537	(15,563)
Other	3,793,152	628,533	269,637	(2,894,982)
Support Services:				
Pupils	2,304,431	0	6,324	(2,298,107)
Instructional Staff	1,240,185	0	120,927	(1,119,258)
Board of Education	48,785	0	0	(48,785)
Administration	3,318,224	0	65,052	(3,253,172)
Fiscal	1,085,622	0	0	(1,085,622)
Operation and Maintenance of Plant	3,571,979	0	0	(3,571,979)
Pupil Transportation	5,298,396	93,498	21,015	(5,183,883)
Central	460,503	0	10,800	(449,703)
Operation of Non-Instructional Services	1,744,112	786,830	913,944	(43,338)
Extracurricular Activities	1,160,220	561,286	28,536	(570,398)
Capital Outlay	5,780,250	0	0	(5,780,250)
Debt Service	5,584,428	0	0	(5,584,428)
Total Governmental Activities	\$60,866,891	\$2,070,147	\$2,999,319	(55,797,425)
General Receipts:				
Property Taxes Levied for:				
General Purposes				22,986,424
Debt Service				4,988,940
Capital Outlay				1,426,366
Grants and Entitlements not Restricted to Specific Program				24,488,869
Grants and Entitlements for Capital Construction				18,109,521
Revenue in Lieu of Taxes				395,853
Interest				121,920
Gifts and Donations				82,062
Miscellaneous				577,875
Total General Receipts				73,177,830
Change in Net Position				17,380,405
Net Position Beginning of Year				45,468,889
Net Position End of Year				\$62,849,294

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District, Ohio
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2015

	GENERAL	CLASSROOM FACILITIES PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets:				
Equity in Pooled Cash and Investments	\$14,861,361	\$37,169,988	\$10,817,945	\$62,849,294
Total Assets	<u>\$14,861,361</u>	<u>\$37,169,988</u>	<u>\$10,817,945</u>	<u>\$62,849,294</u>
Fund Balances:				
Unreserved, Undesignated, Reported in:				
Restricted	\$31,162	\$37,169,988	\$10,645,679	\$47,846,829
Committed	0	0	172,266	172,266
Assigned	710,063	0	0	710,063
Unassigned	14,120,136	0	0	14,120,136
Total Fund Balances	<u>\$14,861,361</u>	<u>\$37,169,988</u>	<u>\$10,817,945</u>	<u>\$62,849,294</u>

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District, Ohio
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	GENERAL	CLASSROOM FACILITIES PROJECT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Receipts:				
Property and Other Taxes	\$22,986,424	\$0	\$6,414,041	\$29,400,465
Intergovernmental	24,054,148	18,109,521	3,389,962	45,553,631
Interest	32,230	78,874	11,046	122,150
Tuition and Fees	628,533	0	0	628,533
Rent	93,498	0	0	93,498
Extracurricular Activities	351,041	0	210,096	561,137
Gifts and Donations	82,062	0	11,737	93,799
Charges for Services	187	0	803,297	803,484
Revenue in Lieu of Taxes	395,853	0	0	395,853
Miscellaneous	119,009	0	18,642	137,651
Total Receipts	48,742,985	18,188,395	10,858,821	77,790,201
Disbursements:				
Current:				
Instruction:				
Regular	19,124,612	0	652,361	19,776,973
Special	4,496,218	0	1,136,313	5,632,531
Vocational	67,100	0	0	67,100
Other	3,577,662	0	215,490	3,793,152
Support Services:				
Pupils	2,297,607	0	6,824	2,304,431
Instructional Staff	1,131,061	0	109,124	1,240,185
Board of Education	48,785	0	0	48,785
Administration	3,248,059	0	70,165	3,318,224
Fiscal	1,005,756	0	79,866	1,085,622
Operation and Maintenance of Plant	3,522,419	0	49,560	3,571,979
Pupil Transportation	5,121,267	0	177,129	5,298,396
Central	442,782	0	17,721	460,503
Operation of Non-Instructional Services	1,165	0	1,742,947	1,744,112
Extracurricular Activities	780,268	0	379,952	1,160,220
Capital Outlay	0	5,294,662	485,588	5,780,250
Debt Service:				
Principal Retirement	328,000	0	1,787,760	2,115,760
Interest and Fiscal Charges	157,457	0	3,310,311	3,467,768
Issuance Costs	900	0	0	900
Total Disbursements	45,351,118	5,294,662	10,221,111	60,866,891
Excess of Receipts Over Disbursements	3,391,867	12,893,733	637,710	16,923,310
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	5,552	0	0	5,552
Refund of Prior Year Receipts	0	0	(5,730)	(5,730)
Refund of Prior Year Expenditures	302,644	0	23,229	325,873
Insurance Recoveries	0	0	131,400	131,400
Advances - In	777,037	0	230,283	1,007,320
Advances - Out	(433,448)	0	(573,872)	(1,007,320)
Total Other Financing Sources (Uses)	651,785	0	(194,690)	457,095
Net Change in Fund Balances	4,043,652	12,893,733	443,020	17,380,405
Fund Balances at Beginning of Year	10,817,709	24,276,255	10,374,925	45,468,889
Fund Balances at End of Year	\$14,861,361	\$37,169,988	\$10,817,945	\$62,849,294

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Property and Other Taxes	\$22,490,065	\$22,490,065	\$22,986,424	\$496,359
Intergovernmental	20,167,500	20,167,500	24,054,148	3,886,648
Interest	17,500	17,500	32,230	14,730
Tuition and Fees	476,500	476,500	346,866	(129,634)
Rent	120,000	120,000	93,498	(26,502)
Extracurricular	235,000	235,001	255,097	20,096
Gifts and Donations	20,960	40,210	29,799	(10,411)
Charges for Services	0	187	187	0
Revenue in Lieu of Taxes	310,000	310,000	395,853	85,853
Miscellaneous	75,000	69,260	99,919	30,659
Total Revenues	43,912,525	43,926,223	48,294,021	4,367,798
Expenditures:				
Current:				
Instruction:				
Regular	18,300,150	18,368,987	18,945,694	(576,707)
Special	4,824,278	4,902,953	4,552,292	350,661
Vocational	85,196	83,596	70,387	13,209
Other	3,698,567	3,745,085	3,619,598	125,487
Support Services:				
Pupils	2,313,589	2,559,405	2,305,969	253,436
Instructional Staff	1,107,059	1,114,570	1,103,742	10,828
Board of Education	56,120	55,817	48,875	6,942
Administration	3,233,450	3,276,070	3,268,360	7,710
Fiscal	910,684	981,071	1,013,651	(32,580)
Operation and Maintenance of Plant	3,882,508	3,692,872	3,628,187	64,685
Pupil Transportation	5,091,753	5,202,788	5,230,049	(27,261)
Central	483,458	456,539	454,020	2,519
Operation of Non-Instructional Services	2,000	2,000	1,165	835
Extracurricular Activities	632,376	647,469	659,361	(11,892)
Capital Outlay	3,435	0	0	0
Debt Service:				
Principal Retirement	328,000	328,000	328,000	0
Interest and Fiscal Charges	161,613	161,613	157,457	4,156
Issuance Costs	750	900	900	0
Intergovernmental	9,981	0	0	0
Total Expenditures	45,124,967	45,579,735	45,387,707	192,028
Excess of Revenues Over (Under) Expenditures	(1,212,442)	(1,653,512)	2,906,314	4,559,826
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	35,000	35,000	324,874	289,874
Proceeds from Sale of Capital Assets	0	5,552	5,552	0
Advances - In	800,000	800,000	731,187	(68,813)
Advances - Out	(399,069)	(371,551)	(387,598)	(16,047)
Total Other Financing Sources (Uses)	435,931	469,001	674,015	205,014
Net Change in Fund Balance	(776,511)	(1,184,511)	3,580,329	4,764,840
Fund Balance at Beginning of Year	10,201,434	10,201,434	10,201,434	0
Prior Year Encumbrances Appropriated	366,050	366,050	366,050	0
Fund Balance at End of Year	\$9,790,973	\$9,382,973	\$14,147,813	\$4,764,840

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District, Ohio
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
June 30, 2015

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$162,174	\$143,344
Net Position:		
Restricted for Students	0	143,344
Held in Trust for Scholarships	162,174	0
Total Net Position	\$162,174	\$143,344

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District, Ohio
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
Additions:	
Interest	\$258
Gifts and Donations	3,525
Total Additions	3,783
Deductions:	
Payments in Accordance with Trust Agreements	9,236
Total Deductions	9,236
Change in Net Position	(5,453)
Net Position Beginning of Year	167,627
Net Position End of Year	\$162,174

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by State and/or federal agencies. It is staffed by 240 non-certified employees, 335 certified full time personnel, who provide services to 5,607 students and other community members. The District currently operates seven instructional/support facilities.

Reporting Entity

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

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

The District participates in four jointly governed organizations. These organizations include the Southwest Ohio Computer Association (SWOCA), the Southwestern Ohio Instructional Technology Association (SOITA), the Southwestern Ohio Educational Purchasing Council (SWEPC), and the Warren County Career Center, respectively. These organizations are presented in Note 11 to the basic financial statements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Financial Statements

The statement of net position - modified cash basis and the statement of activities - modified cash basis display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements usually distinguish between those activities that are governmental and those that are business-type. The District, however, has no activities which are reported as business-type. The government-wide statements also exclude fiduciary funds.

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental 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. The following are the District's major governmental funds:

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

Classroom Facilities Project Fund - The classroom facilities project fund accounts for financial resources that are restricted, committed, or assigned to expenditure for capital outlays. These monies are received and expended in connection with contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fiduciary Fund Types:

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. Agency funds are custodial in nature (assets equal net position) and do not involve measurement of results of operations. The District's only fiduciary funds are a private purpose trust fund and two agency funds. The private purpose trust fund accounts for college scholarship programs for students. The District's agency funds account for those student activities, which consist of a student body, student president, student treasurer and faculty advisor as well as for athletic tournaments.

C. Basis of Accounting

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

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

D. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2015.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

E. Cash and Investments

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 "cash and cash equivalents."

At June 30, 2015, the District's investments included money market funds, STAR Ohio, STAR Plus, a U.S. Treasury Note, a Federal Farm Credit Bank Note, a Federal Farm Credit Bureau Consolidated Bond, Federal Home Loan Mortgage Association Notes, Federal National Mortgage Association Notes, Federal Home Loan Bank Notes, Federal Home Loan Bank Bonds, Federal Home Loan Bank Consolidated Bonds, a Federal Home Loan Mortgage Corporation Discount Note. Investments are reported at fair value, which is based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2015 were \$32,230, which included \$24,175 assigned from other District funds. Interest revenue was posted to the classroom facilities project fund, the debt service fund, the building fund, the permanent improvement fund, the food service fund, the classroom facilities maintenance fund, the auxiliary services fund, and to the private purpose trust fund in the amounts of \$78,874, \$871, \$6,222, \$615, \$2,216, \$892, \$230, and \$258, respectively.

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

F. Interfund Receivables/Payables

The District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

G. Pensions

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. 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 governmental funds. The classifications are as follows:

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

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

Enabling legislation authorizes the District to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the 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. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Of the restricted net position, none has resulted from enabling legislation.

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and modified cash basis are that:

1. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a restriction, commitment or assignment of fund balance for that portion of outstanding encumbrances (GAAP basis).
2. Two funds are included in the general fund (GAAP basis), but have separate, legally adopted budgets (budget basis).

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

Cash Basis	\$4,043,652
Net Adjustment Adjustments	22,625
Funds Budgeted Elsewhere	(29,480)
Adjustment for Encumbrances	(456,468)
Budget Basis	\$3,580,329

NOTE 4 - PROPERTY TAXES

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

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

NOTE 4 - PROPERTY TAXES (continued)

Property taxes include amounts levied against all real, public utility and certain tangible personal property located in the District. Real property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Warren County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 First- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$738,642,470	94.61%	\$751,863,300	94.62%
Public Utility	42,106,880	5.39%	42,756,710	5.38%
Total Assessed Value	<u>\$780,749,350</u>	<u>100.00%</u>	<u>\$794,620,010</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$63.82		\$63.79	

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. The District did not have any inactive deposits for the period ending June 30, 2015.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

1. United States Treasury bills, notes, bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency or instrumentality securities must be a direct issuance of the federal agency or instrumentality;
3. STAR Ohio is eligible as long as the fund maintains the highest letter rating provided by at least one nationally recognized standard rating service as outlined in ORC 135.45;
4. Bonds and other obligations of the state of Ohio;
5. Interim deposits, such as certificates of deposits, in the eligible institutions having been approved by the Board for interim moneys. All demand and time deposits must be properly collateralized as required by ORC 135.18;
6. No-load money market funds offered by eligible depositories under ORC 135.03 consisting exclusively of obligations described in (1) or (2) above; and
7. Written repurchase agreements (repos) with any eligible public depository mentioned in ORC 135.03, or with any dealer who is a member of the NASD. The market value of the securities held as collateral for an overnight repo (including sweep accounts) or term repo must exceed principal by at least 2 percent, and the securities must be marked to market daily. Term repurchase agreement with an eligible securities dealer must be transacted on a delivery versus payment basis. All securities purchased pursuant to a repurchase agreement must be delivered into the custody of the Treasurer or an agent designated by the Treasurer. Such institution or dealer must agree in writing to unconditionally repurchase any of the securities used for any repo transaction.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$8,123,831 of the District's bank balance of \$23,495,073 was exposed to custodial credit risk. All statutory requirements for the deposit of money had been followed.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

The District also had \$140,696 in non-negotiable certificates of deposit outstanding at June 30, 2015. These certificates of deposit are a part of cash and cash equivalents on the basic financial statements. These certificates of deposit were fully insured by the FDIC.

B. Investments

As of June 30, 2015, the District had the following investments. All investments are in an internal investment pool.

<u>Investment Type (Cost)</u>	<u>Investment Maturities (in years)</u>			Percent of Total Investments
	Fair Value	1-2	3 or more	
Money Market Funds	\$8,577,540	\$0	\$0	21.14%
STAR Ohio	10,881,491	0	0	26.82%
U.S. Treasury Note	75,035	75,035	0	0.18%
Federal Farm Credit Bank Note	159,667	159,667	0	0.39%
Federal Farm Credit Bank Consolidated Bond	1,047,000	1,047,000	0	2.58%
Federal Home Loan Mortgage Association Notes	919,242	214,908	704,334	2.27%
Federal National Mortgage Association Notes	5,481,568	5,103,011	378,557	13.51%
Federal Home Loan Bank Notes	5,970,685	5,765,689	204,996	14.71%
Federal Home Loan Bank Bonds	1,866,017	1,866,017	0	4.60%
Federal Home Loan Bank Consolidated Bonds	1,981,247	1,981,247	0	4.88%
Federal Home Loan Mortgage Corporation Discount Note	3,616,976	3,616,976	0	8.91%
Total Investments	<u><u>\$40,576,468</u></u>	<u><u>\$19,829,550</u></u>	<u><u>\$1,287,887</u></u>	

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

Credit Risk: STAR Ohio's ratings as of June 30, 2015 from Standard and Poor's are AAAM. The Federal Farm Credit Bank Note, Federal Farm Credit Bank Consolidated Bond, Federal Home Loan Mortgage Association Notes, Federal National Mortgage Association Notes, Federal Home Loan Bank Notes, Federal Home Loan Bank Bonds, Federal Home Loan Bank Consolidated Bonds, and the Federal Home Loan Mortgage Corporation Discount Note carry a rating of AA+ by Standard and Poor's. The District's investment policy limits investments to those authorized by State statute. The District has no investment policy that addresses credit risk.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Concentration of 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 District's investment in the money market mutual funds 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's investment policy does not address 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.

NOTE 6 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the District contracted with the Rixey-Berry Insurance Company for general liability insurance with a \$1,000,000 single occurrence limit and a \$2,000,000 aggregate with a \$2,500 deductible. Property is protected by the Rixey-Berry Insurance Company and holds a \$1,000 deductible.

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

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

B. Workers' Compensation

For fiscal year 2015, the District is individually rated for workers' compensation.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others.

While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

B. Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$1,120,165 for fiscal year 2015.

C. Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among 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. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$2,701,952 for fiscal year 2015.

D. Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$12,197,581	\$42,842,361	\$55,039,942
Proportion of the Net Pension Liability	0.241014%	0.1761360%	

E. Actuarial Assumptions - SERS

SERS’ total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS’ Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.00%
US Stocks	22.50%	5.00%
Non-US Stocks	22.50%	5.50%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	10.00%
Real Assets	10.00%	5.00%
Multi-Asset Strategies	15.00%	7.50%
Total	<u>100.00%</u>	

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

1. Discount Rate

The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

2. Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$17,402,324	\$12,197,581	\$7,819,943

F. Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2.00 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00%	8.00%
International Equity	26.00%	7.85%
Alternatives	14.00%	0.08%
Fixed Income	18.00%	3.75%
Real Estate	10.00%	6.75%
Liquidity Reserves	1.00%	3.00%
Total	100.00%	

1. Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

2. Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$61,333,511	\$42,842,361	\$27,205,071

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2015, this amount was \$20,450.

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

The District's contributions assigned to health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$208,455, \$207,035, and \$202,456, respectively; 100 percent has been contributed for fiscal years 2015, 2014 and 2013.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2015, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2015, 2014 and 2013 were \$66,634, \$67,298 and \$65,472, respectively; 100 percent has been contributed for fiscal years 2015, 2014 and 2013.

B. State Teachers Retirement System

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013, were \$192,997, \$193,048, and \$200,668, respectively; 100 percent has been contributed for fiscal years 2015, 2014 and 2013.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 9 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2015 were as follows:

	Amount Outstanding 7/1/2014	Additions	Deductions	Amount Outstanding 6/30/2015	Amounts Due In One Year
Governmental Activities					
General Obligation Bonds:					
May, 2014 Refunding of General Obligation Bonds, 2%-5%	\$3,835,000	\$0	\$95,000	\$3,740,000	\$20,000
May, 2014 School Improvement General Obligation Bonds, 4.1%	17,335,000	0	60,000	17,275,000	160,000
April, 2014 School Improvement General Obligation Bonds, 1%-4%	9,730,000	0	120,000	9,610,000	200,000
June, 2005 Refunding of General Obligation Bonds, 3.5%-5%	10,822,527	0	797,760	10,024,767	744,767
2007 Refunding of General Obligation Bonds, 4%-5%	<u>17,279,987</u>	<u>0</u>	<u>715,000</u>	<u>16,564,987</u>	<u>860,000</u>
Total General Obligation Bonds	<u>59,002,514</u>	<u>0</u>	<u>1,787,760</u>	<u>57,214,754</u>	<u>1,984,767</u>
Energy Conservation Bonds:					
2011 Tax Exempt Bonds	105,000	0	105,000	0	0
2011 Qualified School Construction Bonds, 4.45%	<u>2,785,000</u>	<u>0</u>	<u>120,000</u>	<u>2,665,000</u>	<u>210,000</u>
Total Energy Conservation Bonds	<u>2,890,000</u>	<u>0</u>	<u>225,000</u>	<u>2,665,000</u>	<u>210,000</u>
Capital Leases:					
COPS Capital Lease	<u>2,763,000</u>	<u>0</u>	<u>103,000</u>	<u>2,660,000</u>	<u>109,000</u>
Total Governmental Activities Long-Term Liabilities	<u>\$64,655,514</u>	<u>\$0</u>	<u>\$2,115,760</u>	<u>\$62,539,754</u>	<u>\$2,303,767</u>

General Obligation Bonds

In fiscal year 2002, the District issued \$40,000,000 and \$5,000,000 in voted general obligation bonds for the purpose of constructing a new high school and elementary school. The bonds were issued for a 28 year period with a final maturity date of December 1, 2029. The 2006 and the 2007 refunding bonds were used to advance refund the bonds due December 1, 2029. There was no cash effect to this refunding. These bonds are paid from the debt service fund.

In fiscal year 2014, the District issued \$17,335,000 and \$9,730,000 in voted general obligation bonds for the purpose of additions to Bowman Elementary to house grades PK-two, additions and renovations to Donovan Elementary to house grades three and four, and partial demolition, addition and renovations to Berry Intermediate to house grades five and six. At the secondary level, a new junior high will be built to house grades seven and eight, and there were be additions to Lebanon High School to house grades nine through 12. These bonds were issued for the local portion of State of Ohio Classroom Facilities Assistance Program. The bonds are payable semi-annually on June 1 and December 1 of each year with the first payment due on December 1, 2014 and the final payment is due on December 1, 2050. In addition, the District refunded \$3,835,000 of the 2005 Series general obligation bonds during fiscal year 2014. These bonds will be paid from the bond retirement fund.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

Energy Conservation Bonds

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

Capital Leases

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

All general obligation debt is supported by the full faith and credit of the District. At June 30, 2015 the District's overall legal debt limitation was \$18,246,782, and the unvoted debt margin was \$794,620.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2015, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$2,303,767	\$3,405,898	\$5,709,665
2017	\$3,544,000	\$2,448,703	5,992,703
2018	\$3,696,000	\$2,307,155	6,003,155
2019	\$2,752,000	\$2,178,245	4,930,245
2020	\$2,884,000	\$2,077,807	4,961,807
2021-2025	13,207,987	8,965,942	22,173,929
2026-2030	14,922,000	5,816,266	20,738,266
2031-2035	4,250,000	3,686,560	7,936,560
2036-2040	4,270,000	2,897,223	7,167,223
2041-2045	4,905,000	1,805,213	6,710,213
2046-2050	4,735,000	747,469	5,482,469
2051	1,070,000	22,738	1,092,738
Total	<u>\$62,539,754</u>	<u>\$36,359,219</u>	<u>\$98,898,973</u>

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

NOTE 10 – LEASES

The District leases buildings, vehicles and other equipment under noncancelable leases. The District disbursed \$249,613 to pay lease costs for the year ended June 30, 2015. Future lease payments are as follows:

Fiscal Year Ending June 30,	Total Payments
2016	\$249,888
2017	248,864
2018	249,516
2019	248,818
2020	248,768
2021-2025	1,241,912
2026-2030	1,237,144
2031	246,486
Total	3,971,396
Less: Amount Representing Interest	(1,311,396)
Present Value of Net Minimum Lease Payments	\$2,660,000

NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS

Southwest Ohio Computer Association

The District is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The District paid SWOCA \$189,490 for services provided during the fiscal year. Financial information can be obtained from Donna Davis Norris, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Southwestern Ohio Instructional Technology Association

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS (continued)

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a State or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2015, the District paid \$1,600 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Interim Director, at 1205 E 5th St, Dayton, OH 45402

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SWEPC) is a purchasing cooperative made up of over 126 public school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SWEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SWEPC is held in trust for the member districts. Any district withdrawing from the SWEPC shall forfeit its claim to any and all SWEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

During fiscal year 2015, the District paid \$2,620 to SWEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Dr., Suite 208, Vandalia, OH 45377.

Warren County Career Center

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

NOTE 12 – FUND BALANCE

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 12 – FUND BALANCE (continued)

	<u>General</u>	<u>Classroom Facilities Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental</u>
Restricted for:				
Career Tech Funds	\$31,162	\$0	\$0	\$31,162
Debt Retirement	0	0	4,815,968	4,815,968
Permanent Improvements	0	0	1,551,459	1,551,459
Classroom Facilities Project	0	37,169,988	2,409,450	39,579,438
Building Projects	0	0	43,648	43,648
Energy Conservation Projects	0	0	9,994	9,994
Food Service	0	0	1,056,223	1,056,223
Miscellaneous Local Grants	0	0	5,066	5,066
Classroom Facilities Maintenance	0	0	557,055	557,055
Athletic Activities	0	0	102,403	102,403
Auxiliary Services	0	0	52,075	52,075
Data Connectivity	0	0	1,167	1,167
Special Education (IDEA, Part B)	0	0	6,233	6,233
LEP (Title III)	0	0	2,000	2,000
Intervention (Title I)	0	0	32,830	32,830
Teacher Quality Improvement (Title IIA)	0	0	108	108
Total Restricted	<u>31,162</u>	<u>37,169,988</u>	<u>10,645,679</u>	<u>47,846,829</u>
Committed for:				
Athletic Stadium Improvements	0	0	172,266	172,266
Total Committed	<u>0</u>	<u>0</u>	<u>172,266</u>	<u>172,266</u>
Assigned for:				
School Supplies	131,109	0	0	131,109
Public School Support	125,974	0	0	125,974
Educational Activities	452,980	0	0	452,980
Total Assigned	<u>710,063</u>	<u>0</u>	<u>0</u>	<u>710,063</u>
Unassigned	<u>14,120,136</u>	<u>0</u>	<u>0</u>	<u>14,120,136</u>
Total Fund Balance	<u>\$14,861,361</u>	<u>\$37,169,988</u>	<u>\$10,817,945</u>	<u>\$62,849,294</u>

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

NOTE 13 – SET-ASIDE CALCULATION

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

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

	Capital Improvements
Set-aside Reserve Balance as of June 30, 2014	\$0
Current Year Set-aside Requirement	937,901
Qualifying Disbursements	(175,734)
Current Year Offsets	(1,425,099)
Total	(\$662,932)
Set-aside Reserve Balance as of June 30, 2015	\$0

The District had offsets during the fiscal year that reduced the capital improvements amount below zero. This negative amount may not be carried forward to offset the set-aside requirement for the next fiscal year.

NOTE 14 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2015 if applicable, cannot be determined at this time.

B. Litigation

The District was a party to legal proceedings at June 30, 2015. The District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

C. Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a future receipt or future expenditure of the School District that is related to the current fiscal year.