

LEBANON CITY SCHOOL DISTRICT



**Basic Financial Statements – Modified Cash Basis
June 30, 2018**

LEBANON CITY SCHOOL DISTRICT
 BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

Independent Auditor’s Report.....	1 - 2
Management’s Discussion and Analysis.....	3 - 10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Modified Cash Basis.....	11
Statement of Activities - Modified Cash Basis.....	12
Fund Financial Statements:	
Statement of Modified Cash Basis Assets and Fund Balances	13
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances - Governmental Funds	14
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	15
Statement of Fiduciary Net Position - Fiduciary Funds - Modified Cash Basis	16
Statement of Changes in Fiduciary Net Position - Fiduciary Funds - Modified Cash Basis	17
Notes to the Basic Financial Statements	18 - 50

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2018
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, 2018. 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 decreased by \$9,754,178 or 20.48%.
- ❑ General receipts accounted for \$75,786,146 in revenue. Program specific receipts in the form of charges for services, operating grants, interest and contributions accounted for \$4,922,559. Total revenues were \$80,708,705.
- ❑ The District had \$90,462,883 in cash disbursements to governmental activities; \$4,922,559 of these expenses was offset by program specific charges for services, operating grants, interest or contributions. General receipts (primarily property taxes and entitlements) of \$75,786,146 were also used to provide for these services.
- ❑ Among major funds, the general fund had \$52,479,976 in receipts and \$50,984,909 in disbursements. The general fund's fund balance increased \$1,799,083 from fiscal year 2017 to a fund balance of \$23,830,533 at June 30, 2018.

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.

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2018
Unaudited

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 2018, 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.

Lebanon City School District, Ohio
Management’s Discussion and Analysis
June 30, 2018
Unaudited

Reporting the District’s Most Significant Funds

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

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

Fiduciary Funds – The District maintains two fiduciary funds, an agency fund and a private purpose trust fund. These activities are excluded from the District’s other financial statements because the District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal net 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 2018 and 2017:

(Table 1)
Net Position

	Governmental Activities 2018	2017	% of Change
Assets:			
Cash and Investments	\$37,310,572	\$46,527,442	-19.81%
Cash with Escrow Agents	564,648	1,101,956	-48.76%
Total Assets	\$37,875,220	\$47,629,398	-20.48%
Net Position:			
Restricted for:			
Other Purposes	\$2,390,020	\$2,338,225	2.22%
Debt Service	6,975,412	5,898,207	18.26%
Capital Projects	4,528,714	17,247,337	-73.74%
Unrestricted	23,981,074	22,145,629	8.29%
Total Net Position	\$37,875,220	\$47,629,398	-20.48%

Total assets decreased by \$9,754,178. The decrease can mostly be attributed to the decrease in cash due to the expenditure of funds for the ongoing construction projects in the District.

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2018
Unaudited

Table 2 demonstrates the changes in net position for fiscal year 2018.

(Table 2)
Change in Net Position

	Governmental Activities 2018	2017	% of Change
Revenues:			
Program Receipts:			
Charges for Services	\$2,251,806	\$2,078,437	8.34%
Operating Grants, Interest and Contributions	2,670,753	2,799,548	-4.60%
Total Program Receipts	4,922,559	4,877,985	0.91%
General Receipts:			
Property Taxes			
General Purposes	24,989,701	24,131,054	3.56%
Debt Service	5,678,440	5,408,236	5.00%
Capital Outlay	1,568,532	1,493,014	5.06%
Grants and Entitlements not Restricted to			
Specific Programs	25,746,188	25,955,143	-0.81%
Grants and Entitlements for Capital Construction	1,678,535	8,057,869	-79.17%
Revenue in Lieu of Taxes	703,944	347,706	102.45%
Interest	390,253	364,730	7.00%
Gifts and Donations	94,364	62,650	50.62%
Miscellaneous	493,529	184,096	168.08%
General Obligation Refunding Bonds Issued	12,435,000	0	100.00%
Premium on Refunding Bonds Issued	2,002,829	0	100.00%
Transfers	5,185	5,897	-12.07%
Advances	(354)	(112)	216.07%
Total General Receipts and Transfers	75,786,146	66,010,283	14.81%
Total All Receipts	\$80,708,705	\$70,888,268	13.85%

(Continued)

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2018
Unaudited

(Table 2)
Change in Net Position
(Continued)

	Governmental Activities 2018	2017	% of Change
Cash Disbursements:			
Instruction:			
Regular	\$21,478,829	\$20,786,879	3.33%
Special	7,467,797	7,096,692	5.23%
Vocational	132,285	43,430	204.59%
Other	3,842,198	3,664,153	4.86%
Support Services:			
Pupils	3,257,300	3,070,038	6.10%
Instructional Staff	1,343,562	1,162,485	15.58%
Board of Education	47,038	61,414	-23.41%
Administration	3,680,152	3,649,961	0.83%
Fiscal	1,197,219	1,096,093	9.23%
Operation and Maintenance of Plant	3,608,259	3,628,750	-0.56%
Pupil Transportation	5,480,071	6,129,969	-10.60%
Central	415,422	452,400	-8.17%
Operating of Non-Instructional Services	1,714,213	1,840,037	-6.84%
Extracurricular Activities	1,339,505	1,169,483	14.54%
Capital Outlay	15,459,139	17,475,364	-11.54%
Debt Service:			
Principal Retirement	3,771,000	3,629,000	3.91%
Interest and Fiscal Charges	1,790,165	2,215,309	-19.19%
Bond Issuance Costs	900	900	0.00%
Payment to Refunded Bond Escrow Agent	14,437,829	0	100.00%
Total Cash Disbursements	90,462,883	77,172,357	17.22%
Change in Net Position	(\$9,754,178)	(\$6,284,089)	55.22%

Disbursements increased by \$13,290,526 or 17.22% from 2017. This increase is attributed to the bond refunding that occurred in September of 2017.

Governmental Activities

The District receives 39.94% of its receipts from property taxes and 33.98% from grants and entitlements. The balance of receipts received, or 26.08%, is in the form of program receipts, investment income, gifts and donations, and miscellaneous items.

Disbursements for instruction represent 36.39% of the total governmental disbursements. Support services represent 21.04% of the total disbursements. The remaining 42.57% of expenses are attributed to food services, community services, extracurricular activities, capital outlay and debt service.

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2018
Unaudited

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

(Table 3)
Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017	% of Change in Net Cost
Instruction	\$32,921,109	\$30,403,866	\$31,591,154	\$29,097,363	4.49%
Support Services	19,029,023	18,867,935	19,251,110	19,124,029	-1.34%
Operation of Non-Instructional Services	1,714,213	97,322	1,840,037	187,258	-48.03%
Extracurricular Activities	1,339,505	712,168	1,169,483	565,149	26.01%
Capital Outlay	15,459,139	15,459,139	17,475,364	17,475,364	-11.54%
Debt Service	19,999,894	19,999,894	5,845,209	5,845,209	242.16%
Total Cash Disbursements	\$90,462,883	\$85,540,324	\$77,172,357	\$72,294,372	18.32%

The District's Funds

Total governmental funds had receipts of \$65,930,960 and disbursements of \$76,025,054. The fund balance of the general fund increased \$1,799,083. The fund balance of the debt service fund increased by \$1,077,205. The fund balance of the classroom facilities project capital project fund decreased by \$13,014,456, while the other governmental funds balances increased by \$383,990.

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 2018, 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.

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2018
Unaudited

Debt

As of June 30, 2018, the District had the following outstanding debt:

Refunding of General Obligation Bonds	\$20,540,000
School Improvement General Obligation Bonds	25,775,000
Energy Conservation Bonds:	
Qualified School Construction Bonds	2,010,000
COPS Capital Lease	2,316,000
Total Debt Issues	<u>\$50,641,000</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. The District refunded \$9,280,000 of the 2005A Series advanced refunded bonds during fiscal year 2016. These bonds will be paid from the bond retirement fund. In addition, the District refunded \$12,435,000 of the 2007 general obligation bonds in September, 2017. These refunding bonds are payable annually on November 1.

At June 30, 2018, the District's overall legal debt limitation was \$40,755,505, and the unvoted debt margin was \$889,945. 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.

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 was built to house grades seven and eight, and there were additions done to Lebanon High School to house grades nine through 12. We have completed construction on Bowman Elementary, Donovan Elementary, Lebanon Junior High School and Lebanon High School. Renovations to Berry Intermediate are complete as well. The final phase of the construction project will be to demolish the current central office building and renovate the old junior high to accommodate those central office staff.

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2018
Unaudited

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.

Lebanon City School District, Ohio
Statement of Net Position - Modified Cash Basis
June 30, 2018

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$37,310,572
Cash with Escrow Agents	<u>564,648</u>
Total Assets	<u><u>\$37,875,220</u></u>
Net Position:	
Restricted for:	
Other Purposes	\$2,390,020
Debt Service	6,975,412
Capital Projects	4,528,714
Unrestricted	<u>23,981,074</u>
Total Net Position	<u><u>\$37,875,220</u></u>

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District, Ohio
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2018

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants, Interest and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$21,478,829	\$0	\$38,458	(\$21,440,371)
Special	7,467,797	0	1,486,928	(5,980,869)
Vocational	132,285	0	94,040	(38,245)
Other	3,842,198	885,465	12,352	(2,944,381)
Support Services:				
Pupils	3,257,300	0	55,812	(3,201,488)
Instructional Staff	1,343,562	0	20,820	(1,322,742)
Board of Education	47,038	0	0	(47,038)
Administration	3,680,152	0	59,031	(3,621,121)
Fiscal	1,197,219	0	0	(1,197,219)
Operation and Maintenance of Plant	3,608,259	16,425	0	(3,591,834)
Pupil Transportation	5,480,071	0	0	(5,480,071)
Central	415,422	0	9,000	(406,422)
Operation of Non-Instructional Services	1,714,213	746,721	870,170	(97,322)
Extracurricular Activities	1,339,505	603,195	24,142	(712,168)
Capital Outlay	15,459,139	0	0	(15,459,139)
Debt Service:				
Principal Retirement	3,771,000	0	0	(3,771,000)
Interest and Fiscal Charges	1,790,165	0	0	(1,790,165)
Bond Issuance Costs	900	0	0	(900)
Payment to Refunded Bond Escrow Agent	14,437,829	0	0	(14,437,829)
Total Governmental Activities	\$90,462,883	\$2,251,806	\$2,670,753	(85,540,324)
General Receipts:				
Property Taxes Levied for:				
General Purposes				24,989,701
Debt Service				5,678,440
Capital Outlay				1,568,532
Grants and Entitlements not Restricted to Specific Programs				25,746,188
Grants and Entitlements for Capital Construction				1,678,535
Revenue in Lieu of Taxes				703,944
Interest				390,253
Gifts and Donations				94,364
Miscellaneous				493,529
General Obligation Refunding Bonds Issued				12,435,000
Premium on Refunding Bonds Issued				2,002,829
Transfers				5,185
Advances				(354)
Total General Receipts and Transfers				75,786,146
Change in Net Position				(9,754,178)
Net Position Beginning of Year				47,629,398
Net Position End of Year				\$37,875,220

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, 2018

	GENERAL FUND	DEBT SERVICE FUND	CLASSROOM FACILITIES PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets:					
Equity in Pooled Cash and Investments	\$23,830,533	\$6,975,412	\$2,161,685	\$4,342,942	\$37,310,572
Cash with Escrow Agents	0	0	564,648	0	564,648
Total Assets	<u>\$23,830,533</u>	<u>\$6,975,412</u>	<u>\$2,726,333</u>	<u>\$4,342,942</u>	<u>\$37,875,220</u>
Fund Balances:					
Unreserved, Undesignated, Reported in:					
Restricted	\$71,646	\$6,975,412	\$2,726,333	\$4,094,819	\$13,868,210
Committed	0	0	0	248,123	248,123
Assigned	1,027,121	0	0	0	1,027,121
Unassigned	<u>22,731,766</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,731,766</u>
Total Fund Balances	<u>\$23,830,533</u>	<u>\$6,975,412</u>	<u>\$2,726,333</u>	<u>\$4,342,942</u>	<u>\$37,875,220</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, 2018

	GENERAL FUND	DEBT SERVICE FUND	CLASSROOM FACILITIES PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Receipts:					
Property and Other Taxes	\$24,989,701	\$5,678,440	\$0	\$1,568,532	\$32,236,673
Intergovernmental	25,148,528	542,584	1,678,535	2,686,077	30,055,724
Interest	131,604	4,487	203,995	50,714	390,800
Tuition and Fees	885,465	0	0	0	885,465
Rent	16,425	0	0	64	16,489
Extracurricular	378,051	0	0	223,157	601,208
Gifts and Donations	89,564	0	0	26,557	116,121
Charges for Services	0	0	0	771,144	771,144
Revenue in Lieu of Taxes	703,944	0	0	0	703,944
Miscellaneous	136,694	0	0	16,698	153,392
Total Receipts	52,479,976	6,225,511	1,882,530	5,342,943	65,930,960
Disbursements:					
Current:					
Instruction:					
Regular	21,002,744	0	0	476,085	21,478,829
Special	5,976,296	0	0	1,491,501	7,467,797
Vocational	132,285	0	0	0	132,285
Other	3,829,561	0	0	12,637	3,842,198
Support Services:					
Pupils	3,201,494	0	0	55,806	3,257,300
Instructional Staff	1,319,381	0	0	24,181	1,343,562
Board of Education	47,038	0	0	0	47,038
Administration	3,610,232	8,932	0	60,988	3,680,152
Fiscal	1,118,128	61,580	0	17,511	1,197,219
Operation and Maintenance of Plant	3,487,009	0	0	121,250	3,608,259
Pupil Transportation	5,480,071	0	0	0	5,480,071
Central	406,414	0	0	9,008	415,422
Operation of Non-Instructional Services	1,457	0	0	1,712,756	1,714,213
Extracurricular Activities	888,528	0	0	450,977	1,339,505
Capital Outlay	0	0	14,919,487	539,652	15,459,139
Debt Service:					
Principal Retirement	346,000	3,425,000	0	0	3,771,000
Interest and Fiscal Charges	137,371	1,652,794	0	0	1,790,165
Issuance Costs	900	0	0	0	900
Total Disbursements	50,984,909	5,148,306	14,919,487	4,972,352	76,025,054
Excess of Receipts Over (Under) Disbursements	1,495,067	1,077,205	(13,036,957)	370,591	(10,094,094)
Other Financing Sources (Uses):					
General Obligation Refunding Bonds Issued	0	12,435,000	0	0	12,435,000
Premium on Refunding Bonds Issued	0	2,002,829	0	0	2,002,829
Proceeds from Sale of Capital Assets	28,156	0	0	0	28,156
Refund of Prior Year Expenditures	304,966	0	0	3,261	308,227
Transfers - In	310	0	0	4,875	5,185
Payment to Refunded Bond Escrow Agent	0	(14,437,829)	0	0	(14,437,829)
Refund of Prior Year Receipts	0	0	0	(23,799)	(23,799)
Insurance Recoveries	0	0	22,501	0	22,501
Advances - In	6,413	0	0	35,475	41,888
Advances - Out	(35,829)	0	0	(6,413)	(42,242)
Total Other Financing Sources (Uses)	304,016	0	22,501	13,399	339,916
Net Change in Fund Balances	1,799,083	1,077,205	(13,014,456)	383,990	(9,754,178)
Fund Balances at Beginning of Year	22,031,450	5,898,207	15,740,789	3,958,952	47,629,398
Fund Balances at End of Year	\$23,830,533	\$6,975,412	\$2,726,333	\$4,342,942	\$37,875,220

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, 2018

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property and Other Taxes	\$24,437,000	\$24,965,103	\$24,989,701	\$24,598
Intergovernmental	25,264,423	24,265,770	25,148,528	882,758
Interest	100,000	116,272	131,604	15,332
Tuition and Fees	362,075	535,905	536,867	962
Rent	4,000	16,109	16,425	316
Extracurricular	248,000	252,300	252,749	449
Gifts and Donations	20,000	19,002	22,521	3,519
Revenue in Lieu of Taxes	347,000	539,036	703,944	164,908
Miscellaneous	110,000	120,558	131,374	10,816
Total Revenues	50,892,498	50,830,055	51,933,713	1,103,658
Expenditures:				
Current:				
Instruction:				
Regular	21,498,272	20,080,401	20,756,188	(675,787)
Special	6,811,267	5,982,976	6,010,094	(27,118)
Vocational	38,310	138,706	139,346	(640)
Other	3,711,283	3,850,984	3,896,985	(46,001)
Support Services:				
Pupils	2,868,256	3,328,329	3,277,587	50,742
Instructional Staff	1,349,999	1,264,388	1,274,212	(9,824)
Board of Education	65,693	79,598	57,038	22,560
Administration	3,263,351	3,742,770	3,698,297	44,473
Fiscal	947,026	1,138,528	1,125,931	12,597
Operation and Maintenance of Plant	3,402,235	4,150,311	3,686,855	463,456
Pupil Transportation	4,591,815	5,781,663	5,570,595	211,068
Central	334,855	420,584	412,157	8,427
Operation of Non-Instructional Services	1,500	2,000	1,457	543
Extracurricular Activities	244,675	755,726	778,892	(23,166)
Capital Outlay	4,000	8,983	9,321	(338)
Debt Service:				
Principal Retirement	346,000	346,000	346,000	0
Interest and Fiscal Charges	195,516	195,516	137,371	58,145
Issuance Costs	900	900	900	0
Intergovernmental	1,500	14,066	(34)	14,100
Total Expenditures	49,676,453	51,282,429	51,179,192	103,237
Excess of Revenues Over (Under) Expenditures	1,216,045	(452,374)	754,521	1,206,895
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	15,000	27,332	28,156	824
Refund of Prior Year Expenditures	227,184	274,840	304,166	29,326
Transfers - In	1,000	4,497	310	(4,187)
Transfers - Out	(50)	(50)	0	50
Advances - In	1,058,400	1,057,358	8,362	(1,048,996)
Advances - Out	(1,000,000)	(963,691)	(37,778)	925,913
Total Other Financing Sources (Uses)	301,534	400,286	303,216	(97,070)
Net Change in Fund Balance	1,517,579	(52,088)	1,057,737	1,109,825
Fund Balance at Beginning of Year	20,452,888	20,452,888	20,452,888	0
Prior Year Encumbrances Appropriated	1,285,722	1,285,722	1,285,722	0
Fund Balance at End of Year	\$23,256,189	\$21,686,522	\$22,796,347	\$1,109,825

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, 2018

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$152,470	\$148,309
Net Position:		
Restricted for Students	0	148,309
Held in Trust for Scholarships	152,470	0
Total Net Position	\$152,470	\$148,309

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, 2018

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$1,718
Gifts and Donations	15,690
	17,408
Total Additions and Transfers	
	17,408
Deductions:	
Payments in Accordance with Trust Agreements	19,200
	19,200
Total Deductions	
	19,200
Change in Net Position	(1,792)
Net Position Beginning of Year	154,262
	154,262
Net Position End of Year	\$152,470

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, 2018

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 279 non-certified employees, 343 certified full time personnel, who provide services to 5,310 students and other community members. The District currently operates eight instructional/support facilities.

Reporting Entity

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

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

The District participates in four jointly governed organizations and one insurance purchasing pool. These organizations include the Southwest Ohio Computer Association (SWOCA), the Southwestern Ohio Instructional Technology Association (SOITA), the Southwestern Ohio Educational Purchasing Council (SWEPC), the Warren County Career Center and the Ohio SchoolComp Group Retro Program (GRP). 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, 2018

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 cash 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 cash 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.

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 and unclaimed monies. 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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2018.

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 Equity in Pooled Cash and Investments.

At June 30, 2018, the District's investments included money market funds, STAR Ohio, STAR Plus, certificates of deposit, commercial paper, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Association Notes, a Federal Home Loan Bank Note, and a Federal Home Loan Mortgage Corporation Note.

During fiscal year 2018, the District invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2018 were \$131,604 which included \$62,286 assigned from other District funds. Interest revenue was posted to the debt service fund, classroom facilities project fund, the permanent improvement fund, the building 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 \$4,487, \$203,995, \$8,412, \$31,327, \$3,809, \$6,619, \$547 and \$1,718, 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 Equity in Pooled Cash and Investments.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Advances in and advances out do not equal on the statement of cash receipts, disbursements and changes in modified cash basis fund balances due to a an advance with the agency funds of \$354.

G. Pensions/Other Postemployment Benefits (OPEB)

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

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.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 (modified cash basis).
2. Two funds are included in the general fund (modified cash 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.

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

Modified Cash Basis	\$1,799,083
Net Adjustments	(7,060)
Funds Budgeted Elsewhere	(23,816)
Adjustment for Encumbrances	<u>(710,470)</u>
Budget Basis	<u><u>\$1,057,737</u></u>

NOTE 4 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and certain tangible personal property located in the District. Real property tax revenue received in calendar 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, 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 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 and are collected in 2018 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, 2018, are available to finance fiscal year 2018 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 2018 taxes were collected are:

	2017 Second- Half Collections		2018 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$822,610,610	94.70%	\$840,802,250	94.48%
Public Utility	<u>46,065,110</u>	<u>5.30%</u>	<u>49,143,230</u>	<u>5.52%</u>
Total Assessed Value	<u><u>\$868,675,720</u></u>	<u><u>100.00%</u></u>	<u><u>\$889,945,480</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$63.39		\$62.85	

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 2018.

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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, \$5,342,223 of the District's bank balance of \$13,487,430 was exposed to custodial credit risk. All statutory requirements for the deposit of money had been followed.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

B. Investments

As of June 30, 2018, 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
	Cost	1-2	3 or more	
Money Market Funds	\$3,057,753	\$0	\$0	12.37%
STAR Ohio	7,678,687	0	0	31.06%
Certificates of Deposit	992,000	992,000	0	4.01%
Commercial Paper	9,426,161	9,426,161	0	38.13%
Federal National Mortgage Association Notes	865,000	865,000	0	3.50%
Federal Home Loan Mortgage Association Notes	544,321	544,321	0	2.20%
Federal Home Loan Bank Note	159,821	159,821	0	0.65%
Federal Home Loan Mortgage Corporation Note	2,000,000	0	2,000,000	8.09%
Total Investments	<u>\$24,723,743</u>	<u>\$11,987,303</u>	<u>\$2,000,000</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.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk: STAR Ohio's ratings as of June 30, 2018 from Standard and Poor's are AAAM. The Federal Home Loan Mortgage Association Notes, Federal National Mortgage Association Notes, Federal Home Loan Bank Note, Federal Home Loan Bank Bond, 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.

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 2018, 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 2018, the District participated in the Ohio SchoolComp Group Retro Program (GRP) sponsored by both the Ohio School Board's Association and the Ohio Association of School Business Officials (Note 11). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 7 – DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

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.

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 65 with 5 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.		

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

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 or \$86.00 multiplied by the years of service credit. Final average salary is the average of the highest three years of salary.

Post-Retirement Increases – Before January 1, 2018; on each anniversary of the initial date of retirement, the allowances of all retirees and survivors are increased by 3% of the base benefit. On or after January 1, 2018; on each anniversary of the initial retirement, the allowance of all retirees and survivors are increased by the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0% nor greater than 2.5%. COLA's shall be suspended for calendar years 2018, 2019, and 2020.

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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5% was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$1,053,083 for fiscal year 2018.

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 is 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% 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, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 after termination of employment at age 50 or later.

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 Ohio 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 Ohio 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 10 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. For the fiscal year ended June 30, 2018, Plan members were required to contribute 14% of their annual covered salary. The employer was required to contribute 14%; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The contractually required contribution to STRS was \$3,198,804 for fiscal year 2018.

D. Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on the share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$14,913,162	\$46,493,568	\$61,406,730
Proportion of the Net Pension Liability			
Current Measurement Date	0.24960190%	0.19571942%	
Prior Measurement Date	0.24658300%	0.19016297%	
Change in Proportionate Share	0.00301890%	0.00555645%	

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.

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, 2017, are presented below:

Inflation	3.00%
Future Salary Increases, including inflation	3.50% - 18.20%
COLA or Ad Hoc COLA	0.0% - 2.5% indexed to CPI-W, three year suspension/2018-2020
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Actuarial Assumptions Experience	
Study Date	5 year period ended June 30, 2015

Prior to 2017, an assumption of 3.0% was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in the 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 an arithmetic weighted average 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%	0.50%
US Stocks	22.50%	4.75%
Non-US Stocks	22.50%	7.00%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	8.00%
Real Assets	15.00%	5.00%
Multi-Asset Strategies	10.00%	3.00%
Total	<u>100.00%</u>	

1. Discount Rate

The total pension liability was calculated using the discount rate of 7.50%. 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 7.50%. 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 7.50%, 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 6.50%, or one percentage point higher 8.50% than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School District's proportionate share of the net pension liability	\$20,695,594	\$14,913,162	\$10,069,196

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

F. Changes in Benefit Terms

The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

G. Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50%	2.75%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment Rate of Return	7.45%, net of investment expenses, including inflation	7.75%, net of investment expenses, including inflation
Payroll Increases	3.00%	3.50%
Cost-of-Living Adjustments (COLA)	0%, effective July 1, 2017	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1 2013, or later, 2% COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, 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 no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, dated July 1, 2012.

STRS Ohio’s investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	1.00%	2.25%
Total	100.00%	

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

1. Discount Rate

The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

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

The following table represents the net pension liability as of June 30, 2017, calculated using the current period discount rate assumption of 7.45%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.45% or one percentage point higher 8.45% than the current assumption:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$66,646,947	\$46,493,568	\$29,517,366

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

H. Changes in Assumptions

The Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

I. Changes in Benefit Terms

Effective July 1, 2017, the COLA was reduced to zero.

NOTE 8 – DEFINED BENEFIT OPEB PLANS

A. Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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.

The net OPEB liability represents the District’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB 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 these estimates 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 OPEB are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

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

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$136,508.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$216,365 for fiscal year 2018.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

D. Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability	\$6,791,645	\$7,636,250	\$14,427,895
Proportion of the Net OPEB Liability			
Current Measurement Date	0.25306670%	0.19571942%	
Prior Measurement Date	0.24966933%	0.19016297%	
Change in Proportionate Share	0.00339737%	0.00555645%	

E. Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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.

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.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

1. Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

2. Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$8,201,777	\$6,791,645	\$5,674,461

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$5,510,911	\$6,791,645	\$8,486,719

F. Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	
* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.		

1. Discount Rate

The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

2. Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (3.13%)</u>	<u>Current Discount Rate (4.13%)</u>	<u>1% Increase (5.13%)</u>
District's proportionate share of the net OPEB liability	\$10,251,542	\$7,636,250	\$5,569,314
		<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	\$5,305,339	\$7,636,250	\$10,704,001

This Space Intentionally Left Blank

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 9 – LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2018 were as follows:

	Amount Outstanding 6/30/2017	Additions	Deductions	Amount Outstanding 6/30/2018	Amounts Due In One Year
Governmental Activities					
General Obligation Bonds:					
December, 2015 Refunding of General Obligation Bonds, 2%-3%	\$7,625,000	\$0	\$1,535,000	\$6,090,000	\$1,560,000
May, 2014 Refunding of General Obligation Bonds, 2%-5%	3,525,000	0	205,000	3,320,000	205,000
May, 2014 School Improvement General Obligation Bonds, 4.1%	16,950,000	0	175,000	16,775,000	180,000
April, 2014 School Improvement General Obligation Bonds, 1%-4%	9,205,000	0	205,000	9,000,000	210,000
2007 Refunding of General Obligation Bonds, 4%-5%	14,479,987	0	14,479,987	0	0
September, 2017 Refunding of General Obligation Bonds, 2%-5%	0	12,435,000	1,305,000	11,130,000	135,000
Total General Obligation Bonds	<u>51,784,987</u>	<u>12,435,000</u>	<u>17,904,987</u>	<u>46,315,000</u>	<u>2,290,000</u>
Energy Conservation Bonds:					
2011 Qualified School Construction Bonds, 4.45%	2,235,000	0	225,000	2,010,000	230,000
Total Energy Conservation Bonds	<u>2,235,000</u>	<u>0</u>	<u>225,000</u>	<u>2,010,000</u>	<u>230,000</u>
Capital Leases:					
COPS Capital Lease	2,437,000	0	121,000	2,316,000	127,000
Total Governmental Activities Long-Term Liabilities	<u>\$56,456,987</u>	<u>\$12,435,000</u>	<u>\$18,250,987</u>	<u>\$50,641,000</u>	<u>\$2,647,000</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 debt service fund. The District refunded \$9,280,000 of the 2005 series refunded bonds in December, 2015. These bonds will also be paid from the debt service fund.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

In fiscal year 2018, the District refunded \$12,435,000 of the 2007 refunded general obligation bonds. The bonds will be paid from the debt service fund.

Energy Conservation Bonds

In fiscal year 2012, the District issued \$3,015,000 in School Energy Conservation Improvement Bonds - Qualified School Construction Bonds (Series 2011B). 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, 2018, the District's overall legal debt limitation was \$40,755,505, and the unvoted debt margin was \$889,945.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2018, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$2,647,000	\$1,917,007	\$4,564,007
2020	2,724,000	1,868,844	4,592,844
2021	2,686,000	1,810,327	4,496,327
2022	2,844,000	1,740,695	4,584,695
2023	1,152,000	1,686,980	2,838,980
2024-2028	14,244,000	7,240,535	21,484,535
2029-2033	7,739,000	4,318,774	12,057,774
2034-2038	4,075,000	3,231,632	7,306,632
2039-2043	4,810,000	2,286,158	7,096,158
2044-2048	4,635,000	1,143,181	5,778,181
2049-2051	3,085,000	200,282	3,285,282
Total	<u>\$50,641,000</u>	<u>\$27,444,415</u>	<u>\$78,085,415</u>

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 10 – LEASES

The District leases buildings, vehicles and other equipment under noncancelable leases. The District disbursed \$249,516 to pay lease costs for the year ended June 30, 2018. Future lease payments are as follows:

Fiscal Year Ending June 30,	Total Payments
2019	\$248,818
2020	248,768
2021	248,339
2022	248,507
2023	248,242
2024-2028	1,239,457
2029-2031	740,997
Total	3,223,128
Less: Amount Representing Interest	(907,128)
Present Value of Net Minimum Lease Payments	\$2,316,000

NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

A. Jointly Governed Organizations

Southwest Ohio Computer Association

The District is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The District paid SWOCA \$193,272 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, 2018

NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL
(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 2018, the District paid \$2,403 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Gary Greenberg, who serves as Executive 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.

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.

B. Insurance Purchasing Pool

Ohio SchoolComp Group Retro Program

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

NOTE 12 – FUND BALANCE

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 12 – FUND BALANCE (continued)

	General	Debt Service Fund	Classroom Facilities Project Fund	Other Governmental Funds	Total Governmental
Restricted for:					
Career Tech Funds	\$71,646	\$0	\$0	\$0	\$71,646
Debt Retirement	0	6,975,412	0	0	6,975,412
Permanent Improvements	0	0	0	924,780	924,780
Classroom Facilities Project	0	0	2,726,333	797,402	3,523,735
Building Projects	0	0	0	44,269	44,269
Energy Conservation Projects	0	0	0	9,994	9,994
Food Service	0	0	0	683,155	683,155
Miscellaneous Local Grants	0	0	0	11,542	11,542
Classroom Facilities Maintenance	0	0	0	1,361,321	1,361,321
Athletic Activities	0	0	0	64,504	64,504
Auxiliary Services	0	0	0	125,490	125,490
Making Middle Grades Work	0	0	0	150	150
Special Education (IDEA, Part B)	0	0	0	60,723	60,723
LEP (Title III)	0	0	0	2,638	2,638
Intervention (Title I)	0	0	0	2,434	2,434
Teacher Quality Improvement (Title IIA)	0	0	0	3,150	3,150
Title IV-A	0	0	0	3,267	3,267
Total Restricted	<u>71,646</u>	<u>6,975,412</u>	<u>2,726,333</u>	<u>4,094,819</u>	<u>13,868,210</u>
Committed for:					
Athletic Stadium Improvements	0	0	0	248,123	248,123
Total Committed	<u>0</u>	<u>0</u>	<u>0</u>	<u>248,123</u>	<u>248,123</u>
Assigned for:					
School Supplies	164,462	0	0	0	164,462
Public School Support	152,189	0	0	0	152,189
Educational Activities	710,470	0	0	0	710,470
Total Assigned	<u>1,027,121</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,027,121</u>
Unassigned	<u>22,731,766</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,731,766</u>
Total Fund Balance	<u>\$23,830,533</u>	<u>\$6,975,412</u>	<u>\$2,726,333</u>	<u>\$4,342,942</u>	<u>\$37,875,220</u>

NOTE 13 – SET-ASIDE CALCULATION

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

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.

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018**

NOTE 13 – SET-ASIDE CALCULATION (continued)

	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2017	\$0
Current Year Set-aside Requirement	967,414
Qualifying Disbursements	(543,993)
Current Year Offsets	(1,568,532)
Total	(\$1,145,111)
Set-aside Reserve Balance as of June 30, 2018	\$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 - INTERFUND TRANSFERS

	<u>Transfers - In</u>	<u>Transfers - Out</u>
Major Fund:		
General Fund	\$310	\$0
Nonmajor Funds:		
Athletics	4,875	0
Agency:		
Tournaments	0	5,185
Total All Funds	\$5,185	\$5,185

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The transfers out of the tournaments fund were to cover the costs of the OHSAA sponsored tournaments that were paid out of the general fund and athletics fund.

NOTE 15 - 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, 2018 if applicable, cannot be determined at this time.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 15 – CONTINGENCIES (continued)

B. Litigation

The District was a party to legal proceedings at June 30, 2018. 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. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year-end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements, is not determinable at this time. Management believes this may result in either an additional receivable to, or liability of, the School District.

NOTE 16 – TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the District. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, the City of Lebanon has entered into such an agreement. Under this agreement the District’s property taxes were reduced by approximately \$262,214. The District is receiving \$83,571 from this other government in association with the forgone property tax revenue.

NOTE 17 – IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2018, the District has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, GASB Statement No. 81, Irrevocable Split-Interest Agreements, GASB Statement No. 85, Omnibus 2017, and GASB No. 86, Certain Debt Extinguishment Issues.

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District’s postemployment benefit plan disclosures, as presented in Note 8 to the basic financial statements.

GASB Statement No. 81 sets out to improve accounting and financial reporting for irrevocable split interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

NOTE 17 – IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES (continued)

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.