



Dave Yost • Auditor of State

**LEBANON CITY SCHOOL DISTRICT
WARREN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Modified Cash Basis	13
Statement of Activities – Modified Cash Basis	14
Fund Financial Statements:	
Statement of Modified Cash Basis Assets and Fund Balances– Governmental Funds.....	15
Statement of Cash Receipts, Disbursements and Changes In Modified Cash Basis Fund Balances - Governmental Funds	16
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget (Non-GAAP Basis) and Actual – General Fund	17
Statement of Fiduciary Net Position – Modified Cash Basis – Fiduciary Funds	18
Statement of Changes in Fiduciary Net Position – Modified Cash Basis – Private Purpose Trust Fund	19
Notes to the Basic Financial Statements	21
Federal Awards Receipts and Expenditures Schedule.....	41
Notes to the Federal Awards Receipts and Expenditures Schedule	42
Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i>	43
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133.	45
Schedule of Findings.....	47
Schedule of Prior Audit Findings.....	49
Independent Accountants' Report on Applying Agreed-Upon Procedure	51

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Lebanon City School District
Warren County
700 Holbrook Ave.
Lebanon, Ohio 45036

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lebanon City School District, Warren County, Ohio, as of June 30, 2013, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

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

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 11, 2014

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Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2013
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, 2013. 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 \$214,302 or 1.36%.
- ❑ General receipts accounted for \$48,735,158 in revenue or 90.98% of all revenues. Program specific receipts in the form of charges for services and sales, grants and contributions accounted for \$4,832,741 or 9.02% of total revenues of \$53,567,899.
- ❑ The District had \$53,782,201 in cash disbursements to governmental activities; only \$4,832,741 of these expenses was offset by program specific charges for services, grants or contributions. General receipts (primarily property taxes and entitlements) of \$48,735,158 were also used to provide for these services.
- ❑ Among major funds, the general fund had \$44,442,470 in receipts and \$42,881,818 in disbursements. The general fund's fund balance increased \$1,466,824 from fiscal year 2012 to a fund balance of \$8,922,895 at June 30, 2013.

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, 2013
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 2013, 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, 2013
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 2013 and 2012:

(Table 1)
Net Position

	Governmental Activities		% of Change
	2013	2012	
Assets			
Cash and Investments	\$15,591,817	\$15,806,119	-1.36%
Total Assets	<u>\$15,591,817</u>	<u>\$15,806,119</u>	-1.36%
Restricted			
Other Purposes	\$1,352,592	\$1,345,203	0.55%
Debt Service	3,149,884	2,246,823	40.19%
Capital Projects	2,058,694	4,426,892	-53.50%
Unrestricted	<u>9,030,647</u>	<u>7,787,201</u>	15.97%
Total Net Position	<u>\$15,591,817</u>	<u>\$15,806,119</u>	-1.36%

Total assets decreased by \$214,302. The decrease can be attributed to expenditures being greater than revenues.

Table 2 demonstrates the changes in net position for fiscal year 2013. The District experienced a 36.86% decrease in operating grants, interest and contributions due a decrease in federal funding during fiscal year 2013. The District also experienced a 3.52% decrease in total general receipts during 2013.

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2013
Unaudited

(Table 2)
Change in Net Position

	Governmental Activities		% of Change
	2013	2012	
Revenues			
Program Receipts:			
Charges for Services	\$2,385,087	\$2,313,599	3.09%
Operating Grants, Interest and Contributions	2,447,654	3,876,500	-36.86%
Total Program Receipts	4,832,741	6,190,099	-21.93%
General Receipts:			
Property Taxes			
General Purposes	22,734,495	21,079,056	7.85%
Debt Service	3,764,335	3,690,920	1.99%
Capital Projects	1,042,459	1,018,453	2.36%
Grants and Entitlements not Restricted to			
Specific Programs	20,630,811	20,916,224	-1.36%
Revenue in Lieu of Taxes	232,357	148,744	56.21%
Bonds Issued	0	3,370,000	-100.00%
Premium on Bonds Issued	0	22,630	-100.00%
Interest	25,104	15,757	59.32%
Gifts and Donations	78,526	62,567	25.51%
Miscellaneous	220,074	194,139	13.36%
Advances	6,997	(6,421)	208.97%
Total General Receipts	48,735,158	50,512,069	-3.52%
Total All Receipts	\$53,567,899	\$56,702,168	-5.53%

(Continued)

Expenditures increased by \$2,130,206 or 4.12% from 2012. The increase can be primarily attributed to the expenditures made in the building fund due to the HB 264 project. There was also no base line increase in salaries or any step increases other than educational level changes.

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2013
Unaudited

(Table 2)
Change in Net Position
(Continued)

	Governmental Activities		% of
	2013	2012	Change
Cash Disbursements			
Instruction			
Regular	\$18,458,118	\$18,913,618	-2.41%
Special	4,007,959	3,910,257	2.50%
Vocational	45,665	29,914	52.65%
Other	3,486,569	3,589,700	-2.87%
Support Services			
Pupils	2,227,429	2,174,471	2.44%
Instructional Staff	2,457,981	2,426,570	1.29%
Board of Education	41,155	41,998	-2.01%
Administration	3,494,915	3,633,340	-3.81%
Fiscal	918,689	1,197,013	-23.25%
Business	179	128	39.84%
Operation of Maintenance of Plant	3,505,799	3,573,126	-1.88%
Pupil Transportation	4,821,858	4,519,024	6.70%
Central	338,279	284,465	18.92%
Operating of Non-Instructional Services	1,787,814	1,961,503	-8.85%
Extracurricular Activities	1,083,357	1,043,845	3.79%
Capital Outlay	2,909,263	286,949	913.86%
Debt Service	4,194,528	4,066,074	3.16%
Intergovernmental	2,644	0	100.00%
Total Cash Disbursements	53,782,201	51,651,995	4.12%
Change in Net Position	(\$214,302)	\$5,050,173	-104.24%

Governmental Activities

The District receives 51.41% of its receipts from property taxes and 38.51% from grants and entitlements. The balance of receipts received, or 10.08%, is in the form of program receipts, investment income, gifts and donations, and miscellaneous items.

Disbursements for instruction represent 48.34% of the total governmental disbursements. Support services represent 33.11% of the total disbursements. The remaining 18.55% 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, 2013
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 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012	% of Change in Net Cost
Instruction	\$25,998,311	23,852,241	\$26,443,489	23,314,783	2.31%
Support Services	17,806,284	17,514,697	17,850,135	17,441,467	0.42%
Operation of Non-Instructional Services	1,787,814	9,520	1,961,503	(106,075)	108.97%
Extracurricular Activities	1,083,357	466,567	1,043,845	458,698	1.72%
Capital Outlay	2,909,263	2,909,263	286,949	286,949	913.86%
Debt Service	4,194,528	4,194,528	4,066,074	4,066,074	3.16%
Intergovernmental	2,644	2,644	0	0	100.00%
Total Cash Disbursements	<u>\$53,782,201</u>	<u>\$48,949,460</u>	<u>\$51,651,995</u>	<u>\$45,461,896</u>	<u>7.67%</u>

The District's Funds

Total governmental funds had receipts of \$53,496,619 and disbursements of \$53,782,201. The fund balance of the general fund increased \$1,466,824. The fund balance of the debt service fund increased by \$903,061, the fund balance of the building capital projects fund decreased by \$2,612,915, while the other governmental funds balances increased by \$28,728. The increase in the debt service fund was due to an increase in property tax receipts in fiscal year 2013 compared to fiscal year 2012. The decrease in the building capital projects fund was due to the expenditures made for the improvements covered by the issuance of the Energy Conservation Bonds and Qualified School Construction Bonds.

General Fund Budget Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal 2013, the District revised its budget to accommodate changes in expected revenues and planned expenditures.

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2013
Unaudited

Capital Assets and Debt Administration

Capital Assets

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

Debt

As of June 30, 2013, the District had the following outstanding debt: \$33,414,952 in general obligation bonds issued for new construction and improvements, \$2,861,000 in capital leases for facilities and equipment, \$2,900,000 in tax exempt qualified school construction bonds and \$205,000 in tax exempt energy conservation bonds for a total of \$39,380,952. The tax exempt qualified school construction bonds and tax exempt energy conservation bonds were issued in September, 2011. At June 30, 2013 the District's overall legal debt limitation was \$39,432,427, and the unvoted debt margin was \$774,417. 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 10 to the basic financial statements.

The Future of Lebanon City School District

On November 5, 2013, the voters of the District approved a 37-year, 1.87 mill bond levy and corresponding .5 mill permanent improvement maintenance levy. The levies were issued for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. At the elementary school level, there will be 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 will be built to house grades seven and eight, and there will be additions to Lebanon High School to house grades nine through 12.

District Contact Information

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

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Lebanon City School District, Ohio
Statement of Net Position - Modified Cash Basis
June 30, 2013

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$15,591,817
Total Assets	\$15,591,817
Net Position:	
Restricted for:	
Other Purposes	\$1,352,592
Debt Service	3,149,884
Capital Projects	2,058,694
Unrestricted	9,030,647
Total Net Position	\$15,591,817

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, 2013

	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	\$18,458,118	\$0	\$120,710	(\$18,337,408)
Special	4,007,959	0	1,034,595	(2,973,364)
Vocational	45,665	0	42,846	(2,819)
Other	3,486,569	819,297	128,622	(2,538,650)
Support Services:				
Pupils	2,227,429	0	7,161	(2,220,268)
Instructional Staff	2,457,981	0	121,743	(2,336,238)
Board of Education	41,155	0	0	(41,155)
Administration	3,494,915	0	48,730	(3,446,185)
Fiscal	918,689	0	0	(918,689)
Business	179	0	0	(179)
Operation and Maintenance of Plant	3,505,799	88,405	0	(3,417,394)
Pupil Transportation	4,821,858	0	14,748	(4,807,110)
Central	338,279	0	10,800	(327,479)
Operation of Non-Instructional Services	1,787,814	878,875	899,419	(9,520)
Extracurricular Activities	1,083,357	598,510	18,280	(466,567)
Capital Outlay	2,909,263	0	0	(2,909,263)
Debt Service	4,194,528	0	0	(4,194,528)
Intergovernmental	2,644	0	0	(2,644)
Total Governmental Activities	\$53,782,201	\$2,385,087	\$2,447,654	(48,949,460)
General Receipts:				
Property Taxes Levied for:				
				22,734,495
				3,764,335
				1,042,459
				20,630,811
				232,357
				25,104
				78,526
				220,074
				6,997
				<u>48,735,158</u>
				(214,302)
				<u>15,806,119</u>
				<u>\$15,591,817</u>

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, 2013

	GENERAL	DEBT SERVICE	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets:					
Equity in Pooled Cash and Investments	\$8,922,895	\$3,149,884	\$730,484	\$2,788,554	\$15,591,817
Total Assets	\$8,922,895	\$3,149,884	\$730,484	\$2,788,554	\$15,591,817
Fund Balances:					
Unreserved, Undesignated, Reported in:					
Restricted	\$13,882	\$3,149,884	\$730,484	\$2,666,920	\$6,561,170
Committed	0	0	0	121,634	121,634
Assigned	759,182	0	0	0	759,182
Unassigned	8,149,831	0	0	0	8,149,831
Total Fund Balances	\$8,922,895	\$3,149,884	\$730,484	\$2,788,554	\$15,591,817

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, 2013

	GENERAL	DEBT SERVICE	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Receipts:					
Property and Other Taxes	\$22,734,495	\$3,764,335	\$0	\$1,042,459	\$27,541,289
Intergovernmental	19,993,101	502,785	0	2,545,362	23,041,248
Interest	23,138	1,264	91	860	25,353
Tuition and Fees	819,297	0	0	0	819,297
Rent	88,405	0	0	100	88,505
Extracurricular Activities	326,569	0	0	254,101	580,670
Gifts and Donations	70,388	0	0	8,917	79,305
Charges for Services	18,348	0	0	896,177	914,525
Payment in Lieu of Taxes	232,357	0	0	0	232,357
Miscellaneous	136,372	0	0	37,698	174,070
Total Receipts	44,442,470	4,268,384	91	4,785,674	53,496,619
Disbursements:					
Current:					
Instruction:					
Regular	18,200,499	0	0	257,619	18,458,118
Special	2,864,017	0	0	1,143,942	4,007,959
Vocational	45,665	0	0	0	45,665
Other	3,321,233	0	0	165,336	3,486,569
Support Services:					
Pupils	2,220,268	0	0	7,161	2,227,429
Instructional Staff	2,319,419	0	0	138,562	2,457,981
Board of Education	41,155	0	0	0	41,155
Administration	3,433,026	6,637	0	55,252	3,494,915
Fiscal	871,312	37,124	0	10,253	918,689
Business	179	0	0	0	179
Operation and Maintenance of Plant	3,433,224	0	0	72,575	3,505,799
Pupil Transportation	4,575,637	0	0	246,221	4,821,858
Central	332,880	0	0	5,399	338,279
Operation of Non-Instructional Services	1,137	0	0	1,786,677	1,787,814
Extracurricular Activities	768,135	0	0	315,222	1,083,357
Capital Outlay	0	0	2,613,006	296,257	2,909,263
Debt Service:					
Principal Retirement	283,000	1,724,972	0	403,000	2,410,972
Interest and Fiscal Charges	168,388	1,596,590	0	18,578	1,783,556
Intergovernmental	2,644	0	0	0	2,644
Total Disbursements	42,881,818	3,365,323	2,613,006	4,922,054	53,782,201
Excess of Receipts Over (Under) Disbursements	1,560,652	903,061	(2,612,915)	(136,380)	(285,582)
Other Financing Sources (Uses):					
Refund of Prior Year Receipts	(1,640)	0	0	(3,573)	(5,213)
Refund of Prior Year Expenditures	60,534	0	0	8,962	69,496
Advances - In	830,231	0	34,730	638,858	1,503,819
Advances - Out	(982,953)	0	(34,730)	(479,139)	(1,496,822)
Total Other Financing Sources (Uses)	(93,828)	0	0	165,108	71,280
Net Change in Fund Balances	1,466,824	903,061	(2,612,915)	28,728	(214,302)
Fund Balances at Beginning of Year	7,456,071	2,246,823	3,343,399	2,759,826	15,806,119
Fund Balances at End of Year	\$8,922,895	\$3,149,884	\$730,484	\$2,788,554	\$15,591,817

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, 2013

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property and Other Taxes	\$24,800,000	\$21,388,940	\$22,734,495	\$1,345,555
Intergovernmental	16,191,800	18,348,874	19,993,101	1,644,227
Interest	0	20,296	23,138	2,842
Tuition and Fees	0	504,386	541,565	37,179
Rent	0	83,182	88,405	5,223
Extracurricular	0	217,564	231,411	13,847
Gifts and Donations	0	25,351	31,657	6,306
Charges for Services	16,000	17,249	18,348	1,099
Payment in Lieu of Taxes	0	200,100	232,357	32,257
Miscellaneous	0	83,002	133,956	50,954
Total Revenues	41,007,800	40,888,944	44,028,433	3,139,489
Expenditures:				
Current:				
Instruction:				
Regular	18,229,613	18,168,502	17,987,526	180,976
Special	3,217,321	3,140,694	3,047,124	93,570
Vocational	30,699	57,995	47,399	10,596
Other	2,823,157	3,359,585	3,333,787	25,798
Support Services:				
Pupils	2,322,092	2,241,114	2,231,339	9,775
Instructional Staff	2,269,699	2,337,694	2,292,414	45,280
Board of Education	54,464	47,173	41,490	5,683
Administration	3,704,870	3,678,193	3,496,179	182,014
Fiscal	1,145,338	876,167	872,730	3,437
Business	128	179	179	0
Operation and Maintenance of Plant	4,000,644	3,968,940	3,500,007	468,933
Pupil Transportation	4,777,854	4,841,054	4,703,848	137,206
Central	288,458	362,774	342,470	20,304
Operation of Non-Instructional Services	1,500	1,300	1,137	163
Extracurricular Activities	675,796	662,513	633,220	29,293
Capital Outlay	3,321	0	0	0
Debt Service:				
Principal Retirement	93,000	358,000	283,000	75,000
Interest and Fiscal Charges	157,202	172,687	168,388	4,299
Intergovernmental	0	10,000	2,644	7,356
Total Expenditures	43,795,156	44,284,564	42,984,881	1,299,683
Excess of Revenues Over (Under) Expenditures	(2,787,356)	(3,395,620)	1,043,552	4,439,172
Other Financing Sources (Uses):				
Refund of Prior Year Receipts	(4,000)	(4,000)	(1,640)	2,360
Refund of Prior Year Expenditures	0	56,230	59,761	3,531
Advances - In	300,000	479,820	787,452	307,632
Advances - Out	(299,785)	(417,954)	(940,174)	(522,220)
Total Other Financing Sources (Uses)	(3,785)	114,096	(94,601)	(208,697)
Net Change in Fund Balance	(2,791,141)	(3,281,524)	948,951	4,230,475
Fund Balance at Beginning of Year	6,678,120	6,678,120	6,678,120	0
Prior Year Encumbrances Appropriated	557,540	557,540	557,540	0
Fund Balance at End of Year	\$4,444,519	\$3,954,136	\$8,184,611	\$4,230,475

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, 2013

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$203,447	\$96,661
Net Position:		
Restricted for Students	0	96,661
Held in Trust for Scholarships	203,447	0
Total Net Position	\$203,447	\$96,661

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, 2013

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$451
Gifts and Donations	<u>11,571</u>
Total Additions	<u>12,022</u>
Change in Net Position	12,022
Net Position Beginning of Year	<u>191,425</u>
Net Position End of Year	<u><u>\$203,447</u></u>

See Accompanying Notes to the Basic Financial Statements

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Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by State and/or federal agencies. It is staffed by 240 non-certified employees, 313 certified full time personnel, who provide services to 5,447 students and other community members. The District currently operates eight instructional/support facilities.

Reporting Entity

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

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

The District participates in three jointly governed organizations and one insurance purchasing pool. These organizations include the Southwest Ohio Computer Association (SWOCA), the Southwestern Ohio Educational Purchasing Council (SWEPC), the Warren County Career Center and Ohio School Board's Association Group Rating Program (GRP), respectively. These organizations are presented in Note 12 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, 2013
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The following are the District's major governmental funds:

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

Fiduciary Fund Types:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal net position) and do not involve measurement of results of operations. The District's only fiduciary funds are a private purpose trust fund and two agency funds. The private purpose trust fund accounts for college scholarship programs for students. The District's agency funds account for those student activities, which consist of a student body, student president, student treasurer and faculty advisor as well as for athletic tournaments.

C. Basis of Accounting

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

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2013.

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

E. Cash and Investments

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

At June 30, 2013, the District's investments included money market funds, Federal Home Loan Mortgage Association Notes, Federal National Mortgage Corporation Discount Notes, Federal Home Loan Bank Notes, a Federal Home Loan Mortgage Corporation Discount Note, STAR Ohio, and STAR Plus. Investments are reported at fair value, which is based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2013 were \$23,138, which included \$10,341 assigned from other District funds. Interest revenue was posted to the debt service fund, the building fund, the permanent improvement fund, the auxiliary services fund, and to the private purpose trust fund in the amounts of \$1,264, \$91, \$611, \$249 and \$451, respectively.

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

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. The differences between advances - in and advances - out is due to interfund activity with the agency funds.

G. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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, 2013
(Continued)

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 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2013, the District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements,” Statement No. 61, “The Financial Reporting Entity: Omnibus,” Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,” Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 65, “Items Previously Reported as Assets and Liabilities,” and Statement No. 66 “Technical Corrections—2012 an amendment of GASB Statements No. 10 and No. 62.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the District’s financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and financial reporting entity display and disclosure requirements. These changes were incorporated in the District’s fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)**

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the District’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. The implementation of this statement did not result in any change in the District’s financial statements

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of this statement did not result in any change in the District’s financial statements.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the District’s financial statements.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Cash Basis	\$1,466,824
Funds Budgeted Elsewhere	17,098
Adjustment for Encumbrances	<u>(534,971)</u>
Budget Basis	<u><u>\$948,951</u></u>

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 5 - 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 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 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, 2013, are available to finance fiscal year 2013 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 2013 taxes were collected are:

	<u>2012 Second- Half Collections</u>		<u>2013 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$758,641,700	95.41%	\$732,320,450	94.56%
Public Utility	<u>36,485,770</u>	<u>4.59%</u>	<u>42,096,160</u>	<u>5.44%</u>
Total Assessed Value	<u>\$795,127,470</u>	<u>100.00%</u>	<u>\$774,416,610</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$61.62		\$61.98	

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 6 - 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, 2013.

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

7. Written repurchase agreements (repos) with any eligible public depository mentioned in ORC 135.03, or with any dealer who is a member of the NASD. The market value of the securities held as collateral for an overnight repo (including sweep accounts) or term repo must exceed principal by at least 2 percent, and the securities must be marked to market daily. Term repurchase agreement with an eligible securities dealer must be transacted on a delivery versus payment basis. All securities purchased pursuant to a repurchase agreement must be delivered into the custody of the Treasurer or an agent designated by the Treasurer. Such institution or dealer must agree in writing to unconditionally repurchase any of the securities used for any repo transaction.

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$3,154,182 of the District's bank balance of \$7,592,722 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 be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

The District also had \$140,696 in non-negotiable certificates of deposit and outstanding at June 30, 2013. These certificates of deposit are a part of cash and cash equivalents on the basic financial statements. These certificates of deposit were fully insured by the FDIC.

B. Investments

As of June 30, 2013, the District had the following investments. All investments are in an internal investment pool.

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Investment Type (Cost)	Investment Maturities (in years)			Percent of Total Investments
	Fair Value	1-2	3 or more	
Money Market Funds	\$8,264	\$0	\$0	0.09%
STAR Ohio	7,375,575	0	0	77.94%
U.S. Treasury Note	220,000	220,000	0	2.32%
Federal Home Loan Mortgage Corporation Notes	269,987	134,987	135,000	2.85%
Federal National Mortgage Association Notes	739,464	149,574	586,890	7.81%
Federal Home Loan Bank Notes	714,736	714,736	0	7.55%
Federal Home Loan Mortgage Corporation Discount Note	134,825	134,825	0	1.42%
Total Investments	\$9,462,851	\$1,354,122	\$721,890	

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

Credit Risk: STAR Ohio's ratings as of June 30, 2013 from Standard and Poor's are AAAM. Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, Federal Home Loan Bank Notes 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 7 - 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 2013, 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.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 7 - RISK MANAGEMENT (Continued)

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 2013, the District participated in the Ohio School Board's Association Group Rating Program/Ohio Association of School Business Officials' (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 8 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System.

For fiscal year ending June 30, 2013, the allocation to pension benefits is 13.05 percent. The remaining .95 percent of the 14 percent employer contribution rate is allocated to the Health Care (.16 percent), Medicare B (.74 percent), and Death Benefits (.05 percent) funds. The District's contributions to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$1,154,607, \$1,160,912 and \$1,025,030 respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10 percent of covered payroll for members. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's required contributions for pension obligations to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan for the fiscal years ended June 30, 2013, 2012, and 2011 were \$2,608,682, \$2,618,391, and \$2,700,926 respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525.

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

The District’s contributions assigned to health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$202,456, \$228,520, and \$230,096, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District’s contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 were \$65,472, \$68,558 and \$65,963, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

B. State Teachers Retirement System

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 9 - POSTEMPLOYMENT BENEFITS (ContinueD)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011, were \$200,668, \$201,415, and \$207,764, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

NOTE 10 - LONG-TERM OBLIGATIONS

The changes in the District’s long-term obligations during fiscal year 2013 were as follows:

	Amount Outstanding 7/1/12	Additions	Deductions	Amount Outstanding 6/30/13	Amounts Due In One Year
Governmental Activities					
General Obligation Bonds:					
Ohio School Facilities Construction And Improvement Bonds – 2002, 4.3%-5.5%	\$1,000,000	\$0	\$1,000,000	\$0	\$0
New School Construction Bond – 2002, 3.95%-4.25%	29,972	0	29,972	0	0
June, 2005 Refunding of General Obligation Bonds, 3.5%-5%	15,909,965	0	420,000	15,489,965	817,438
2007 Refunding of General Obligation Bonds, 4%-5%	18,199,987	0	275,000	17,924,987	645,000
Energy Conservation Bonds:					
Tax Exempt Bonds – 2011	280,000	0	75,000	205,000	100,000
Qualified School Construction Bonds - 2011, 4.45%	3,015,000	0	115,000	2,900,000	115,000
Capital Leases:					
COPS Capital Lease	2,954,000	0	93,000	2,861,000	98,000
OASBO Pool Capital Lease	403,000	0	403,000	0	0
Total Governmental Activities Long – Term Liabilities	<u>\$41,791,924</u>	<u>\$0</u>	<u>\$2,410,972</u>	<u>\$39,380,952</u>	<u>\$1,775,438</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.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

Energy Conservation Bonds

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

Capital Leases

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

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

All general obligation debt is supported by the full faith and credit of the District. At June 30, 2013 the District's overall legal debt limitation was \$39,432,427, and the unvoted debt margin was \$774,417.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2013, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$1,775,438	\$2,305,492	\$4,080,930
2015	1,840,760	2,355,490	4,196,250
2016	1,923,766	2,370,208	4,293,974
2017	3,154,000	1,412,376	4,566,376
2018	3,296,000	1,267,904	4,563,904
2019-2023	10,777,988	6,737,224	17,515,212
2024-2028	12,234,000	2,341,584	14,575,584
2029-2031	4,379,000	192,015	4,571,015
Total	<u>\$39,380,952</u>	<u>\$18,982,293</u>	<u>\$58,363,245</u>

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)**

NOTE 11 – LEASES

The District leases buildings, vehicles and other equipment under noncancelable leases. The District disbursed \$671,779 to pay lease costs for the year ended June 30, 2013. Future lease payments are as follows:

Fiscal Year Ending June 30,	Total Payments
2014	\$250,042
2015	249,613
2016	249,887
2017	248,863
2018	249,516
2019-2023	1,242,674
2024-2028	1,239,458
2029-2031	740,997
Total	4,471,050
Less: Amount Representing Interest	(1,610,050)
Present Value of Net Minimum Lease Payments	\$2,861,000

NOTE 12 – 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 \$145,216 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (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.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013
(Continued)

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL
(Continued)

During fiscal year 2013, the District paid \$63,116 to SWEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Dr., Suite 208, Vandalia, OH 45377.

Warren County Career Center

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

B. Insurance Purchasing Pool

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

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

NOTE 13 – 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, 2013
(Continued)

NOTE 13 – FUND BALANCE (Continued)

	<u>General</u>	<u>Debt Service</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental</u>
Restricted for:					
Career Tech Funds	\$13,882	\$0	\$0	\$0	\$13,882
Debt Retirement	0	3,149,884	0	0	3,149,884
Permanent Improvements	0	0	0	1,328,210	1,328,210
Building Projects	0	0	43,475	0	43,475
Energy Conservation Projects	0	0	687,009	0	687,009
Food Service	0	0	0	1,105,378	1,105,378
Miscellaneous Local Grants	0	0	0	9,451	9,451
Athletic Activities	0	0	0	110,580	110,580
Auxiliary Services	0	0	0	83,069	83,069
Data Connectivity	0	0	0	12,230	12,230
Early Literacy Reading Grant	0	0	0	1,487	1,487
Special Education (IDEA, Part B)	0	0	0	11,638	11,638
Intervention (Title I)	0	0	0	4,752	4,752
Teacher Quality Improvement (Title IIA)	0	0	0	125	125
Total Restricted	<u>13,882</u>	<u>3,149,884</u>	<u>730,484</u>	<u>2,666,920</u>	<u>6,561,170</u>
Committed for:					
Athletic Stadium Improvements	0	0	0	121,634	121,634
Total Committed	<u>0</u>	<u>0</u>	<u>0</u>	<u>121,634</u>	<u>121,634</u>
Assigned for:					
School Supplies	94,243	0	0	0	94,243
Public School Support	131,703	0	0	0	131,703
Educational Activities	533,236	0	0	0	533,236
Total Assigned	<u>759,182</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>759,182</u>
Unassigned	<u>8,149,831</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,149,831</u>
Total Fund Balance	<u><u>\$8,922,895</u></u>	<u><u>\$3,149,884</u></u>	<u><u>\$730,484</u></u>	<u><u>\$2,788,554</u></u>	<u><u>\$15,591,817</u></u>

NOTE 14 – 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, 2013
(Continued)**

NOTE 14 – SET-ASIDE CALCULATION (Continued)

	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2012	\$0
Current Year Set-aside Requirement	944,538
Qualifying Disbursements	(166,787)
Current Year Offsets	<u>(1,042,459)</u>
Total	<u>(\$264,708)</u>
Set-aside Reserve Balance as of June 30, 2013	<u><u>\$0</u></u>

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 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, 2013, if applicable, cannot be determined at this time.

B. Litigation

The District was a party to legal proceedings at June 30, 2013. 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.

NOTE 16 – SUBSEQUENT EVENT

On November 5, 2013, the voters of the District approved a 37-year, 1.87 mill bond levy and corresponding .5 mills permanent improvement maintenance levy. The levies were issued for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. At the elementary school level, there will be 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.

LEBANON CITY SCHOOL DISTRICT
WARREN COUNTY

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

Federal Grantor, Pass-Through Grantor, Program Title/Name	Grant Year	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
<u>Child Nutrition Cluster:</u>						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2013	10.555		\$ 93,959		\$ 93,959
Cash Assistance:						
National School Breakfast Program	2013	10.553	\$ 66,792	0	\$ 66,792	0
National School Lunch Program	2013	10.555	490,212	0	490,212	0
Total Child Nutrition Cluster			<u>557,004</u>	<u>93,959</u>	<u>557,004</u>	<u>93,959</u>
Total U.S. Department of Agriculture			<u>557,004</u>	<u>93,959</u>	<u>557,004</u>	<u>93,959</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
<u>Special Education Cluster:</u>						
Special Education-Grants to States	2013	84.027	784,867	0	822,905	0
Special Education-Grants to States	2012	84.027	91,835	0	90,951	0
Total Special Education-Grants to States			<u>876,702</u>	<u>0</u>	<u>913,856</u>	<u>0</u>
Special Education-Preschool Grants	2013	84.173	7,161	0	7,161	0
Total Special Education Cluster			<u>883,863</u>	<u>0</u>	<u>921,017</u>	<u>0</u>
Title I Grants to Local Educational Agencies	2013	84.010	282,555	0	462,029	0
Title I Grants to Local Educational Agencies	2012	84.010	147,475	0	87,140	0
Total Title I Grants to Local Educational Agencies			<u>430,030</u>	<u>0</u>	<u>549,169</u>	<u>0</u>
English Language Acquisition State Grants	2013	84.365	13,689	0	28,028	0
English Language Acquisition State Grants	2012	84.365	452	0	590	0
Total English Language Acquisition State Grants			<u>14,141</u>	<u>0</u>	<u>28,618</u>	<u>0</u>
Improving Teacher Quality State Grants	2013	84.367	113,359	0	116,201	0
Improving Teacher Quality State Grants	2012	84.367	22,937	0	19,191	0
Total Improving Teacher Quality State Grants			<u>136,296</u>	<u>0</u>	<u>135,392</u>	<u>0</u>
Education Jobs	2012	84.410	8,283	0	4,742	0
Total U.S. Department of Education			<u>1,472,613</u>	<u>0</u>	<u>1,638,938</u>	<u>0</u>
Total Federal Assistance			<u>\$2,029,617</u>	<u>\$93,959</u>	<u>\$2,195,942</u>	<u>\$93,959</u>

The accompanying notes to this schedule are an integral part of this schedule.

**LEBANON CITY SCHOOL DISTRICT
WARREN COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Lebanon City School District
Warren County
700 Holbrook Ave.
Lebanon, Ohio 45036

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lebanon City School District, Warren County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 11, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

March 11, 2014



Dave Yost • Auditor of State

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

Lebanon City School District
Warren County
700 Holbrook Ave.
Lebanon, Ohio 45036

To the Board of Education:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Lebanon City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Dave Yost
Auditor of State

Columbus, Ohio

March 11, 2014

**LEBANON CITY SCHOOL DISTRICT
WARREN COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: CFDA #10.553: National School Breakfast Program CFDA #10.555: National School Lunch Program Improving Teacher Quality State Grants, CFDA #84.367
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2013-001

Noncompliance

Ohio Revised Code, Section 117.38, provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Admin. Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District. As such we recommend the District prepare its annual financial report in accordance with generally accepted accounting principles.

Officials' Response:

The School District chose again not to report on a GAAP basis for 2013 mainly to avoid the additional audit costs of \$12,000 to \$15,000.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**LEBANON CITY SCHOOL DISTRICT
WARREN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-1	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B), failure to report in accordance with generally accepted accounting principles	No	Not Corrected; re-issued as Finding 2013-001

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Lebanon City School District
Warren County
700 Holbrook Ave.
Lebanon, Ohio 45036

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on October 15, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

Dave Yost
Auditor of State

Columbus, Ohio

March 11, 2014

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Dave Yost • Auditor of State

LEBANON CITY SCHOOL DISTRICT

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 1, 2014**