



**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2012**



**Dave Yost • Auditor of State**



**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Lebanon Local School District, Montgomery County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of New Lebanon Local School District, Montgomery County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2013, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

March 11, 2013

**New Lebanon Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

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The discussion and analysis of New Lebanon Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

**Financial Highlights**

Key financial highlights for 2012 are as follows:

- Net assets of governmental activities increased \$140,461 which represents a slight increase from 2011.
- General revenues accounted for \$10,043,636 in revenue or 79.6% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,568,511 or 20.4% of total revenues of \$12,612,147 .
- The District had \$12,471,686 in expenses related to governmental activities; \$2,568,511 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of were also used to provide for these programs.

**Overview of the Financial Statements**

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

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

**New Lebanon Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

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**Government-wide Financial Statements**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

**Fund Financial Statements**

The analysis of the District's major funds is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

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

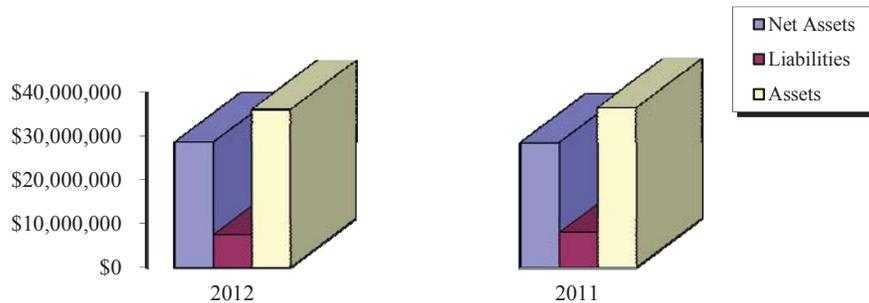
**New Lebanon Local School District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

**The District as a Whole**

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District’s net assets for 2012 compared to 2011:

Table 1  
Net Assets

	Governmental Activities	
	2012	2011
Assets:		
Current and Other Assets	\$10,457,555	\$10,047,380
Capital Assets	25,628,073	26,389,572
Total Assets	36,085,628	36,436,952
Liabilities:		
Other Liabilities	3,950,444	4,125,969
Long-Term Liabilities	3,506,471	3,822,731
Total Liabilities	7,456,915	7,948,700
Net Assets:		
Invested in Capital Assets, Net of Related Debt	22,644,403	23,164,697
Restricted	1,479,065	1,514,858
Unrestricted	4,505,245	3,808,697
Total Net Assets	\$28,628,713	\$28,488,252



Over time, net assets can serve as a useful indicator of a government’s financial position. At June 30, 2012, the District’s assets exceeded liabilities by \$28,628,713.

At year-end, capital assets represented 71% of total assets. Capital assets include land, construction in progress, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2012, was \$22,644,403. These capital assets are used to provide services to the students and are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**New Lebanon Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

A portion of the District's net assets, \$1,479,065 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current assets increased mainly due to an increase in the District's bank balance in fiscal year 2012 as compared to fiscal year 2011. Long-term liabilities decreased mainly due to the District continuing to pay down its debt obligations.

Table 2 shows the changes in net assets for fiscal years 2012 and 2011.

Table 2  
Changes in Net Assets

	Governmental Activities	
	2012	2011
Revenues:		
Program Revenues		
Charges for Services	\$956,830	\$894,433
Operating Grants, Contributions	1,611,681	2,528,780
General Revenues:		
Income Taxes	1,426,913	1,383,934
Property Taxes	2,771,053	2,794,028
Grants and Entitlements	5,672,378	5,559,078
Other	173,292	52,130
Total Revenues	12,612,147	13,212,383
Program Expenses:		
Instruction	6,682,674	6,637,039
Support Services:		
Pupil and Instructional Staff	1,395,702	1,448,373
School Administrative, General		
Administration, Fiscal and Business	1,260,934	1,340,453
Operations and Maintenance	1,344,948	1,545,223
Pupil Transportation	570,806	470,571
Central	131,567	141,172
Operation of Non-Instructional Services	453,198	489,176
Extracurricular Activities	475,184	571,535
Interest and Fiscal Charges	156,673	174,786
Total Program Expenses	12,471,686	12,818,328
Change in Net Assets	140,461	394,055
Net Assets Beginning of Year	28,488,252	28,094,197
Net Assets End of Year	\$28,628,713	\$28,488,252

**New Lebanon Local School District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

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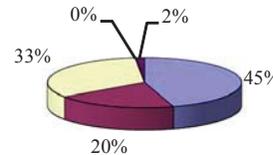
**Governmental Activities**

The District revenues are mainly from three sources. Income taxes, property taxes levied for general, special revenue, debt service, capital project purposes, and grants and entitlements comprised 78% of the District’s revenues for governmental activities.

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

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 21% of revenue for governmental activities for the District in fiscal year 2012.

Revenue Sources	2012	Percent of Total
General Grants	\$5,672,378	45%
Program Revenues	2,568,511	20%
General Tax Revenues	4,197,966	33%
Investment Earnings	8,268	0%
Other Revenues	165,024	2%
	<u>\$12,612,147</u>	<u>100%</u>



Instruction comprises 53.58% of governmental program expenses. Support services expenses were 37.72% of governmental program expenses. All other expenses including interest expense were 8.70% . Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Income tax revenues increased mainly due to an increase in income tax receipts received in fiscal year 2012 as compared to fiscal year 2011. Grants and Entitlements increased mainly due to an increase in grant monies received by the District in fiscal year 2012 as compared to fiscal year 2011. Instructional expenses increased due to an increase in personnel costs and general inflationary costs.

**New Lebanon Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

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

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction	\$6,682,674	\$6,637,039	(\$4,894,010)	(\$4,589,122)
Support Services:				
Pupil and Instructional Staff	1,395,702	1,448,373	(1,306,937)	(1,146,820)
School Administrative, General				
Administration, Fiscal and Business	1,260,934	1,340,453	(1,247,393)	(1,244,698)
Operations and Maintenance	1,344,948	1,545,223	(1,276,092)	(1,203,701)
Pupil Transportation	570,806	470,571	(542,113)	(446,528)
Central	131,567	141,172	(118,533)	(122,561)
Operation of Non-Instructional Services	453,198	489,176	14,364	9,101
Extracurricular Activities	475,184	571,535	(375,788)	(476,000)
Interest and Fiscal Charges	156,673	174,786	(156,673)	(174,786)
Total Expenses	<u>\$12,471,686</u>	<u>\$12,818,328</u>	<u>(\$9,903,175)</u>	<u>(\$9,395,115)</u>

**The District's Funds**

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$8,227,952 (79%) of the total \$10,438,686 governmental funds assets.

**General Fund:** Fund balance at June 30, 2012 was \$4,798,859. The primary reason for the increase in fund balance was due to an increase in intergovernmental revenue.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2012, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$10,529,693, above original budget estimates of \$9,730,381. Of this \$799,312 difference, most was due to a difference in estimate for taxes and intergovernmental revenue.

**New Lebanon Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

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**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2012, the District had \$25,628,073 invested in land, buildings and improvements, furniture, equipment and vehicles. Table 4 shows fiscal year 2012 balances compared to fiscal year 2011:

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

	Governmental Activities	
	2012	2011
Land	\$35,490	\$35,490
Buildings and Improvements	24,649,790	25,244,826
Furniture, Equipment and Vehicles	942,793	1,109,256
<b>Total Net Capital Assets</b>	<b><u>\$25,628,073</u></b>	<b><u>\$26,389,572</u></b>

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

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

*Debt*

At June 30, 2012, the District had \$2,983,670 in bonds and capital leases payable, \$215,000 due within one year. Table 5 summarizes outstanding debt at year end.

Table 5  
Outstanding Debt, at Year End

	Governmental Activities	
	2012	2011
General Obligation Bonds:		
2001 Facilities Improvement Bonds	\$930,000	\$3,135,000
2012 Refunding Bonds:		
Current Interest Bonds -		
Facilities Improvements Bonds	2,030,000	0
Premium on 2012 Refunding Bonds	23,670	0
Capital Leases	0	89,875
<b>Total Outstanding Debt at Year End</b>	<b><u>\$2,983,670</u></b>	<b><u>\$3,224,875</u></b>

See Note 11 in the notes to the basic financial statements for further details on the District's outstanding debt.

**New Lebanon Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)**

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**For the Future**

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

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

**Contacting the District's Financial Management**

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

New Lebanon Local School District  
Statement of Net Assets  
June 30, 2012

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$6,836,958
Receivables:	
Taxes	3,368,459
Accounts	12,186
Interest	10,702
Intergovernmental	199,702
Deferred Bond Issuance Costs	21,180
Inventory	8,368
Nondepreciable Capital Assets	35,490
Depreciable Capital Assets, Net	<u>25,592,583</u>
 Total Assets	 <u>36,085,628</u>
Liabilities:	
Accounts Payable	109,701
Accrued Wages and Benefits	1,355,654
Accrued Interest Payable	2,585
Unearned Revenue	2,482,504
Long-Term Liabilities:	
Due Within One Year	273,968
Due In More Than One Year	<u>3,232,503</u>
 Total Liabilities	 <u>7,456,915</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	22,644,403
Restricted for:	
Debt Service	446,115
Capital Projects	492,139
Classroom Facilities Maintenance	157,740
Food Service	264,485
Federal Grants	94,568
Other Purposes	24,018
Unrestricted	<u>4,505,245</u>
 Total Net Assets	 <u>\$28,628,713</u>

See accompanying notes to the basic financial statements.

New Lebanon Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	and Changes in Net Assets Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$4,960,028	\$534,843	\$372,688	(\$4,052,497)
Special	1,389,726	72,537	691,724	(625,465)
Vocational	0	0	2,517	2,517
Other	332,920	42,429	71,926	(218,565)
<b>Support Services:</b>				
Pupil	493,755	0	70,582	(423,173)
Instructional Staff	901,947	0	18,183	(883,764)
General Administration	70,944	0	0	(70,944)
School Administration	825,860	0	13,363	(812,497)
Fiscal	278,690	0	178	(278,512)
Business	85,440	0	0	(85,440)
Operations and Maintenance	1,344,948	13,522	55,334	(1,276,092)
Pupil Transportation	570,806	0	28,693	(542,113)
Central	131,567	0	13,034	(118,533)
Operation of Non-Instructional Services	453,198	194,103	273,459	14,364
Extracurricular Activities	475,184	99,396	0	(375,788)
Interest and Fiscal Charges	156,673	0	0	(156,673)
<b>Total Governmental Activities</b>	<b>\$12,471,686</b>	<b>\$956,830</b>	<b>\$1,611,681</b>	<b>(9,903,175)</b>

<b>General Revenues:</b>	
Income Taxes	1,426,913
<b>Property Taxes Levied for:</b>	
General Purposes	2,164,061
Special Revenue Purposes	77,675
Debt Service Purposes	323,429
Capital Projects Purposes	205,888
Grants and Entitlements not Restricted to Specific Programs	5,672,378
Investment Earnings	8,268
Other Revenues	165,024
<b>Total General Revenues</b>	<b>10,043,636</b>
<b>Change in Net Assets</b>	<b>140,461</b>
<b>Net Assets Beginning of Year</b>	<b>28,488,252</b>
<b>Net Assets End of Year</b>	<b>\$28,628,713</b>

See accompanying notes to the basic financial statements.

New Lebanon Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$5,455,558	\$1,381,400	\$6,836,958
Receivables:			
Taxes	2,744,076	624,383	3,368,459
Accounts	11,289	897	12,186
Interest	10,228	474	10,702
Intergovernmental	4,490	195,212	199,702
Interfund	2,311	0	2,311
Inventory	0	8,368	8,368
<b>Total Assets</b>	<b>8,227,952</b>	<b>2,210,734</b>	<b>10,438,686</b>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	75,098	34,603	109,701
Accrued Wages and Benefits	1,225,662	129,992	1,355,654
Compensated Absences	36,051	0	36,051
Interfund Payable	0	2,311	2,311
Deferred Revenue	2,092,282	763,966	2,856,248
<b>Total Liabilities</b>	<b>3,429,093</b>	<b>930,872</b>	<b>4,359,965</b>
Fund Balances:			
Nonspendable	0	8,368	8,368
Restricted	0	1,361,557	1,361,557
Committed	22,868	0	22,868
Assigned	159,878	0	159,878
Unassigned	4,616,113	(90,063)	4,526,050
<b>Total Fund Balances</b>	<b>4,798,859</b>	<b>1,279,862</b>	<b>6,078,721</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$8,227,952</b>	<b>\$2,210,734</b>	<b>\$10,438,686</b>

See accompanying notes to the basic financial statements.

New Lebanon Local School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 June 30, 2012

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Total Governmental Fund Balance \$6,078,721

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

Capital assets used in governmental activities are not financial  
 resources and therefore are not reported in the funds. 25,628,073

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

Delinquent Property Taxes	185,293	
Interest	6,896	
Intergovernmental	<u>181,555</u>	
		373,744

In the statement of net assets interest payable is accrued when  
 incurred, whereas in the governmental funds interest is  
 reported as a liability only when it will require the use of  
 current financial resources. (2,585)

Some liabilities reported in the statement of net assets do not  
 require the use of current financial resources and therefore  
 are not reported as liabilities in governmental funds.  
 Compensated Absences (486,750)

Deferred bond issuance cost associated with long-term liabilities  
 are not reported in the funds. 21,180

Long-term liabilities, are not due and payable in the current  
 period and therefore are not reported in the funds. (2,983,670)

Net Assets of Governmental Activities \$28,628,713

See accompanying notes to the basic financial statements.

New Lebanon Local School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$3,572,590	\$602,862	\$4,175,452
Tuition and Fees	649,809	0	649,809
Investment Earnings	10,207	247	10,454
Intergovernmental	6,188,718	1,134,498	7,323,216
Extracurricular Activities	29,629	69,767	99,396
Charges for Services	0	207,625	207,625
Other Revenues	153,915	11,109	165,024
Total Revenues	<u>10,604,868</u>	<u>2,026,108</u>	<u>12,630,976</u>
Expenditures:			
Current:			
Instruction:			
Regular	4,415,550	165,797	4,581,347
Special	1,151,426	181,443	1,332,869
Other	268,444	64,476	332,920
Support Services:			
Pupil	425,649	93,966	519,615
Instructional Staff	836,347	21,713	858,060
General Administration	70,944	0	70,944
School Administration	772,459	18,389	790,848
Fiscal	269,428	8,065	277,493
Business	85,440	0	85,440
Operations and Maintenance	1,088,639	177,767	1,266,406
Pupil Transportation	540,235	3,847	544,082
Central	139,602	59,707	199,309
Operation of Non-Instructional Services	976	388,191	389,167
Extracurricular Activities	252,871	87,540	340,411
Debt Service:			
Principal Retirement	0	264,875	264,875
Interest and Fiscal Charges	0	166,225	166,225
Bond Issuance Cost	0	21,180	21,180
Total Expenditures	<u>10,318,010</u>	<u>1,723,181</u>	<u>12,041,191</u>
Excess of Revenues Over (Under) Expenditures	<u>286,858</u>	<u>302,927</u>	<u>589,785</u>
Other Financing Sources (Uses):			
Payments to Refunded Bond Escrow Agent	0	(2,080,559)	(2,080,559)
Issuance of Refunding Bonds	0	2,078,069	2,078,069
Premium on Refunding Bonds	0	23,670	23,670
Transfers In	251,287	6,500	257,787
Transfers (Out)	0	(257,787)	(257,787)
Total Other Financing Sources (Uses)	<u>251,287</u>	<u>(230,107)</u>	<u>21,180</u>
Net Change in Fund Balance	538,145	72,820	610,965
Fund Balance Beginning of Year	<u>4,260,714</u>	<u>1,207,042</u>	<u>5,467,756</u>
Fund Balance End of Year	<u>\$4,798,859</u>	<u>\$1,279,862</u>	<u>\$6,078,721</u>

See accompanying notes to the basic financial statements.

New Lebanon Local School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2012

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Net Change in Fund Balance - Total Governmental Funds \$610,965

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

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

Capital assets used in governmental activities	82,662	
Depreciation Expense	<u>(844,161)</u>	
		(761,499)

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

Delinquent Property Taxes	22,514	
Interest	(2,186)	
Intergovernmental	<u>(39,157)</u>	
Delinquent Property Taxes		(18,829)

In the statement of activities, certain costs and proceeds associated with long-term debt obligations issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these costs and proceeds are recognized as financing sources and uses.

Bond Issuance Costs	21,180	
Premium on Bonds Issued	<u>(23,670)</u>	
		(2,490)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 264,875

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

Accrued Interest		12,042
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		<u>35,397</u>
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Change in Net Assets of Governmental Activities \$140,461

See accompanying notes to the basic financial statements.

New Lebanon Local School District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2012

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$3,326,933	\$3,600,227	\$3,592,857	(\$7,370)
Tuition and Fees	601,315	650,711	649,379	(1,332)
Investment Earnings	5,586	6,044	6,032	(12)
Intergovernmental	5,726,504	6,196,914	6,184,228	(12,686)
Extracurricular Activities	21,240	22,985	22,938	(47)
Other Revenues	48,803	52,812	52,704	(108)
Total Revenues	9,730,381	10,529,693	10,508,138	(21,555)
Expenditures:				
Current:				
Instruction:				
Regular	3,124,627	3,126,048	2,924,889	201,159
Special	645,765	646,058	604,485	41,573
Other	288,773	288,905	270,314	18,591
Support Services:				
Pupil	339,344	339,498	317,652	21,846
Instructional Staff	803,728	804,094	752,351	51,743
General Administration	85,055	85,094	79,618	5,476
School Administration	694,440	694,756	650,049	44,707
Fiscal	306,470	306,609	286,879	19,730
Business	31,276	31,291	29,277	2,014
Operations and Maintenance	1,324,253	1,324,856	1,239,602	85,254
Pupil Transportation	606,636	606,912	567,858	39,054
Central	158,179	158,251	148,068	10,183
Extracurricular Activities	284,353	284,482	266,176	18,306
Total Expenditures	8,692,899	8,696,854	8,137,218	559,636
Excess of Revenues Over (Under) Expenditures	1,037,482	1,832,839	2,370,920	538,081
Other financing sources (uses):				
Advances (Out)	(2,469)	(2,470)	(2,311)	159
Transfers In	9,348	10,116	10,095	(21)
Transfers (Out)	(2,295,913)	(2,296,958)	(2,149,150)	147,808
Total Other Financing Sources (Uses)	(2,289,034)	(2,289,312)	(2,141,366)	147,946
Net Change in Fund Balance	(1,251,552)	(456,473)	229,554	686,027
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	4,983,704	4,983,704	4,983,704	0
Fund Balance End of Year	\$3,732,152	\$4,527,231	\$5,213,258	\$686,027

See accompanying notes to the basic financial statements.

New Lebanon Local School District  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Fund  
June 30, 2012

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$19,231</u>
Total Assets	<u>19,231</u>
Liabilities:	
Accounts Payable	450
Other Liabilities	<u>18,781</u>
Total Liabilities	<u>\$19,231</u>
Net Assets:	
Held in Trust	
Total Net Assets	

See accompanying notes to the basic financial statements.

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**Note 1 - Description of the School District**

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

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

The District currently operates 1 elementary school, 1 middle school and 1 comprehensive high school. The District employs 60 non-certified and 94 (including administrative) certified full-time and part-time employees to provide services to approximately 1,186 students in grades K through 12 and various community groups, which ranks it 435<sup>th</sup> out of 936 public school districts and community schools in Ohio.

**Note 2 - Summary of Significant Accounting Policies**

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The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, provided it does not conflict with or contradict GASB pronouncements. The District’s significant accounting policies are described below.

**Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the

**New Lebanon Local School District**  
**Montgomery County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**Note 2 - Summary of Significant Accounting Policies (continued)**

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relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

**Jointly Governed Organizations**

Miami Valley Career Technology Center (MVCTC)

The Miami Valley Career Technology Center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide for the vocational and special education needs of its students. The Board of Education is comprised of 17 members elected from the 27 participating school districts. The school accepts non-tuition students from the District as a member school, however, it is considered to be a separate political subdivision and not part of the District. The District made no payments to MVCTC in fiscal year 2012. Financial information is available from Debbie Gossett, Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

Southwestern Ohio Educational Purchasing Council (SOEPC)

SOEPC is a purchasing cooperative made up of nearly one hundred school districts in Montgomery and surrounding counties. The Montgomery County Educational Service Center acts as fiscal agent for the group. The purpose of the cooperative is to obtain lower prices for materials and supplies commonly used by the member districts. The members are obligated to pay all fees, charges and assessments as established by SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by SOEPC is held in trust for the member districts by the fiscal agent. Any district withdrawing from SOEPC shall forfeit its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the District's general fund. The District made no payments to SOEPC in fiscal year 2012. Financial information is available from SOEPC by contacting Steffnay O'Bryan, Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Metropolitan Dayton Educational Cooperative Association (MDECA)

The District is a participant in MDECA, which is a computer consortium of 34 public school districts within the boundaries of Darke, Greene, Miami, and Montgomery Counties. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The governing board of MDECA consists of one representative from each district plus one representative from the fiscal agent. The District pays MDECA an enrollment based fee for services provided during the year. The District made payments of \$26,975 to MDECA in fiscal year 2012. Financial information is available from Dean Reineke, Executive Director, at 201 Riverside Drive, Dayton, Ohio 45405.

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**Note 2 - Summary of Significant Accounting Policies (continued)**

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**Fund Accounting**

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

**Governmental Funds**

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

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

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

**Proprietary Funds**

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

**Fiduciary Funds**

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

**Basis of Presentation and Measurement Focus**

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

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**Note 2 - Summary of Significant Accounting Policies (continued)**

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

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

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

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

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

**Basis of Accounting**

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

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

**New Lebanon Local School District**  
**Montgomery County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**Note 2 - Summary of Significant Accounting Policies (continued)**

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the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue in the governmental funds.

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

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

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

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**Note 2 - Summary of Significant Accounting Policies (continued)**

**Budgets**

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

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for tax rate determination. The Montgomery County Commissioners waived this requirement for fiscal year 2012.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2012.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level, the District has elected to present budgetary statement comparisons at the fund and function levels of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**Note 2 - Summary of Significant Accounting Policies (continued)**

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7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2012; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**Cash and Investments**

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

During fiscal year 2012, investments were limited to U.S. Treasury notes, U.S. Government money markets and federal agency securities. Investments are reported at fair value, which is based on quoted market prices.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$10,207 (no interest revenue credited from other funds) and \$247 was credited to Other Governmental Funds.

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

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

**Inventory**

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

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

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**Note 2 - Summary of Significant Accounting Policies (continued)**

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**Capital Assets**

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

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

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

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

**Interfund Balances**

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

**Compensated Absences**

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

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**Note 2 - Summary of Significant Accounting Policies (continued)**

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2012, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 or above with 10 or more years of service, or any age with 20 or more years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**Accrued Liabilities and Long-Term Obligations**

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

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

**Fund Balance**

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

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**Note 2 - Summary of Significant Accounting Policies (continued)**

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

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

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

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**Note 2 - Summary of Significant Accounting Policies (continued)**

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**Net Assets**

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

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

**Estimates**

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

**Interfund Activity**

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

**Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**Note 3 - Accountability and Compliance**

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**Deficit Fund Balance**

Fund balances at June 30, 2012 included the following individual fund deficit:

<u>Other Governmental Funds</u>	<u>Deficit</u>
Special Revenue:	
Education Jobs	\$26,598
IDEA Part B	55,192
Improving Teacher Quality	8,273

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

**Note 4 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**Note 4 - Deposits and Investments (continued)**

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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**Note 4 - Deposits and Investments (continued)**

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**Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$4,291,976. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2012, \$157 of the District’s bank balance of \$4,303,169 was exposed to custodial risk as discussed below, while \$4,303,012 was covered by the FDIC.

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

**Investments**

As of June 30, 2012, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)	% of Total
Money Market Funds	\$40,259	0.00	1.57%
Federal Farm Credit Bank	30,002	0.18	1.17%
Federal Home Loan Bank	1,023,348	0.43	39.91%
Freddie Mac	732,446	0.66	28.56%
Fannie Mae - Discount Note	54,987	0.25	2.14%
Fannie Mae	432,968	0.87	16.89%
Federal National Mortgage Association	250,203	4.25	9.76%
Total Fair Value	\$2,564,213		100.00%

Portfolio Weighted Average Maturity 0.93

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

**Credit Risk:** The District’s investments, except for the Money Market Funds were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. The Money Market

**New Lebanon Local School District  
 Montgomery County, Ohio  
 Notes to the Basic Financial Statements  
 For the Fiscal Year Ended June 30, 2012**

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**Note 4 - Deposits and Investments (continued)**

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Funds are not rated. The District’s investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

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

**Note 5 - Interfund Transactions**

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

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$2,311	\$0	\$251,287	\$0
Other Governmental Funds	0	2,311	6,500	257,787
Total All Funds	<u>\$2,311</u>	<u>\$2,311</u>	<u>\$257,787</u>	<u>\$257,787</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers to the general fund funded the schoolwide building program, which is accounted for in the general fund. Transfers between nonmajor governmental funds consisted of a \$6,500 residual equity transfer for the purpose of closing out the classroom facilities fund. Transfers between governmental funds are eliminated in the statement of activities.

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

**New Lebanon Local School District**  
**Montgomery County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**Note 6 - Property Taxes**

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

Tangible personal property tax revenue received during calendar year 2012 (other than public utility property tax) represents the collection of 2012 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after April 1, 2011, on the value as of December 31, 2011. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2013 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2012. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year appropriations. The amount available as an advance at June 30, 2012 was \$147,029 in the General Fund and \$42,277 in Other Governmental Funds.

**New Lebanon Local School District**  
**Montgomery County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**Note 6 - Property Taxes (continued)**

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

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

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

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

**Note 7 - Income Tax**

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The District levies a voted income tax of 1.25% for general obligations on the income of residents and of estates. An income tax of .75% was effective January 1, 1998 and was renewed in May 2010. The District passed an additional .5% income tax in November 2005 which was renewed in May 2011. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and totaled \$1,426,913 for fiscal year 2012.

**Note 8 – Receivables**

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Receivables at June 30, 2012 consisted of taxes, accounts, accrued interest, interfund and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

**New Lebanon Local School District**  
**Montgomery County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$35,490	\$0	\$0	\$35,490
Total Capital Assets, not being depreciated	35,490	0	0	35,490
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	30,030,272	3,093	0	30,033,365
Furniture, Equipment and Vehicles	3,321,295	79,569	684	3,400,180
<i>Total Capital Assets, being depreciated:</i>	<u>33,351,567</u>	<u>82,662</u>	<u>684</u>	<u>33,433,545</u>
Totals at Historical Cost	<u>33,387,057</u>	<u>82,662</u>	<u>684</u>	<u>33,469,035</u>
Less Accumulated Depreciation:				
Buildings and Improvements	4,785,446	598,129	0	5,383,575
Furniture, Equipment and Vehicles	2,212,039	246,032	684	2,457,387
Total Accumulated Depreciation	<u>6,997,485</u>	<u>844,161</u>	<u>684</u>	<u>7,840,962</u>
Governmental Activities Capital Assets, Net	<u>\$26,389,572</u>	<u>(\$761,499)</u>	<u>\$0</u>	<u>\$25,628,073</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$369,384
Special	54,290
Support Services:	
Instructional Staff	51,740
School Administration	42,856
Fiscal	2,911
Operations and Maintenance	86,614
Pupil Transportation	17,398
Central	12,874
Operation of Non-Instructional Services	80,633
Extracurricular Activities	125,461
Total Depreciation Expense	<u>\$844,161</u>

**New Lebanon Local School District**  
**Montgomery County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

**Note 10 - Capital Leases - Lessee Disclosure**

During a prior fiscal year, the District entered into a capitalized lease for five new school buses. This lease agreement meets the criteria of capital lease as defined by FASB Statement No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

All outstanding capital leases were paid off by the District in FY12.

**Note 11 - Long-Term Liabilities**

The following is a description of the District’s bonds outstanding as of June 30, 2012:

	Interest Rate	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
<b>Governmental Activities:</b>						
General Obligation Bonds:						
2001 Facilities Improvement Bonds	5.08%	\$3,135,000	\$0	(\$2,205,000)	\$930,000	\$0
2012 Refunding of Facilities Improvement	3.12%	0	2,030,000	0	2,030,000	215,000
Premium on 2012 Refunding Bonds		0	23,670	0	23,670	0
Capital Lease - School Buses		89,875	0	(89,875)	0	0
Subtotal Bonds		3,224,875	2,053,670	(2,294,875)	2,983,670	215,000
Compensated Absences		597,856	31,819	(106,874)	522,801	58,968
Total Governmental Activities		\$3,822,731	\$2,085,489	(\$2,401,749)	\$3,506,471	\$273,968
Long-Term Liabilities		<u>\$3,822,731</u>	<u>\$2,085,489</u>	<u>(\$2,401,749)</u>	<u>\$3,506,471</u>	<u>\$273,968</u>

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

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

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**Note 11 - Long-Term Liabilities (continued)**

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

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

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

Fiscal Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2013	\$215,000	\$111,132	\$326,132
2014	195,000	104,736	299,736
2015	205,000	98,496	303,496
2016	220,000	89,308	309,308
2017-2021	1,265,000	262,070	1,527,070
2022-2026	860,000	40,716	900,716
Total	\$2,960,000	\$706,458	\$3,666,458

**Note 12 - Risk Management**

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

During fiscal year 2012, The District purchased from the Governmental Underwriters of America general liability insurance, which carried a \$1 million per occurrence/\$3 million annual aggregate limitation.

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

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2011.

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**Note 12 - Risk Management (continued)**

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

**Note 13 - Pension Plans**

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**School Employees Retirement System of Ohio**

Plan Description

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

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2012, 2011, and 2010 were \$265,272, \$177,063, and \$184,007, respectively; 67% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

**State Teachers Retirement System of Ohio**

Plan Description

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

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
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**Note 13 - Pension Plans (continued)**

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Plan Options

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

Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

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

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
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**Note 13 - Pension Plans (continued)**

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Combined Plan Benefits

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

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

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

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

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2012, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2012, 2011, and 2010 were \$712,860, \$651,636, and \$629,065, respectively; 83% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**Note 14- Post Employment Benefits**

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**School Employees Retirement System of Ohio**

Plan Description

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

Medicare Part B Plan

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

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was .75%. District contributions for the year ended June 30, 2012, 2011 and 2010 were \$14,211, \$11,394 and \$10,943, respectively, which equaled the required contributions each year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2012, the health care allocation was .55%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**Note 14- Post Employment Benefits (continued)**

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contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were \$28,005, \$43,566, and \$28,598, respectively; 67% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

**State Teachers Retirement System of Ohio**

Plan Description

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

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

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

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

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**Note 14- Post Employment Benefits (continued)**

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Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2012, 2011 and 2010. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2012, 2011, and 2010 were \$50,919, \$50,126, and \$48,390, respectively; 83% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

**Note 15 - Budgetary Basis of Accounting**

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

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

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

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**Note 15 - Budgetary Basis of Accounting (continued)**

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

**Net Change in Fund Balance**

	<u>General</u>
GAAP Basis	\$538,145
Revenue Accruals	(31,873)
Expenditure Accruals	(91,740)
Transfers In	(241,192)
Transfers (Out)	(2,149,150)
Encumbrances	(220,570)
Advances (Out)	(2,311)
Funds Budgeted Elsewhere	<u>2,428,245</u>
Budget Basis	<u><u>\$229,554</u></u>

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

**Note 16 – Contingencies**

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**Grants**

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

**Litigation**

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

**Note 17 - Set-Asides**

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

**New Lebanon Local School District**  
**Montgomery County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**Note 17 - Set-Asides (continued)**

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

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2011	\$0
Current Year Set Aside Requirements	196,889
Qualified Disbursements	(149,720)
Current Year Offsets	(250,100)
Set Aside Reserve Balance as of June 30, 2012	<u>(\$202,931)</u>
Restricted Cash as of June 30, 2012	<u>\$0</u>

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**New Lebanon Local School District**  
**Montgomery County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2012**

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**Note 18 – Fund Balances**

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

Fund Balances	General	Other Governmental Funds	Total
<b>Nonspendable:</b>			
Inventory	\$0	\$8,368	\$8,368
<b>Total Nonspendable</b>	<b>0</b>	<b>8,368</b>	<b>8,368</b>
<b>Restricted for:</b>			
Other Grants	0	2	2
Classroom Facilities Maintenance	0	136,036	136,036
District Managed Student Activity	0	2,199	2,199
Data Communication	0	21,627	21,627
Miscellaneous State Grants	0	190	190
Race to the Top	0	4,929	4,929
Title I	0	2,788	2,788
Drug-Free School Grant	0	522	522
IDEA Part B Preschool	0	3	3
Food Service	0	270,264	270,264
Debt Service	0	433,350	433,350
Permanent Improvement	0	489,647	489,647
<b>Total Restricted</b>	<b>0</b>	<b>1,361,557</b>	<b>1,361,557</b>
<b>Committed to:</b>			
Termination Benefits	22,868	0	22,868
<b>Total Committed</b>	<b>22,868</b>	<b>0</b>	<b>22,868</b>
<b>Assigned to:</b>			
Encumbrances	146,850	0	146,850
Public School Support	13,028	0	13,028
<b>Total Assigned</b>	<b>159,878</b>	<b>0</b>	<b>159,878</b>
<b>Unassigned (Deficit)</b>	<b>4,616,113</b>	<b>(90,063)</b>	<b>4,526,050</b>
<b>Total Fund Balance</b>	<b>\$4,798,859</b>	<b>\$1,279,862</b>	<b>\$6,078,721</b>

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**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education</i>					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution)					
National School Lunch Program	10.555		\$27,249		\$27,249
Cash Assistance					
School Breakfast Program	10.553	\$52,150		\$52,150	
National School Lunch Program	10.555	238,192		238,192	
Total U.S. Department of Agriculture		290,342	27,249	290,342	27,249
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education</i>					
Title I, Part A Cluster:					
Title I Grants to Local Educational Agencies	84.010	315,516		301,044	
ARRA - Title I Grants to Local Educational Agencies	84.389			1,289	
Total Title I, Part A Cluster		315,516		302,333	
Special Education Cluster (IDEA):					
Special Education Grants to States	84.027	224,332		231,676	
Special Education Preschool Grants	84.173	906		1,023	
ARRA - Special Education Preschool Grant	84.392			576	
Total Special Education Cluster (IDEA)		225,238		233,275	
State Grants for Innovative Programs	84.298			1,887	
Educational Technology State Grants	84.318	2,042		2,137	
Improving Teacher Quality State Grants	84.367	34,235		36,678	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394			128,757	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants	84.395	15,938		17,164	
Education Jobs Fund	84.410	183,562		178,598	
Total U.S. Department of Education		776,531		900,829	
Total		\$1,066,873	\$27,249	\$1,191,171	\$27,249

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

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of New Lebanon Local School District, Montgomery County, Ohio (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, 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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

### **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, providing an opinion 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 11, 2013.

We intend this report solely for the information and use of management, Board of Education, federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.

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

March 11, 2013



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of New Lebanon Local School District, Montgomery County, Ohio (the District) with the types of compliance 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 New Lebanon Local School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to 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 that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

As described in finding 2012-001 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding allowable costs/cost principles applicable to its Child Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, New Lebanon Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

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

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

*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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-001 to be a material weakness.

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

We intend this report solely for the information and use of the management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

March 11, 2013

NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Child Nutrition Cluster: School Breakfast Program (10.553) National School Lunch Program (10.555) - <b>Qualified</b>  ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants – (84.394) <b>Unqualified</b>
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster: School Breakfast Program (10.553) National School Lunch Program (10.555)  ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants (84.394)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2012-001
<b>CFDA Title and Number</b>	Child Nutrition Cluster: School Breakfast Program (10.553) National School Lunch Program (10.555)
<b>Federal Award Number / Year</b>	2012
<b>Federal Agency</b>	United States Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Educaiton

**MATERIAL WEAKNESS, NONCOMPLIANCE AND QUESTIONED COST**

**2 C.F.R. Part 225, Appendix B, Section 8(h)(3)** states where employees are expected to work solely on a single Federal award or cost objective, charges for their salary and wages will be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Furthermore, Section 8(h)(4) provides where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix...Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

Wages and benefits amounting to \$27,545 for two custodians and a substitute bus driver/ custodian/food service worker were paid from the Food Service Fund (in which CFDA 10.553 and 10.555 were accounted), in addition to the General Fund. However, these were hourly paid employees and the District did not maintain personnel activity reports or equivalent documentation to support time spent on the federal program.

In accordance with the foregoing facts and pursuant to OMB Circular A133 Section .510(a)(3) a federal questioned cost in the amount of \$27,545 is hereby issued.

The District should establish specific procedures by which each employee working on multiple activities or multiple federal programs will complete time and effort logs on a timely basis. The time and effort logs should be an “after the fact” representation of the hours worked. Therefore, these should be completed in a reasonable short time after the end of the period the log is meant to cover. All time and effort logs should include full disclosure of the facts and should include credible signatures.

**FINDING NUMBER 2012-001  
(Continued)**

To avoid the potential loss of, or decrease of federal funding policies and procedures should be established and implemented to verify all employees charging a portion of their salary to a federal program document their time spent on federal programs on time and effort logs. Additionally, employees charging all their salaries to a single Federal award should at minimum complete semi-annual certifications which meets the standards set forth in 2. C.F.R. Part 225, Appendix B, Section 8 (h) (5) for employees paid from categories (a)-(e) noted above.

**Official's Response:** The District will make every effort to complete a semi-annual certification form that will support time spent on federal programs.

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# Dave Yost • Auditor of State

**NEW LEBANON LOCAL SCHOOL DISTRICT**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 16, 2013**