

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010***

**KIM DEWEESE, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
New Lebanon Local School District  
320 South Fuls Road  
New Lebanon, Ohio 45345

We have reviewed the *Independent Auditor's Report* of the New Lebanon Local School District, Montgomery County, prepared by Julian & Grube, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The New Lebanon Local School District is responsible for compliance with these laws and regulations.

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Dave Yost  
Auditor of State

January 24, 2011

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**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Auditor's Report

New Lebanon Local School District  
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, as of and for the fiscal year ended June 30, 2010, which collectively comprise New Lebanon Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of New Lebanon Local School 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and major special revenue fund: Schoolwide Building Program, for the fiscal 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 December 23, 2010, on our consideration of New Lebanon Local School 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.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting of the required supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Report  
New Lebanon Local School District  
Page Two

We conducted our audit to opine on the financial statements that collectively comprise New Lebanon Local School District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards provides additional analysis as required by 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 23, 2010

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The management's discussion and analysis of the New Lebanon Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2010 are as follows:

- In total, net assets of governmental activities increased \$276,890 which represents a 1.00% increase from 2009.
- General revenues accounted for \$10,185,645 in revenue or 81.84% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,260,489 or 18.16% of total revenues of \$12,446,134.
- The District had \$12,169,244 in expenses related to governmental activities; \$2,260,489 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,185,645 were adequate to provide for these programs.
- The general fund had \$9,784,740 in revenues and \$8,762,571 in expenditures and other financing uses. During fiscal year 2010, the general fund's fund balance increased \$1,022,169 from \$3,170,762 to \$4,192,931.
- The District's schoolwide building program fund was established in fiscal year 2010 and is reported as a major fund. Other financing sources, consisting of transfers from other funds, of \$1,911,810 were below expenditures of \$2,270,682, resulting in a deficit fund balance of \$358,872.

**Using these Basic 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. In the case of the District, the general fund and the schoolwide building program fund are reported as a major funds.

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

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 fiscal year 2010?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.



**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. 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 statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. 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. The District's major governmental funds are the general fund and the schoolwide building program fund.

***Governmental Funds***

All 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* than can readily be converted to cash. The governmental fund financial 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 basic financial statements. The basic governmental fund financial statements can be found on pages 15-20 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-47 of this report.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**The District as a Whole**

The table below provides a summary of the District's net assets for 2010 and 2009.

	<b>Net Assets</b>	
	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 9,324,949	\$ 8,710,762
Capital assets, net	<u>27,054,616</u>	<u>27,634,537</u>
Total assets	<u>36,379,565</u>	<u>36,345,299</u>
<b><u>Liabilities</u></b>		
Current liabilities	4,226,412	4,264,043
Long-term liabilities	<u>4,058,956</u>	<u>4,263,949</u>
Total liabilities	<u>8,285,368</u>	<u>8,527,992</u>
<b><u>Net assets</u></b>		
Invested in capital assets, net of related debt	23,533,654	23,826,116
Restricted	1,369,194	1,237,755
Unrestricted	<u>3,191,349</u>	<u>2,753,436</u>
Total net assets	<u>\$ 28,094,197</u>	<u>\$ 27,817,307</u>

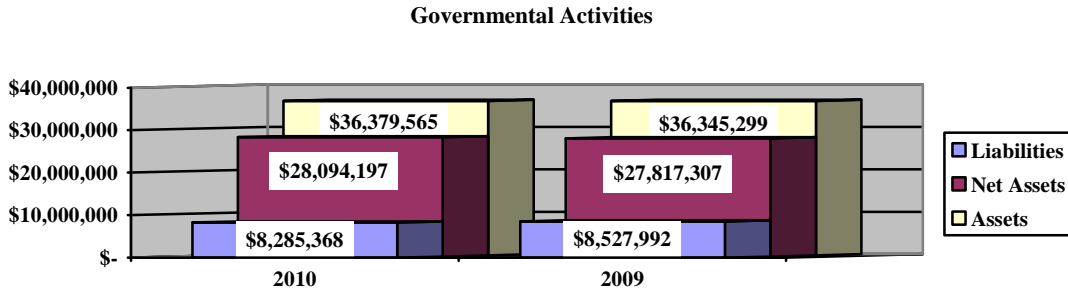
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$28,094,197. Of this total, \$3,191,349 is unrestricted in use. At year-end, capital assets represented 74.37% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$23,533,654. 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.

A portion of the District's net assets, \$1,369,194 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$3,191,349 may be used to meet the District's ongoing obligations to the students and creditors.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below presents the District's governmental activities assets, liabilities and net assets for fiscal year 2010 and 2009.



The table below shows the change in net assets for fiscal year 2010 and 2009.

**Change in Net Assets**

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 694,239	\$ 702,364
Operating grants and contributions	1,566,250	1,382,151
Capital grants and contributions	-	8,756
General revenues:		
Property taxes	2,773,454	2,809,022
School district income taxes	1,266,277	1,470,293
Grants and entitlements	6,096,395	5,954,676
Investment earnings	15,730	80,810
Other	<u>33,789</u>	<u>6,781</u>
Total revenues	<u>12,446,134</u>	<u>12,414,853</u>

-continued

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Change in Net Assets - (Continued)**

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 4,802,967	\$ 4,610,860
Special	1,436,107	1,210,859
Other	249,328	278,679
Support services:		
Pupil	490,380	427,400
Instructional staff	742,239	759,846
Board of education	67,482	103,910
Administration	868,707	863,843
Fiscal	281,813	325,660
Business	90,394	91,513
Operations and maintenance	1,367,635	1,420,693
Pupil transportation	485,461	535,536
Central	178,259	189,498
Operation of non-instructional services:		
Food service operations	475,775	474,914
Other non-instructional services	549	728
Extracurricular activities	448,488	484,688
Interest and fiscal charges	<u>183,660</u>	<u>198,003</u>
Total expenses	<u>12,169,244</u>	<u>11,976,630</u>
Change in net assets	276,890	438,223
Net assets at beginning of year	<u>27,817,307</u>	<u>27,379,084</u>
Net assets at end of year	<u><u>\$ 28,094,197</u></u>	<u><u>\$ 27,817,307</u></u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$276,890. Total governmental expenses of \$12,169,244 were offset by program revenues of \$2,260,489 and general revenues of \$10,185,645. Program revenues supported 18.58% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property and income taxes, and grants and entitlements. These revenue sources represent 81.44% of total governmental revenue.

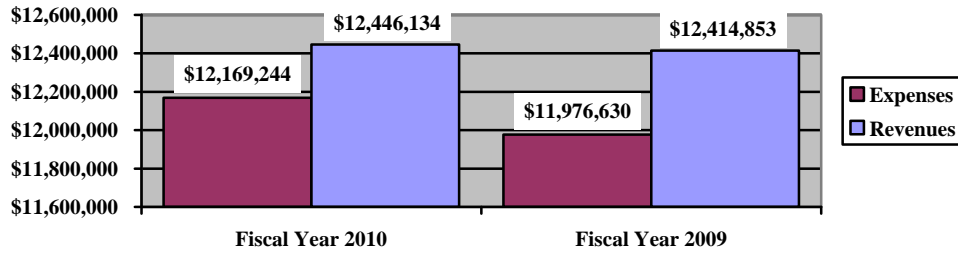
The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,488,402 or 53.32% total governmental expenses for fiscal year 2010.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2010 and 2009.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental 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 grants and entitlements.

**Governmental Activities**

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
<b>Program expenses</b>				
Instruction:				
Regular	\$ 4,802,967	\$ 4,056,210	\$ 4,610,860	\$ 4,163,322
Special	1,436,107	1,146,492	1,210,859	423,856
Other	249,328	239,207	278,679	276,199
Support services:				
Pupil	490,380	429,656	427,400	350,445
Instructional staff	742,239	708,320	759,846	676,575
Board of education	67,482	67,482	103,910	103,910
Administration	868,707	856,984	863,843	843,693
Fiscal	281,813	281,813	325,660	325,660
Business	90,394	52,270	91,513	57,565
Operations and maintenance	1,367,635	916,659	1,420,693	1,375,225
Pupil transportation	485,461	463,730	535,536	496,128
Central	178,259	159,445	189,498	168,538
Operation of non-instructional services:				
Food service operations	475,775	712	474,914	41,214
Other non-instructional services	549	549	728	728
Extracurricular activities	448,488	345,566	484,688	382,298
Interest and fiscal charges	183,660	183,660	198,003	198,003
<b>Total expenses</b>	<u>\$ 12,169,244</u>	<u>\$ 9,908,755</u>	<u>\$ 11,976,630</u>	<u>\$ 9,883,359</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 83.87% of instruction activities are supported through taxes and other general revenues.

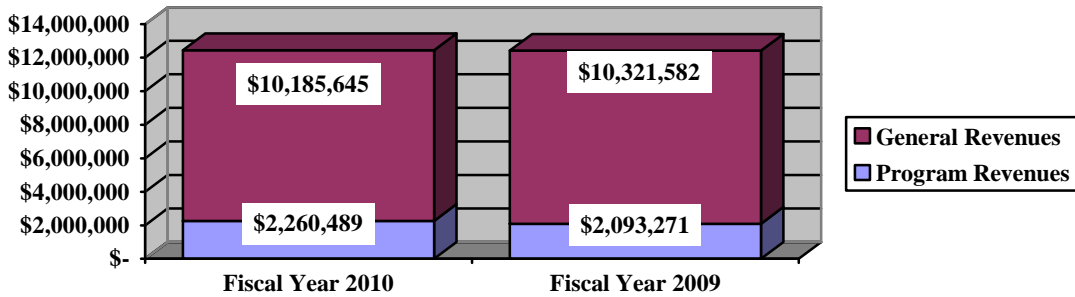
**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

For all governmental activities, general revenue support is 81.42%. The District's taxpayers and grants and entitlements from the State of Ohio are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2010 and 2009.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$4,851,015, which is greater than last year's total of \$4,291,395. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance (Deficit) June 30, 2010	Fund Balance June 30, 2009	Increase (Decrease)	Percentage Change
General	\$ 4,192,931	\$ 3,170,762	\$ 1,022,169	32.24 %
Schoolwide building program	(358,872)	-	(358,872)	(100.00) %
Other governmental	<u>1,016,956</u>	<u>1,120,633</u>	<u>(103,677)</u>	(9.25) %
Total	<u>\$ 4,851,015</u>	<u>\$ 4,291,395</u>	<u>\$ 559,620</u>	13.04 %

**General Fund**

The District's general fund balance increased \$1,022,169. Although revenues decreased slightly, reductions in expenditures more than offset the lower revenue. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 3,394,668	\$ 3,645,940	\$ (251,272)	(6.89) %
Tuition	303,020	291,996	11,024	3.78 %
Earnings on investments	10,187	85,048	(74,861)	(88.02) %
Intergovernmental	5,975,129	6,269,359	(294,230)	(4.69) %
Other revenues	<u>101,736</u>	<u>77,003</u>	<u>24,733</u>	32.12 %
Total	<u>\$ 9,784,740</u>	<u>\$ 10,369,346</u>	<u>\$ (584,606)</u>	(5.64) %
<b><u>Expenditures</u></b>				
Instruction	\$ 3,515,373	\$ 5,211,021	\$ (1,695,648)	(32.54) %
Support services	3,311,301	3,978,758	(667,457)	(16.78) %
Extracurricular activities	239,600	237,479	2,121	0.89 %
Facilities acquisition and construction	<u>637</u>	<u>-</u>	<u>637</u>	100.00 %
Total	<u>\$ 7,066,911</u>	<u>\$ 9,427,258</u>	<u>\$ (2,360,347)</u>	(25.04) %

Taxes revenues decreased by nearly 7% which is primarily the result of decreased income taxes due to the economy. The decrease in earnings on investments is due to lower interest rates. The large decrease in expenditures is the result of the District's efforts to cut costs as taxes revenue and intergovernmental aid from the State continue to fall. In addition, certain costs which were expended in the general fund in the prior year were transferred to the schoolwide building program fund in fiscal year 2010.

The District's schoolwide building program fund was created in fiscal year 2010, and is reported as a major fund. Other financing sources, consisting of transfers from other funds, of \$1,911,810 were below expenditures of \$2,270,682, resulting in a deficit fund balance of \$358,872.

***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 2010, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$10,029,478 were increased to \$10,075,295 in the final budget. Actual revenues and other financing sources for fiscal year 2010 were \$144,112 below the final budget due to lower than anticipated intergovernmental aid from the State.

General fund original appropriations (appropriated expenditures including other financing uses) of \$10,127,383 were increased to \$10,147,337 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2010 were \$818,545 below the final budget.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2010, the District had \$27,054,616 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. The following table shows fiscal 2010 balances compared to 2009:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2010	2009
Land	\$ 35,490	\$ 35,490
Land improvements	649,513	702,671
Building and improvements	25,188,834	25,768,743
Furniture and equipment	810,392	743,709
Vehicles	370,387	383,924
Total	\$ 27,054,616	\$ 27,634,537

The overall decrease in capital assets of \$579,921 is due to depreciation expense of \$887,704 and disposals, net of depreciation, of \$27,680 exceeding capital outlays of \$335,463 in the fiscal year.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2010 the District had \$3,345,000 in general obligation bonds and \$175,962 in capital lease obligations outstanding. Of this total, \$296,087 is due in one year and \$3,224,875 is due in greater than one year. The following table summarizes the bonds and lease obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental	Governmental
	Activities	Activities
	2010	2009
Capital lease obligation	\$ 175,962	\$ 258,421
General obligation bonds	3,345,000	3,550,000
Total	\$ 3,520,962	\$ 3,808,421

At June 30, 2010, the District's overall legal debt margin was \$6,406,899, and the District's unvoted debt margin was \$104,321.

See Note 11 to the basic financial statements for additional information on the District's debt administration.



**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Current Financial Related Activities**

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  $\frac{3}{4}$  of 1 percent income tax in May, 2010 was greatly needed. Even so, the District is still operating near State minimums. The current additional  $\frac{1}{2}$  of 1 percent income tax is up for renewal in May, 2011.

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 Ms. Kimberly DeWeese, Treasurer, New Lebanon Local School District, 320 South Fuls Road, New Lebanon, Ohio 45345.

**BASIC  
FINANCIAL STATEMENTS**

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 5,653,216
Receivables:	
Taxes . . . . .	3,420,054
Intergovernmental . . . . .	216,968
Accrued interest . . . . .	14,111
Prepayments . . . . .	12,590
Materials and supplies inventory. . . . .	8,010
Capital assets:	
Land . . . . .	35,490
Depreciable capital assets, net . . . . .	27,019,126
Capital assets, net. . . . .	27,054,616
 Total assets. . . . .	 36,379,565
<b>Liabilities:</b>	
Accounts payable. . . . .	94,522
Accrued wages and benefits . . . . .	1,029,664
Pension obligation payable. . . . .	279,453
Intergovernmental payable . . . . .	82,362
Accrued interest payable . . . . .	16,994
Unearned revenue . . . . .	2,723,417
Long-term liabilities:	
Due within one year. . . . .	341,108
Due in more than one year . . . . .	3,717,848
 Total liabilities . . . . .	 8,285,368
<b>Net assets:</b>	
Invested in capital assets, net of related debt. . . . .	23,533,654
Restricted for:	
Capital projects . . . . .	525,109
Debt service. . . . .	368,457
Classroom facilities maintenance . . . . .	146,196
Locally funded programs . . . . .	272
State funded programs. . . . .	25,495
Federally funded programs . . . . .	44,069
Student activities . . . . .	3,626
Other purposes . . . . .	255,970
Unrestricted . . . . .	3,191,349
 Total net assets . . . . .	 \$ 28,094,197

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 4,802,967	\$ 326,414	\$ 420,343	\$ (4,056,210)
Special . . . . .	1,436,107	13,663	275,952	(1,146,492)
Other . . . . .	249,328	-	10,121	(239,207)
Support services:				
Pupil . . . . .	490,380	-	60,724	(429,656)
Instructional staff . . . . .	742,239	-	33,919	(708,320)
Board of education . . . . .	67,482	-	-	(67,482)
Administration . . . . .	868,707	-	11,723	(856,984)
Fiscal . . . . .	281,813	-	-	(281,813)
Business . . . . .	90,394	38,124	-	(52,270)
Operations and maintenance . . . . .	1,367,635	8,030	442,946	(916,659)
Pupil transportation . . . . .	485,461	-	21,731	(463,730)
Central . . . . .	178,259	-	18,814	(159,445)
Operation of non-instructional services:				
Food service operations . . . . .	475,775	208,600	266,463	(712)
Other non-instructional services . . . . .	549	-	-	(549)
Extracurricular activities . . . . .	448,488	99,408	3,514	(345,566)
Interest and fiscal charges . . . . .	183,660	-	-	(183,660)
Totals . . . . .	\$ 12,169,244	\$ 694,239	\$ 1,566,250	(9,908,755)

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	2,165,939
Special revenue . . . . .	37,185
Debt service . . . . .	340,722
Capital projects . . . . .	229,608
School district income tax . . . . .	1,266,277
Grants and entitlements not restricted to specific programs . . . . .	6,096,395
Investment earnings . . . . .	15,730
Miscellaneous . . . . .	33,789
Total general revenues . . . . .	10,185,645
Change in net assets . . . . .	276,890
<b>Net assets at beginning of year . . . . .</b>	<b>27,817,307</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 28,094,197</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	<u>General</u>	<u>Schoolwide Building Program</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 4,354,692	\$ -	\$ 1,190,881	\$ 5,545,573
Receivables:				
Taxes . . . . .	2,768,577	-	651,477	3,420,054
Intergovernmental . . . . .	-	-	216,968	216,968
Accrued interest . . . . .	14,111	-	-	14,111
Prepayments . . . . .	12,590	-	-	12,590
Materials and supplies inventory . . . . .	-	-	8,010	8,010
Due from other funds . . . . .	55,542	-	-	55,542
Restricted assets:				
Equity in pooled cash and investments . . . . .	107,643	-	-	107,643
Total assets . . . . .	<u>\$ 7,313,155</u>	<u>\$ -</u>	<u>\$ 2,067,336</u>	<u>\$ 9,380,491</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 34,403	\$ 463	\$ 59,656	\$ 94,522
Accrued wages and benefits . . . . .	652,255	284,884	92,525	1,029,664
Compensated absences payable . . . . .	-	-	8,681	8,681
Pension obligation payable . . . . .	196,256	55,498	27,699	279,453
Intergovernmental payable . . . . .	58,327	18,027	6,008	82,362
Due to other funds . . . . .	-	-	55,542	55,542
Deferred revenue . . . . .	151,788	-	104,047	255,835
Unearned revenue . . . . .	2,027,195	-	696,222	2,723,417
Total liabilities . . . . .	<u>3,120,224</u>	<u>358,872</u>	<u>1,050,380</u>	<u>4,529,476</u>
<b>Fund balances:</b>				
Reserved for encumbrances . . . . .	129,854	44	31,556	161,454
Reserved for materials and supplies inventory . . . . .	-	-	8,010	8,010
Reserved for prepayments . . . . .	12,590	-	-	12,590
Reserved for property tax revenue unavailable for appropriation . . . . .	107,805	-	31,594	139,399
Reserved for instructional materials . . . . .	107,643	-	-	107,643
Reserved for debt service . . . . .	-	-	345,232	345,232
Unreserved, undesignated (deficit), reported in:				
General fund . . . . .	3,835,039	-	-	3,835,039
Special revenue funds . . . . .	-	(358,916)	142,747	(216,169)
Capital projects funds . . . . .	-	-	457,817	457,817
Total fund balances (deficit) . . . . .	<u>4,192,931</u>	<u>(358,872)</u>	<u>1,016,956</u>	<u>4,851,015</u>
Total liabilities and fund balances . . . . .	<u>\$ 7,313,155</u>	<u>\$ -</u>	<u>\$ 2,067,336</u>	<u>\$ 9,380,491</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2010

<b>Total governmental fund balances</b>		\$	4,851,015
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			27,054,616
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	183,858	
Intergovernmental receivable		63,970	
Accrued interest receivable		<u>8,007</u>	
Total			255,835
Accrued interest payable is not due within the current period and therefore is not reported in the funds			(16,994)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences payable		(529,313)	
General obligation bonds payable		(3,345,000)	
Capital lease obligation		<u>(175,962)</u>	
Total			<u>(4,050,275)</u>
<b>Net assets of governmental activities</b>		\$	<u><u>28,094,197</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/(DEFICIT)  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Schoolwide Building Program</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,394,668	\$ -	\$ 596,429	\$ 3,991,097
Tuition. . . . .	303,020	-	-	303,020
Earnings on investments . . . . .	10,187	-	436	10,623
Charges for services . . . . .	-	-	208,600	208,600
Extracurricular. . . . .	22,860	-	76,548	99,408
Classroom materials and fees . . . . .	37,057	-	-	37,057
Other local revenues . . . . .	41,819	-	41,638	83,457
Intergovernmental - intermediate . . . . .	10,587	-	-	10,587
Intergovernmental - state . . . . .	5,964,542	-	170,628	6,135,170
Intergovernmental - federal . . . . .	-	-	1,464,573	1,464,573
Total revenue . . . . .	<u>9,784,740</u>	<u>-</u>	<u>2,558,852</u>	<u>12,343,592</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular. . . . .	2,666,522	1,581,317	338,999	4,586,838
Special . . . . .	608,794	385,625	340,568	1,334,987
Other . . . . .	240,057	-	9,271	249,328
Support services:				
Pupil . . . . .	355,588	45,972	85,487	487,047
Instructional staff . . . . .	570,283	95,394	26,035	691,712
Board of education . . . . .	61,686	5,209	-	66,895
Administration . . . . .	642,624	156,616	26,805	826,045
Fiscal . . . . .	270,354	-	7,198	277,552
Business. . . . .	43,609	-	46,785	90,394
Operations and maintenance . . . . .	802,168	-	533,537	1,335,705
Pupil transportation . . . . .	409,146	-	47,671	456,817
Central . . . . .	155,843	-	21,671	177,514
Operation of non-instructional services:				
Food service operations . . . . .	-	-	394,449	394,449
Other non-instructional services. . . . .	-	549	-	549
Extracurricular activities . . . . .	239,600	-	89,498	329,098
Facilities acquisition and construction. . . . .	637	-	-	637
Debt service:				
Principal retirement. . . . .	-	-	287,459	287,459
Interest and fiscal charges . . . . .	-	-	190,946	190,946
Total expenditures . . . . .	<u>7,066,911</u>	<u>2,270,682</u>	<u>2,446,379</u>	<u>11,783,972</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>2,717,829</u>	<u>(2,270,682)</u>	<u>112,473</u>	<u>559,620</u>
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	-	1,911,810	50,000	1,961,810
Transfers (out) . . . . .	<u>(1,695,660)</u>	<u>-</u>	<u>(266,150)</u>	<u>(1,961,810)</u>
Total other financing sources (uses) . . . . .	<u>(1,695,660)</u>	<u>1,911,810</u>	<u>(216,150)</u>	<u>-</u>
Net change in fund balances . . . . .	1,022,169	(358,872)	(103,677)	559,620
<b>Fund balances at beginning of year . . . . .</b>	<u>3,170,762</u>	<u>-</u>	<u>1,120,633</u>	<u>4,291,395</u>
<b>Fund balances (deficit) at end of year. . . . .</b>	<u>\$ 4,192,931</u>	<u>\$ (358,872)</u>	<u>\$ 1,016,956</u>	<u>\$ 4,851,015</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<b>Net change in fund balances - total governmental funds</b>	\$	559,620
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	\$ 335,463	
Depreciation expense	(887,704)	
Total		(552,241)
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
Disposals	(278,995)	
Accumulated depreciation on disposals	251,315	
Total		(27,680)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	48,634	
Intergovernmental revenue	48,409	
Accrued interest	5,499	
Total		102,542
 Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		287,459
 Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		7,286
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(100,096)
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>276,890</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,472,768	\$ 3,430,600	\$ 3,521,493	\$ 90,893
Tuition. . . . .	247,616	249,700	303,020	53,320
Earnings on investments . . . . .	89,249	90,000	23,172	(66,828)
Extracurricular. . . . .	17,354	17,500	22,860	5,360
Classroom materials and fees . . . . .	36,394	36,700	37,057	357
Other local revenues . . . . .	12,395	25,991	42,419	16,428
Intergovernmental - intermediate . . . . .	10,512	10,600	10,587	(13)
Intergovernmental - state . . . . .	6,142,694	6,213,704	5,964,542	(249,162)
Total revenue . . . . .	<u>10,028,982</u>	<u>10,074,795</u>	<u>9,925,150</u>	<u>(149,645)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,527,768	3,124,733	2,981,924	142,809
Special. . . . .	783,450	656,177	648,064	8,113
Other. . . . .	299,472	257,754	240,557	17,197
Support services:				
Pupil. . . . .	376,345	356,960	348,666	8,294
Instructional staff . . . . .	733,940	692,135	630,559	61,576
Board of education . . . . .	168,033	150,133	72,499	77,634
Administration. . . . .	543,163	669,679	658,696	10,983
Fiscal . . . . .	211,488	294,116	274,024	20,092
Business . . . . .	36,346	42,880	42,878	2
Operations and maintenance. . . . .	1,342,774	983,053	911,232	71,821
Pupil transportation . . . . .	498,738	419,768	409,007	10,761
Central. . . . .	196,553	216,831	180,649	36,182
Extracurricular activities . . . . .	409,313	393,299	234,377	158,922
Total expenditures . . . . .	<u>10,127,383</u>	<u>8,257,518</u>	<u>7,633,132</u>	<u>624,386</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(98,401)</u>	<u>1,817,277</u>	<u>2,292,018</u>	<u>474,741</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditures. . . . .	-	-	6,033	6,033
Transfers (out). . . . .	-	(1,889,819)	(1,695,660)	194,159
Sale of capital assets . . . . .	496	500	-	(500)
Total other financing sources (uses) . . . . .	<u>496</u>	<u>(1,889,319)</u>	<u>(1,689,627)</u>	<u>199,692</u>
Net change in fund balance . . . . .	(97,905)	(72,042)	602,391	674,433
<b>Fund balance at beginning of year . . . . .</b>	3,446,868	3,446,868	3,446,868	-
<b>Prior year encumbrances appropriated . . . . .</b>	325,752	325,752	325,752	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 3,674,715</u>	<u>\$ 3,700,578</u>	<u>\$ 4,375,011</u>	<u>\$ 674,433</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
SCHOOLWIDE BUILDING PROGRAM FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	\$ -	\$ 1,409,617	\$ 1,326,332	\$ 83,285
Special. . . . .	-	414,281	333,297	80,984
Support services:				
Pupil. . . . .	-	37,597	36,115	1,482
Instructional staff . . . . .	-	114,045	77,568	36,477
Administration. . . . .	-	180,219	138,456	41,763
Other non-instructional services . . . . .	-	1,566	549	1,017
Total expenditures . . . . .	<u>-</u>	<u>2,157,325</u>	<u>1,912,317</u>	<u>245,008</u>
Excess of expenditures over revenues. . . . .	<u>-</u>	<u>(2,157,325)</u>	<u>(1,912,317)</u>	<u>245,008</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	<u>-</u>	<u>1,953,194</u>	<u>1,911,810</u>	<u>(41,384)</u>
Total other financing sources . . . . .	<u>-</u>	<u>1,953,194</u>	<u>1,911,810</u>	<u>(41,384)</u>
Net change in fund balance. . . . .	-	(204,131)	(507)	203,624
<b>Fund balance at beginning of year . . . . .</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance (deficit) at end of year. . . . .</b>	<u>\$ -</u>	<u>\$ (204,131)</u>	<u>\$ (507)</u>	<u>\$ 203,624</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2010

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 22,420
Total assets. . . . .	\$ 22,420
<b>Liabilities:</b>	
Due to students. . . . .	\$ 22,420
Total liabilities . . . . .	\$ 22,420

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, 2010**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

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

The District currently operates 1 elementary school, 1 middle school and 1 comprehensive high school. The District employs 62 non-certified and 88 (including administrative) certified full-time and part-time employees to provide services to approximately 1,144 students in grades K through 12 and various community groups, which ranks it 443<sup>rd</sup> out of 905 public school districts and community schools in Ohio.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

*JOINTLY GOVERNED ORGANIZATIONS*

Miami Valley Career Technology Center

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. Financial information is available from Debbie Whitton, Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

Southwestern Ohio Educational Purchasing Cooperative (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. Financial information is available from SOEPC by contacting Robert Brown, 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. Financial information is available from Jerry C. Woodyard, Executive Director, at 201 Riverside Drive, Dayton, Ohio 45405.

**B. Fund Accounting**

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

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*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 are the District's major governmental funds:

*General fund* - The general fund is used to account for all financial resources except those required to be accounted for 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.

*Schoolwide building program fund* - This fund allows for the pooling of Federal, State and local funds to be used to upgrade the overall instructional program of a school building where at least 40 percent of children are from low-income families.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (c) grants and other resources whose use is restricted to a particular purpose; and (d) food service operations.

*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.

**C. 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.

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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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 balances 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.

**D. Basis of Accounting**

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

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

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

**NEW LEBANON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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.

*Unearned Revenue and Deferred Revenue* - Unearned revenue and deferred revenue arise 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, 2010, but which were levied to finance fiscal year 2011 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, 2010 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.

**E. 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 2010.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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 2010.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level, the District has elected to present budgetary statement comparisons at the fund and function levels of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2010; 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.

**F. 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 2010, 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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 2010 amounted to \$10,187, which includes \$1,978 assigned from other 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.

**G. 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.

**H. 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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**I. 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.

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2010, 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, 2010 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.

**K. 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for debt service, instructional materials, encumbrances, materials and supplies inventory, prepayments and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**M. 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 by State statute for instructional materials, termination benefits, food service and public school support.

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. 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.

**P. Restricted Assets**

Restricted assets in the general fund represent cash and investments set-aside to establish an instructional materials reserve. This reserve is required by State statute. A schedule of statutory reserves is presented in Note 17.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Q. 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.

**R. 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 2010.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
Schoolwide building program	\$358,872
 <u>Nonmajor funds</u>	
Title VI-B	140,864
Title I	47,951

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**C. Compliance**

- i.* The District had appropriations over resources at June 30, 2010 and throughout the fiscal year in noncompliance with Ohio Revised Code Sections 5705.36 and 5705.39.
- ii.* The District had appropriations over cash and actual receipts at June 30, 2010 in noncompliance with Ohio Revised Code Section 5705.36(A)(4).

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year 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;

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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 investment pool (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.

**A. Deposits with Financial Institutions**

At June 30, 2010, the carrying amount of all District deposits was \$3,121,487. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$2,887,159 of the District's bank balance of \$3,137,159 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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. 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.

**B. Investments**

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FFCB	\$ 187,491	\$ 152,250	\$ 35,241	\$ -	\$ -	\$ -
FHLB	986,965	582,281	133,602	20,769	-	250,313
FHLMC	714,373	541,028	103,051	-	70,294	-
FHLMC discount notes	209,887	209,887	-	-	-	-
FNMA	162,284	96,654	65,630	-	-	-
FNMA discount notes	173,869	173,869	-	-	-	-
U.S. Treasury notes	45,315	-	-	45,315	-	-
U.S. Government money market	<u>73,965</u>	<u>73,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,554,149</u>	<u>\$ 1,829,934</u>	<u>\$ 337,524</u>	<u>\$ 66,084</u>	<u>\$ 70,294</u>	<u>\$ 250,313</u>

The weighted average maturity of investments is 0.73 years.

*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 were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. 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.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 187,491	7.34
FHLB	986,965	38.64
FHLMC	714,373	27.97
FHLMC discount notes	209,887	8.22
FNMA	162,284	6.35
FNMA discount notes	173,869	6.81
U.S. Treasury notes	45,315	1.77
U.S. Government money market	<u>73,965</u>	<u>2.90</u>
Total	<u>\$ 2,554,149</u>	<u>100.00</u>

**C. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,121,487
Investments	<u>2,554,149</u>
Total	<u>\$ 5,675,636</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 5,653,216
Agency fund	<u>22,420</u>
Total	<u>\$ 5,675,636</u>

**NOTE 5 - INTERFUND BALANCES**

- A. Interfund balances at June 30, 2010 as reported on the fund statements, consist of the following due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 55,542

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2010 are reported on the statement of net assets.

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**NOTE 5 - INTERFUND BALANCES - (Continued)**

- B.** Interfund transfers for the year ended June 30, 2010 consisted of the following as reported on the fund financial statements:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
General fund	Schoolwide building program fund	\$1,645,660
General fund	Nonmajor governmental funds	50,000
Nonmajor governmental funds	Schoolwide building program fund	<u>266,150</u>
Total		<u>\$1,961,810</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. The District transferred \$1,645,660, \$7,716, \$257,706 and \$728 from the general, Title VI-B, Title I and IDEA Part-B funds, respectively, to the school-wide building program fund, as required by the Ohio Department of Education. Transfers between governmental funds are eliminated in the statement of activities.

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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 District prior to June 30.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 6 - PROPERTY TAXES - (Continued)**

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, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$107,805 in the general fund, \$17,764 in the debt service fund (a nonmajor governmental fund), \$11,912 in the permanent improvement fund (a nonmajor governmental fund) and \$1,918 in the classroom facilities maintenance fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount available for advance at June 30, 2009 was \$158,876 in the general fund, \$26,215 in the debt service fund (a nonmajor governmental fund), \$17,546 in the permanent improvement fund (a nonmajor governmental fund) and \$2,825 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 102,875,070	97.00	\$ 101,502,465	97.25
Public utility personal	2,862,650	2.70	2,818,680	2.70
Tangible personal property	<u>318,950</u>	<u>0.30</u>	<u>57,070</u>	<u>0.05</u>
Total	<u>\$ 106,056,670</u>	<u>100.00</u>	<u>\$ 104,378,215</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	

**NEW LEBANON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 7 - INCOME TAX**

The District levies a voted 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. 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 \$1,266,277 for fiscal year 2010.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2010 consisted of taxes, accrued interest, 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. A summary of the items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 3,420,054
Intergovernmental	216,968
Accrued interest	<u>14,111</u>
Total	<u>\$ 3,651,133</u>

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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance <u>6/30/09</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>6/30/10</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 35,490	\$ -	\$ -	\$ 35,490
Total capital assets, not being depreciated	<u>35,490</u>	<u>-</u>	<u>-</u>	<u>35,490</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,061,214	-	(30,275)	1,030,939
Buildings and improvements	28,995,428	-	-	28,995,428
Furniture and equipment	2,054,082	166,228	(248,720)	1,971,590
Vehicles	1,036,299	169,235	-	1,205,534
Total capital assets, being depreciated	<u>33,147,023</u>	<u>335,463</u>	<u>(278,995)</u>	<u>33,203,491</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(358,543)	(25,478)	2,595	(381,426)
Buildings and improvements	(3,226,685)	(579,909)	-	(3,806,594)
Furniture and equipment	(1,310,373)	(99,545)	248,720	(1,161,198)
Vehicles	(652,375)	(182,772)	-	(835,147)
Total accumulated depreciation	<u>(5,547,976)</u>	<u>(887,704)</u>	<u>251,315</u>	<u>(6,184,365)</u>
Governmental activities capital assets, net	<u>\$ 27,634,537</u>	<u>\$ (552,241)</u>	<u>\$ (27,680)</u>	<u>\$ 27,054,616</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 408,398
Special	52,505
<u>Support services:</u>	
Instructional staff	49,846
Board of Education	587
Administration	44,542
Fiscal	2,784
Operations and maintenance	95,547
Pupil transportation	25,500
Central	157
Extracurricular activities	129,250
Food service operations	<u>78,588</u>
Total depreciation expense	<u>\$ 887,704</u>

**NEW LEBANON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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.

Capital assets consisting of vehicles have been capitalized in the amount of \$352,250. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2010 for the vehicles was \$62,379, leaving a current book value of \$289,871. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2010 totaled \$75,000 paid by the replacement fund (a nonmajor governmental fund) and \$7,459 paid by the permanent improvement fund (a nonmajor governmental fund).

The following is a schedule of the future long-term minimum lease payments required under capital lease and the present value of the future minimum lease payments as of June 30, 2010:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 93,829
2012	<u>93,829</u>
Total minimum lease payments	187,658
Less: amount representing interest	<u>(11,696)</u>
Total	<u>\$ 175,962</u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

**A. Bonds Payable**

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).

The Series 1987 general obligation bonds outstanding, which were issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District, for which the full faith and credit of the District are pledged for repayment. Payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund, (a nonmajor governmental fund). The source of payment is derived from a current 1.35 mil bonded debt tax levy.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a description of the District's bonds outstanding as of June 30, 2010:

Purpose	Interest Rate	Issue Date	Maturity Date	Balance			Balance Outstanding 6/30/10	Amounts Due in One Year
				Outstanding 6/30/09	Additions	Reductions		
Facilities improvement	5.080%	04/01/01	12/01/23	\$ 3,460,000	\$ -	\$ (160,000)	\$ 3,300,000	\$ 165,000
Building renovations	6.875%	01/01/87	12/01/10	90,000	-	(45,000)	45,000	45,000
Total bonds outstanding				<u>\$ 3,550,000</u>	<u>\$ -</u>	<u>\$ (205,000)</u>	<u>\$ 3,345,000</u>	<u>\$ 210,000</u>

**B.** 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 Series 1987 Building Renovation			General Obligation Series 2001 Facilities Improvement		
	Principal	Interest	Total	Principal	Interest	Total
	2011	\$ 45,000	\$ 1,547	\$ 46,547	\$ 165,000	\$ 114,330
2012	-	-	-	175,000	109,490	284,490
2013	-	-	-	180,000	104,240	284,240
2014	-	-	-	190,000	97,640	287,640
2015	-	-	-	205,000	90,673	295,673
2016 - 2020	-	-	-	1,195,000	332,733	1,527,733
2021 - 2024	-	-	-	1,190,000	103,323	1,293,323
Total	<u>\$ 45,000</u>	<u>\$ 1,547</u>	<u>\$ 46,547</u>	<u>\$ 3,300,000</u>	<u>\$ 952,429</u>	<u>\$ 4,252,429</u>

**C.** During the fiscal year ended June 30, 2010, the following changes occurred in long-term liabilities.

	Balance Outstanding 6/30/09	Additions	Reductions	Balance Outstanding 6/30/10	Amounts Due in One Year
<b>Governmental activities:</b>					
Compensated absences	\$ 455,528	\$ 180,885	\$ (98,419)	\$ 537,994	\$ 45,021
Capital lease obligation	258,421	-	(82,459)	175,962	86,087
General obligation bonds	<u>3,550,000</u>	<u>-</u>	<u>(205,000)</u>	<u>3,345,000</u>	<u>210,000</u>
Total long-term obligations, governmental activities	<u>\$ 4,263,949</u>	<u>\$ 180,885</u>	<u>\$ (385,878)</u>	<u>\$ 4,058,956</u>	<u>\$ 341,108</u>

Compensated absences will be paid from the general fund and the termination benefits fund, (a nonmajor governmental fund).

**NEW LEBANON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$6,406,899 (including available funds of \$362,996) and an unvoted debt margin of \$104,321.

**NOTE 12 - RISK MANAGEMENT**

The District does not have a "self-insurance" fund with formalized risk management programs. 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 2010, 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 commercial carriers 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 2009.

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**

**A. School Employees Retirement System**

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



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - PENSION PLANS - (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.74 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$184,007, \$129,707 and \$121,265, respectively; 39.63 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System of Ohio**

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

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

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 these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - PENSION PLANS - (Continued)**

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$629,065, \$596,735 and \$577,902, respectively; 82.77 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$30,254 made by the District and \$21,610 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. 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 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

Active members do not contribute to the postemployment benefit plans. The 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 District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$28,598, \$79,552 and \$74,383, respectively; 39.63 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$10,943, \$10,702 and \$8,737, respectively; 39.63 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System of Ohio**

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

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$48,390, \$45,903 and \$44,454, respectively; 82.77 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of 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 revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and major special revenue fund are 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);

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (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 a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

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

**Net Change in Fund Balance**

	<u>General Fund</u>	<u>Schoolwide Building Program Fund</u>
Budget basis	\$ 602,391	\$ (507)
Net adjustment for revenue accruals	(140,410)	-
Net adjustment for expenditure accruals	410,026	(358,872)
Net adjustment for other sources/uses	(6,033)	-
Adjustment for encumbrances	<u>156,195</u>	<u>507</u>
GAAP basis	<u>\$ 1,022,169</u>	<u>\$ (358,872)</u>

**NOTE 16 - CONTINGENCIES**

**A. 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.

**B. Litigation**

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

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 17 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Maintenance</u>
Set-aside balance as of June 30, 2009	\$ 119,160	\$ (4,971,605)
Current year set-aside requirement	181,815	181,815
Current year offsets	-	(231,047)
Qualifying disbursements	<u>(193,332)</u>	<u>(83,507)</u>
Total	<u>\$ 107,643</u>	<u>\$ (5,104,344)</u>
Balance carried forward to fiscal year 2011	<u>\$ 107,643</u>	<u>\$ (4,971,605)</u>

In prior years, the District issued bonds for the District's share of construction and renovation costs associated with the Ohio School Facilities Commission Project. These proceeds may be used to reduce the capital maintenance requirement below zero for future years. Therefore, this negative amount is presented as being carried forward to future fiscal years.

A schedule of the restricted assets at June 30, 2010 follows:

Amounts restricted for textbooks/instructional materials	<u>\$ 107,643</u>
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## **SUPPLEMENTARY DATA**

NEW LEBANON LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Nutrition Grant Cluster:</b>				
(D) (G) School Breakfast Program	10.553	2010	\$ 38,639	\$ 38,639
<b>Total School Breakfast Program</b>			<u>38,639</u>	<u>38,639</u>
(D) (G) National School Lunch Program	10.555	2010	193,754	193,754
(C) (D) National School Lunch Program - Food Donation	10.555	2010	27,537	27,537
<b>Total National School Lunch Program</b>			<u>221,291</u>	<u>221,291</u>
<b>Total U.S. Department of Agriculture and Nutrition Grant Cluster</b>			<u>259,930</u>	<u>259,930</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Title I Grant Cluster:</b>				
(E) (H) Title I Grants to Local Educational Agencies	84.010	2009	48,069	80,572
(E) (H) (I) Title I Grants to Local Educational Agencies	84.010	2009	(18,353)	4,386
(E) (H) Title I Grants to Local Educational Agencies	84.010	2010	248,335	257,706
(E) (H) Title I Grants to Local Educational Agencies	84.010	2010	53,320	64,995
<b>Total Title I Grants to Local Educational Agencies</b>			<u>331,371</u>	<u>407,659</u>
(E)(G) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	107,564	125,290
<b>Total Title I Grant Cluster</b>			<u>438,935</u>	<u>532,949</u>
<b>Special Education Grant Cluster:</b>				
(F) (H) Special Education_Grants to States	84.027	2009	3,851	46,658
(F) (H) (I) Special Education_Grants to States	84.027	2010	201,434	206,217
<b>Total Special Education_Grants to States</b>			<u>205,285</u>	<u>252,875</u>
(F) ARRA - Special Education_Grants to States, Recovery Act	84.391	2010	218,769	230,219
(F) Special Education_Preschool Grants	84.173	2009	72	251
(F) (I) Special Education_Preschool Grants	84.173	2010	705	728
<b>Total Special Education_Preschool Grants</b>			<u>777</u>	<u>979</u>
(F) ARRA - Special Education_Preschool Grants, Recovery Act	84.392	2010	4,552	4,037
<b>Total Special Education Grant Cluster</b>			<u>429,383</u>	<u>488,110</u>
(H) Safe and Drug-Free Schools and Communities_State Grants	84.186	2009	(165)	117
(H) Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	4,163	4,700
<b>Total Sale and Drug-Free Schools and Communities_State Grants</b>			<u>3,998</u>	<u>4,817</u>
(H) Education Technology State Grants	84.318	2009	1,697	1,883
(H) Education Technology State Grants	84.318	2010	2,756	2,722
<b>Total Education Technology State Grants</b>			<u>4,453</u>	<u>4,605</u>
(H) Improving Teacher Quality State Grants	84.367	2009	(5,000)	2,000
(H) Improving Teacher Quality State Grants	84.367	2010	25,859	26,377
<b>Total Improving Teach Quality State Grants</b>			<u>20,859</u>	<u>28,377</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2010	372,604	341,311
<b>Total U.S. Department of Education</b>			<u>1,270,232</u>	<u>1,400,169</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,530,162</u>	<u>\$ 1,660,099</u>

-Continued

**NEW LEBANON LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:**

- (A) OAKS did not assign pass-through numbers for fiscal year 2010.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Nutrition Grant Cluster" in determining major programs
- (E) Included as part of "Title I Grant Cluster" in determining major programs
- (F) Included as part of "Special Education Grant Cluster" in determining major programs
- (G) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2010, the ODE authorized the following transfers:

Program Title	CFDA Grant	Year	Transfers Out	Transfers In
Title I Grants to Local Educational Agencies	84.010	2009	\$ 30,308	
Title I Grants to Local Educational Agencies	84.010	2010		\$ 30,308
Special Education_Grants to States	84.027	2009	11,710	
Special Education_Grants to States	84.027	2010		11,710
Safe and Drug-Free Schools and Communities_State Grants	84.186	2009	413	
Safe and Drug-Free Schools and Communities_State Grants	84.186	2010		413
Education Technology State Grants	84.318	2009	215	
Education Technology State Grants	84.318	2010		215
Improving Teacher Quality State Grants	84.367	2009	5,000	
Improving Teacher Quality State Grants	84.367	2010		5,000
Totals			<u>\$ 47,646</u>	<u>\$ 47,646</u>

- (I) The following amounts were transferred to the Schoolwide Building Program Fund based on ODE administrative action and transferability guidelines during fiscal year 2010

Program Title	CFDA Grant	Year	Transfers Out	Transfers In
Special Education_Grants to States (Title VI-B)	84.027	2010	\$ 7,716	
Title I Grants to Local Educational Agencies (Title I)	84.010	2010	257,706	
Special Education_Preschool Grants (IDEA Part-B)	84.173	2010	728	
Schoolwide Building Program Fund				\$ 266,150
Totals			<u>\$ 266,150</u>	<u>\$ 266,150</u>





**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Internal Control Over Financial Reporting and On Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Lebanon Local School District, Montgomery County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise New Lebanon Local School District's basic financial statements and have issued our report thereon dated December 23, 2010. 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 New Lebanon Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of New Lebanon Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of New Lebanon Local School 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 New Lebanon Local School 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.

Board of Education  
New Lebanon Local School District

Compliance and Other Matters

As part of reasonably assuring whether New Lebanon Local School 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 three instances of noncompliance or other matters reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2010-NLLSD-001, 2010-NLLSD-002 and 2010-NLLSD-003.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 23, 2010



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to Each  
Major Federal Program and on Internal Control Over  
Compliance in Accordance With OMB Circular A-133**

New Lebanon Local School District  
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 with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to each of its major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and responses identifies New Lebanon Local School District's major federal programs. New Lebanon Local School 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 express an opinion on New Lebanon Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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*. Those 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 New Lebanon Local School District's compliance with those 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 New Lebanon Local School District's compliance with those requirements.

In our opinion, New Lebanon Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

New Lebanon Local School 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 New Lebanon Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on 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 New Lebanon Local School District's internal control over compliance.

Board of Education  
New Lebanon Local School District

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.

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
December 23, 2010

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2010**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Grant Cluster: Title I Grants to Local Educational Agencies, CFDA #84.010 and ARRA - Title I Grants to Local Educational Agencies, Recovery Act, CFDA #84.389, Special Education Grant Cluster: Special Education - Grants to States, CFDA #84.027, ARRA - Special Education - Grants to States, Recovery Act, CFDA #84.391, Special Education - Preschool Grants, CFDA #84.173 and ARRA - Special Education - Preschool Grants, Recovery Act, CFDA #84.392 and ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act, CFDA #84.394
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2010**

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2010-NLLSD-001

Ohio Revised Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue.

The following fund had appropriations in excess of total estimated resources at June 30, 2010:

<u>Major Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Schoolwide Building Program	\$ 1,953,194	\$ 2,157,325	\$ 204,131

By appropriating more funds than estimated resources, the District is at risk of spending more money than is available. This may result in a negative fund balance.

We recommend the District file an amended certificate of estimated resources or amended appropriation measure when appropriations are expected to be greater than estimated resources to ensure that appropriations for the year do not exceed the estimated resources for the year.

Client Response: The District will file an Amended Certificate more often during the fiscal year to address the related issues.

Finding Number	2010-NLLSD-002
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Ohio Revised Code Sections 5705.36, in part, requires Districts to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The District did not request enough amended certificates throughout the fiscal year upon notice of increased or decreased resources.

The District is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources.

We recommend that the District certify its available sources at year end and file amended certificates as necessary throughout the fiscal year. This will facilitate the District's appropriation process.

Client Response: The District will file an Amended Certificate more often during the fiscal year to address the related issues.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2010**

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2010-NLLSD-003

Ohio Revised Code Section 5705.36 (A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

At June 30, 2010, the District had appropriations greater than actual resources, in the following funds:

<u>Major Fund</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Schoolwide Building Program	\$ 1,911,810	\$ 2,157,325	\$ 245,515
 <u>Nonmajor Governmental Funds</u>			
Public School Fund	58,102	58,431	329
IDEA Part-B Grant	515,105	525,608	10,503
Title I	538,571	602,794	64,223
Improving Teacher Quality	40,160	41,556	1,396

By appropriating more funds than actual resources, the District is at risk of spending more money than is available; this may result in negative fund balances.

We recommend the District monitor appropriations in comparison to actual resources and obtain decreased amended appropriations as needed. Further guidance may be found in Auditor of State Bulletin 97-010.

Client Response: The District will attempt to monitor appropriations closer throughout the fiscal year to address the related issues.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

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# Dave Yost • Auditor of State

NEW LEBANON LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 3, 2011