

LEBANON CITY SCHOOL DISTRICT



**Basic Financial Statements – Modified Cash Basis
June 30, 2014**



Dave Yost • Auditor of State

Board of Education
Lebanon City School District
700 Holbrook Avenue
Lebanon, Ohio 45036

We have reviewed the *Independent Auditor's Report* of the Lebanon City School District, Warren County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. 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 Lebanon City School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

March 12, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Lebanon City School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lebanon City School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2014, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental and Other Information

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

Management's Discussion & Analysis includes tables of net position (modified cash basis), changes in net position (modified cash basis), governmental activities (modified cash basis) and long-term debt. These tables provide additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Cincinnati, Ohio

December 30, 2014

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2014
Unaudited

The Lebanon City School District is presenting the following discussion and analysis in order to provide an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The discussion and analysis is within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

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

Financial Highlights

- ❑ In total net position increased by \$29,877,072 or 191.62%.
- ❑ General receipts accounted for \$110,999,926 in revenue or 95.67% of all revenues. Program specific receipts in the form of charges for services and sales, grants and contributions accounted for \$5,019,923 or 4.33% of total revenues of \$116,019,849.
- ❑ The District had \$86,142,777 in cash disbursements to governmental activities; only \$5,019,923 of these expenses was offset by program specific charges for services, grants or contributions. General receipts (primarily property taxes and entitlements) of \$110,999,926 were also used to provide for these services.
- ❑ Among major funds, the general fund had \$46,102,907 in receipts and \$44,665,178 in disbursements. The general fund's fund balance increased \$1,894,814 from fiscal year 2013 to a fund balance of \$10,817,709 at June 30, 2014.

Using the Basic Financial Statements

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

Report Components

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

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

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2014
Unaudited

Basis of Accounting

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

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

Reporting the District as a Whole

The *Statement of Net Position - Modified Cash Basis* and the *Statement of Activities - Modified Cash Basis* reflect how the District performed financially during 2014, within the limitations of modified cash basis accounting. The *Statement of Net Position - Modified Cash Basis* presents the cash balances and investments of the governmental activities of the District at year-end. The *Statement of Activities - Modified Cash Basis* compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

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

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2014
Unaudited

Reporting the District's Most Significant Funds

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

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

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

The District as a Whole

The Statement of Net Position - Modified Cash Basis provides the perspective of the District as a whole. Table 1 below provides a summary of the District's net position for 2014 and 2013:

(Table 1)
Net Position

	Governmental Activities 2014	2013	% of Change
Assets			
Cash and Investments	\$45,468,889	\$15,591,817	191.62%
Total Assets	<u>\$45,468,889</u>	<u>\$15,591,817</u>	<u>191.62%</u>
Restricted			
Other Purposes	\$1,543,232	\$1,352,592	14.09%
Debt Service	4,680,429	3,149,884	48.59%
Capital Projects	28,308,430	2,058,694	1275.07%
Unrestricted	10,936,798	9,030,647	21.11%
Total Net Position	<u>\$45,468,889</u>	<u>\$15,591,817</u>	<u>191.62%</u>

Total assets increased by \$29,877,072. The increase can be attributed to the increase in cash due to the issuance of school improvement general obligation bonds.

Table 2 demonstrates the changes in net position for fiscal year 2014. The District experienced a 127.76% increase in total general receipts during 2014 due to the issuance of bond anticipation notes, general obligation notes and refunding general obligation bonds.

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2014
Unaudited

(Table 2)
Change in Net Position

	Governmental Activities		% of
	2014	2013	Change
Revenues			
Program Receipts:			
Charges for Services	\$2,189,827	\$2,385,087	-8.19%
Operating Grants, Interest and Contributions	2,830,096	2,447,654	15.62%
Total Program Receipts	5,019,923	4,832,741	3.87%
General Receipts:			
Property Taxes			
General Purposes	22,640,530	22,734,495	-0.41%
Debt Service	4,394,574	3,764,335	16.74%
Capital Projects	1,261,800	1,042,459	21.04%
Grants and Entitlements not Restricted to			
Specific Programs	22,248,282	20,630,811	7.84%
Revenue in Lieu of Taxes	311,924	232,357	34.24%
Interest	24,704	25,104	-1.59%
Gifts and Donations	43,588	78,526	-44.49%
Bond Anticipation Notes Issued	27,414,231	0	100.00%
General Obligation Bonds Issued	27,065,000	0	100.00%
Refunding Bonds Issued	3,835,000	0	100.00%
Premium on Bonds and Notes Issued	655,115	0	100.00%
Premium on Refunding Bonds Issued	342,549	0	100.00%
Miscellaneous	754,849	220,074	243.00%
Transfers	6,932	0	100.00%
Advances	848	6,997	-87.88%
Total General Receipts	110,999,926	48,735,158	127.76%
Total All Receipts	\$116,019,849	\$53,567,899	116.58%

(Continued)

Expenditures increased by \$32,360,576 or 60.17% from 2013. The increase can be primarily attributed to the payoff of the bond anticipation notes that were issued during the fiscal year. In addition, salary expenditures increased due to a .5% raise that was granted to all employees.

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2014
Unaudited

(Table 2)
Change in Net Position
(Continued)

	Governmental Activities		% of
	2014	2013	Change
Cash Disbursements			
Instruction			
Regular	\$19,204,344	\$18,458,118	4.04%
Special	5,922,998	4,007,959	47.78%
Vocational	60,492	45,665	32.47%
Other	4,159,161	3,486,569	19.29%
Support Services			
Pupils	2,440,387	2,227,429	9.56%
Instructional Staff	1,176,518	2,457,981	-52.13%
Board of Education	53,931	41,155	31.04%
Administration	3,188,815	3,494,915	-8.76%
Fiscal	965,747	918,689	5.12%
Business	0	179	-100.00%
Operation and Maintenance of Plant	3,655,190	3,505,799	4.26%
Pupil Transportation	4,927,745	4,821,858	2.20%
Central	494,877	338,279	46.29%
Operating of Non-Instructional Services	1,786,639	1,787,814	-0.07%
Extracurricular Activities	1,017,494	1,083,357	-6.08%
Capital Outlay	953,575	2,909,263	-67.22%
Debt Service	36,133,785	4,194,528	761.45%
Intergovernmental	1,079	2,644	-59.19%
Total Cash Disbursements	86,142,777	53,782,201	60.17%
Change in Net Position	\$29,877,072	(\$214,302)	14041.57%

Governmental Activities

The District receives 24.39% of its receipts from property taxes and 19.18% from grants and entitlements. The balance of receipts received, or 56.43%, is in the form of program receipts, investment income, gifts and donations, bonds issued, and miscellaneous items.

Disbursements for instruction represent 34.07% of the total governmental disbursements. Support services represent 19.62% of the total disbursements. The remaining 46.31% of expenses are attributed to food services, community services, extracurricular activities, capital outlay and debt service.

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

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2014
Unaudited

(Table 3)
Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013	% of Change in Net Cost
Instruction	\$29,346,995	\$27,017,239	\$25,998,311	\$23,852,241	13.27%
Support Services	16,903,210	16,614,609	17,806,284	17,514,697	-5.14%
Operation of Non-Instructional Services	1,786,639	(9,708)	1,787,814	9,520	-201.97%
Extracurricular Activities	1,017,494	412,275	1,083,357	466,567	-11.64%
Capital Outlay	953,575	953,575	2,909,263	2,909,263	-67.22%
Debt Service	36,133,785	36,133,785	4,194,528	4,194,528	761.45%
Intergovernmental	1,079	1,079	2,644	2,644	100.00%
Total Cash Disbursements	<u>\$86,142,777</u>	<u>\$81,122,854</u>	<u>\$53,782,201</u>	<u>\$48,949,460</u>	<u>65.73%</u>

The District's Funds

Total governmental funds had receipts of \$56,001,705 and disbursements of \$81,965,228. The fund balance of the general fund increased \$1,894,814. The fund balance of the classroom facilities project fund increased by \$24,276,255, while the other governmental funds balance increased by \$3,706,003.

General Fund Budget Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal 2014, the District revised its budget to accommodate changes in expected revenues and planned expenditures.

Capital Assets and Debt Administration

Capital Assets

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

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2014
Unaudited

Debt

As of June 30, 2014, the District had the following outstanding debt:

Refunding of General Obligation Bonds	\$31,937,514
School Improvement General Obligation Bonds	27,065,000
Energy Conservation Bonds:	
Tax Exempt Bonds	105,000
Qualified School Construction Bonds	2,785,000
COPS Capital Lease	2,763,000
	<u>\$64,655,514</u>

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

At June 30, 2014 the District's overall legal debt limitation was \$15,930,357, and the unvoted debt margin was \$780,749. The District currently has bond ratings of A+ Stable from Standard & Poor's and Aa3 from Moody's Investor Services. Further information regarding the District's debt can be found in Note 10 to the basic financial statements.

The Future of Lebanon City School District

On November 5, 2013, voters approved a 37-year, 1.87 mill bond levy and corresponding .5 mill permanent improvement maintenance levy to build, renovate and maintain the District's school buildings. The levies provided the local share of funding for school construction under the State of Ohio Classroom Facilities Assistance Program. At the elementary school level, there will be additions to Bowman Elementary to house grades PK-2, additions and renovations to Donovan Elementary School to house grades three and four, and partial demolition, addition and renovations to Berry Intermediate School to house grades five and six. At the secondary level, a new junior high will be built to house grades seven and eight, and there will be additions to Lebanon High School to house grades nine through 12. Construction on the Bowman Elementary and Lebanon High Schools began in the October 2014 with an expected completion date in August of 2015. The additional projects are expected to begin in the spring of 2015 with the exception of the Berry Intermediate renovation which will begin upon completion of the New Junior High Building.

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2014
Unaudited

District Contact Information

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

Lebanon City School District, Ohio
Statement of Net Position - Modified Cash Basis
June 30, 2014

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$45,468,889</u>
Total Assets	<u><u>\$45,468,889</u></u>
Net Position:	
Restricted for:	
Other Purposes	\$1,543,232
Debt Service	4,680,429
Capital Projects	28,308,430
Unrestricted	<u>10,936,798</u>
Total Net Position	<u><u>\$45,468,889</u></u>

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District, Ohio
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2014

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants, Interest and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$19,204,344	\$0	\$133,229	(\$19,071,115)
Special	5,922,998	0	1,086,905	(4,836,093)
Vocational	60,492	0	57,474	(3,018)
Other	4,159,161	665,132	387,016	(3,107,013)
Support Services:				
Pupils	2,440,387	0	10,402	(2,429,985)
Instructional Staff	1,176,518	0	81,466	(1,095,052)
Board of Education	53,931	0	0	(53,931)
Administration	3,188,815	0	41,506	(3,147,309)
Fiscal	965,747	0	0	(965,747)
Operation and Maintenance of Plant	3,655,190	125,093	0	(3,530,097)
Pupil Transportation	4,927,745	0	19,334	(4,908,411)
Central	494,877	0	10,800	(484,077)
Operation of Non-Instructional Services	1,786,639	832,369	963,978	9,708
Extracurricular Activities	1,017,494	567,233	37,986	(412,275)
Capital Outlay	953,575	0	0	(953,575)
Debt Service	36,133,785	0	0	(36,133,785)
Intergovernmental	1,079	0	0	(1,079)
Total Governmental Activities	\$86,142,777	\$2,189,827	\$2,830,096	(81,122,854)

General Receipts:

Property Taxes Levied for:	
General Purposes	22,640,530
Debt Service	4,394,574
Capital Outlay	1,261,800
Grants and Entitlements not Restricted to Specific Programs	22,248,282
Revenue in Lieu of Taxes	311,924
Interest	24,704
Gifts and Donations	43,588
Miscellaneous	754,849
General Obligation Bonds Issued	27,065,000
General Obligation Refunding Bonds Issued	3,835,000
Proceeds from Sale of Notes	27,414,231
Premium on Sale of Bonds and Notes	655,115
Premium on Refunding Bonds Issued	342,549
Transfers	6,932
Advances	848
Total General Receipts	110,999,926
 Change in Net Position	 29,877,072
 Net Position Beginning of Year	 15,591,817
 Net Position End of Year	 \$45,468,889

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District, Ohio
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2014

	GENERAL	CLASSROOM FACILITIES PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets:				
Equity in Pooled Cash and Investments	\$10,817,709	\$24,276,255	\$10,374,925	\$45,468,889
Total Assets	\$10,817,709	\$24,276,255	\$10,374,925	\$45,468,889
Fund Balances:				
Unreserved, Undesignated, Reported in:				
Restricted	\$27,807	\$24,276,255	\$10,228,029	\$34,532,091
Committed	0	0	146,896	146,896
Assigned	588,974	0	0	588,974
Unassigned	10,200,928	0	0	10,200,928
Total Fund Balances	\$10,817,709	\$24,276,255	\$10,374,925	\$45,468,889

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District, Ohio
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	GENERAL	CLASSROOM FACILITIES PROJECT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Receipts:				
Property and Other Taxes	\$22,640,530	\$0	\$5,576,851	\$28,217,381
Intergovernmental	21,803,107	0	3,226,265	25,029,372
Interest	22,931	0	1,931	24,862
Tuition and Fees	665,132	0	0	665,132
Rent	125,093	0	0	125,093
Extracurricular Activities	338,072	0	205,956	544,028
Gifts and Donations	43,588	0	12,350	55,938
Charges for Services	23,213	0	849,809	873,022
Revenue in Lieu of Taxes	311,924	0	0	311,924
Miscellaneous	129,317	0	25,636	154,953
Total Receipts	46,102,907	0	9,898,798	56,001,705
Disbursements:				
Current:				
Instruction:				
Regular	18,437,802	0	766,542	19,204,344
Special	4,679,177	0	1,243,821	5,922,998
Vocational	60,492	0	0	60,492
Other	3,786,590	0	372,571	4,159,161
Support Services:				
Pupils	2,429,038	0	11,349	2,440,387
Instructional Staff	1,093,815	0	82,703	1,176,518
Board of Education	48,521	0	5,410	53,931
Administration	3,118,840	0	69,975	3,188,815
Fiscal	899,030	0	66,717	965,747
Operation and Maintenance of Plant	3,509,674	0	145,516	3,655,190
Pupil Transportation	4,891,002	0	36,743	4,927,745
Central	479,935	0	14,942	494,877
Operation of Non-Instructional Services	984	0	1,785,655	1,786,639
Extracurricular Activities	750,896	0	266,598	1,017,494
Capital Outlay	0	0	953,575	953,575
Debt Service:				
Principal Retirement	313,000	24,914,231	4,097,438	29,324,669
Interest and Fiscal Charges	164,803	0	2,177,519	2,342,322
Issuance Costs	500	288,745	0	289,245
Intergovernmental	1,079	0	0	1,079
Total Disbursements	44,665,178	25,202,976	12,097,074	81,965,228
Excess of Receipts Over (Under) Disbursements	1,437,729	(25,202,976)	(2,198,276)	(25,963,523)
Other Financing Sources (Uses):				
General Obligation Bonds Issued	0	24,565,000	2,500,000	27,065,000
General Obligation Refunding Bonds Issued	0	0	3,835,000	3,835,000
Proceeds from Sale of Notes	0	24,914,231	2,500,000	27,414,231
Premium on Sale of Bonds and Notes	0	0	655,115	655,115
Premium on Refunding Bonds Issued	0	0	342,549	342,549
Transfers - In	7,777	0	7,756	15,533
Transfers - Out	(7,777)	0	(824)	(8,601)
Payment to Refunded Bond Escrow Agent	0	0	(4,177,549)	(4,177,549)
Refund of Prior Year Receipts	0	0	(10,100)	(10,100)
Refund of Prior Year Expenditures	610,632	0	97,937	708,569
Advances - In	1,519,999	0	1,391,503	2,911,502
Advances - Out	(1,673,546)	0	(1,237,108)	(2,910,654)
Total Other Financing Sources (Uses)	457,085	49,479,231	5,904,279	55,840,595
Net Change in Fund Balances	1,894,814	24,276,255	3,706,003	29,877,072
Fund Balances at Beginning of Year	8,922,895	0	6,668,922	15,591,817
Fund Balances at End of Year	\$10,817,709	\$24,276,255	\$10,374,925	\$45,468,889

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Property and Other Taxes	\$22,726,000	\$22,726,000	\$22,640,530	(\$85,470)
Intergovernmental	19,926,691	20,156,317	21,803,107	1,646,790
Interest	23,200	23,200	22,931	(269)
Tuition and Fees	538,500	539,325	392,697	(146,628)
Rent	80,000	80,000	125,093	45,093
Extracurricular	230,800	230,800	242,987	12,187
Gifts and Donations	20,900	24,463	9,663	(14,800)
Charges for Services	0	11,583	23,213	11,630
Revenue in Lieu of Taxes	200,000	220,120	311,924	91,804
Miscellaneous	50,000	69,031	107,064	38,033
Total Revenues	43,796,091	44,080,839	45,679,209	1,598,370
Expenditures:				
Current:				
Instruction:				
Regular	18,137,952	18,324,862	18,236,035	88,827
Special	4,883,483	4,777,425	4,688,609	88,816
Vocational	72,657	73,942	65,167	8,775
Other	3,362,599	3,838,162	3,811,795	26,367
Support Services:				
Pupils	2,476,065	2,498,323	2,448,065	50,258
Instructional Staff	944,476	1,131,599	1,062,517	69,082
Board of Education	48,845	55,835	48,656	7,179
Administration	3,344,846	3,164,625	3,132,935	31,690
Fiscal	918,652	912,020	910,732	1,288
Operation and Maintenance of Plant	3,594,191	3,758,877	3,603,496	155,381
Pupil Transportation	4,708,356	5,016,926	4,996,942	19,984
Central	554,774	529,880	490,096	39,784
Operation of Non-Instructional Services	629	1,029	984	45
Extracurricular Activities	626,566	651,203	633,575	17,628
Debt Service:				
Principal Retirement	313,000	313,000	313,000	0
Interest and Fiscal Charges	156,492	164,803	164,803	0
Issuance Costs	500	500	500	0
Intergovernmental	9,780	10,000	1,079	8,921
Total Expenditures	44,153,863	45,223,011	44,608,986	614,025
Excess of Revenues Over (Under) Expenditures	(357,772)	(1,142,172)	1,070,223	2,212,395
Other Financing Sources (Uses):				
Transfers - In	0	7,777	7,777	0
Transfers - Out	0	(7,777)	(7,777)	0
Refund of Prior Year Expenditures	35,000	211,438	610,433	398,995
Advances - In	746,230	1,346,382	1,451,961	105,579
Advances - Out	(366,766)	(1,605,508)	(1,605,508)	0
Total Other Financing Sources (Uses)	414,464	(47,688)	456,886	504,574
Net Change in Fund Balance	56,692	(1,189,860)	1,527,109	2,716,969
Fund Balance at Beginning of Year	8,161,989	8,161,989	8,161,989	0
Prior Year Encumbrances Appropriated	534,971	534,971	534,971	0
Fund Balance at End of Year	\$8,753,652	\$7,507,100	\$10,224,069	\$2,716,969

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District, Ohio
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$167,627	\$119,903
Net Position:		
Restricted for Students	0	119,903
Held in Trust for Scholarships	167,627	0
Total Net Position	\$167,627	\$119,903

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District, Ohio
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
Additions:	
Interest	\$552
Gifts and Donations	5,285
Total Additions	5,837
Deductions:	
Payments in Accordance with Trust Agreements	41,657
Total Deductions	41,657
Change in Net Position	(35,820)
Net Position Beginning of Year	203,447
Net Position End of Year	\$167,627

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by State and/or federal agencies. It is staffed by 245 non-certified employees, 317 certified full time personnel, who provide services to 5,447 students and other community members. The District currently operates eight instructional/support facilities.

Reporting Entity

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds:

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

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

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fiduciary Fund Types:

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2014.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

E. Cash and Investments

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

At June 30, 2014, the District's investments included money market funds, a Federal Home Loan Mortgage Association Note, Federal National Mortgage Association Notes, Federal Home Loan Bank Notes, a Federal Home Loan Mortgage Corporation Discount Note, a Federal Home Loan Mortgage Discount Note, a Federal Farm Credit Bank Note, a U.S. Treasury Note, STAR Ohio, and STAR Plus. Investments are reported at fair value, which is based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2014 were \$22,931, which included \$13,382 assigned from other District funds. Interest revenue was posted to the debt service fund, the building fund, the permanent improvement fund, the food service fund, the classroom facilities maintenance fund, the auxiliary services fund, and to the private purpose trust fund in the amounts of \$385, \$79, \$370, \$812, \$127, \$158, and \$552, respectively.

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

F. Interfund Receivables/Payables

The District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The difference between advances - in and advances - out is due to interfund activity with the agency funds.

G. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

H. Fund Balance

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Enabling legislation authorizes the District to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the District Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

I. Net Position

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

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Cash Basis	\$1,894,814
Funds Budgeted Elsewhere	(1,655)
Adjustment for Encumbrances	<u>(366,050)</u>
Budget Basis	<u><u>\$1,527,109</u></u>

NOTE 4 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and certain tangible personal property located in the District. Real property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 4 - PROPERTY TAXES (continued)

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Warren County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$732,320,450	94.56%	\$738,642,470	94.61%
Public Utility	42,096,160	5.44%	42,106,880	5.39%
Total Assessed Value	\$774,416,610	100.00%	\$780,749,350	100.00%
Tax rate per \$1,000 of assessed valuation	\$61.98		\$63.82	

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. The District did not have any inactive deposits for the period ending June 30, 2014.

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

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$19,528,736 of the District's bank balance of \$29,227,440 was exposed to custodial credit risk. All statutory requirements for the deposit of money had been followed.

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

The District also had \$140,944 in non-negotiable certificates of deposit outstanding at June 30, 2014. These certificates of deposit are a part of cash and cash equivalents on the basic financial statements. These certificates of deposit were fully insured by the FDIC.

B. Investments

As of June 30, 2014, the District had the following investments. All investments are in an internal investment pool.

Investment Type (Cost)	Investment Maturities (in years)			Percent of Total Investments
	Fair Value	1-2	3 or more	
Money Market Funds	\$10,004,965	\$0	\$0	55.57%
STAR Ohio	5,877,125	0	0	32.64%
U.S. Treasury Note	225,000	225,000	0	1.25%
Federal Farm Credit Bank Note	110,000	110,000	0	0.61%
Federal Home Loan Mortgage Association Notes	419,785	419,785	0	2.33%
Federal Home Loan Mortgage Discount Note	199,888	199,888	0	1.11%
Federal National Mortgage Association Notes	834,359	729,464	104,895	4.63%
Federal Home Loan Bank Notes	233,360	233,360	0	1.30%
Federal Home Loan Mortgage Corporation Discount Note	100,000	100,000	0	0.56%
Total Investments	<u>\$18,004,482</u>	<u>\$2,017,497</u>	<u>\$104,895</u>	

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

Credit Risk: STAR Ohio's ratings as of June 30, 2014 from Standard and Poor's are AAAM. The Federal Farm Credit Bank Note, Federal Home Loan Mortgage Association Notes, Federal National Mortgage Association Notes, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Discount Note and the Federal Home Loan Mortgage Corporation Discount Note carry a rating of AA+ by Standard and Poor's. The District's investment policy limits investments to those authorized by State statute. The District has no investment policy that addresses credit risk.

Concentration of Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment in the money market mutual funds are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District's investment policy does not address investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 6 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the District contracted with the Rixey-Berry Insurance Company for general liability insurance with a \$1,000,000 single occurrence limit and a \$2,000,000 aggregate with a \$2,500 deductible. Property is protected by the Rixey-Berry Insurance Company and holds a \$1,000 deductible.

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

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

B. Workers' Compensation

For fiscal year 2014, the District participated in the Ohio School Board's Association Group Rating Program/Ohio Association of School Business Officials' (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

For fiscal year ending June 30, 2014, the allocation to pension benefits was 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Health Care (.14 percent), Medicare B (.76 percent), and Death Benefits (.05 percent) funds. The District's contributions to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,160,013, \$1,154,607 and \$1,160,912 respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

B. State Teachers Retirement System

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

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 10 percent of covered payroll for members. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's required contributions for pension obligations to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan for the fiscal years ended June 30, 2014, 2013, and 2012 were \$2,509,627, \$2,608,682, and \$2,618,391 respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250.

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

The District's contributions assigned to health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$207,035, \$202,456, and \$228,520, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, 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, 2014, 2013 and 2012 were \$67,298, \$65,472 and \$68,558, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, 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, 2014, 2013 and 2012, were \$193,048, \$200,668, and \$201,415, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 9 – SHORT-TERM OBLIGATIONS

During fiscal year 2014, the District issued two school improvement bond anticipation notes. These notes were issued in anticipation of the issuance of school improvement general obligation bonds. These notes were repaid during the fiscal year. The activity for short-term obligations during the fiscal year is as follows:

	Amount Outstanding 7/1/13	Additions	Deductions	Amount Outstanding 6/30/14
Building Fund:				
Dec., 2013 School Improvement Bond Anticipation Notes, 1.125%	\$0	\$9,914,231	\$9,914,231	\$0
Classroom Facilities Project Fund:				
Jan., 2014 School Improvement Bond Anticipation Notes, 1%	0	17,500,000	17,500,000	0
Totals	<u>\$0</u>	<u>\$27,414,231</u>	<u>\$27,414,231</u>	<u>\$0</u>

NOTE 10 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2014 were as follows:

	Amount Outstanding 7/1/2013	Additions	Deductions	Amount Outstanding 6/30/2014	Amounts Due In One Year
Governmental Activities					
General Obligation Bonds:					
May, 2014 Refunding of General Obligation Bonds, 2%-5%	\$0	\$3,835,000	\$0	\$3,835,000	\$95,000
May, 2014 School Improvement General Obligation Bonds, 4.1%	0	17,335,000	0	17,335,000	60,000
April, 2014 School Improvement General Obligation Bonds, 1%-4%	0	9,730,000	0	9,730,000	120,000
June, 2005 Refunding of General Obligation Bonds, 3.5%-5%	15,489,965	0	4,667,438	10,822,527	797,760
2007 Refunding of General Obligation Bonds, 4%-5%	17,924,987	0	645,000	17,279,987	715,000
Total General Obligation Bonds	<u>33,414,952</u>	<u>30,900,000</u>	<u>5,312,438</u>	<u>59,002,514</u>	<u>1,787,760</u>
Energy Conservation Bonds:					
2011 Tax Exempt Bonds	205,000	0	100,000	105,000	105,000
2011 Qualified School Construction Bonds, 4.45%	2,900,000	0	115,000	2,785,000	120,000
Total Energy Conservation Bonds	<u>3,105,000</u>	<u>0</u>	<u>215,000</u>	<u>2,890,000</u>	<u>225,000</u>
Capital Leases:					
COPS Capital Lease	2,861,000	0	98,000	2,763,000	103,000
Total Governmental Activities Long-Term Liabilities	<u>\$39,380,952</u>	<u>\$30,900,000</u>	<u>\$5,625,438</u>	<u>\$64,655,514</u>	<u>\$2,115,760</u>

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS (continued)

General Obligation Bonds

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

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

Energy Conservation Bonds

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

Capital Leases

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

All general obligation debt is supported by the full faith and credit of the District. At June 30, 2014 the District's overall legal debt limitation was \$15,930,357, and the unvoted debt margin was \$780,749.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2014, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$2,115,760	\$2,050,528	\$4,166,288
2016	2,303,768	2,555,663	4,859,431
2017	3,544,000	2,513,839	6,057,839
2018	3,696,000	\$2,381,616	6,077,616
2019	2,752,000	2,230,493	4,982,493
2020-2024	13,121,986	9,666,898	22,788,884
2025-2029	15,639,000	6,838,917	22,477,917
2030-2034	5,723,000	4,065,920	9,788,920
2035-2039	4,110,000	3,149,331	7,259,331
2040-2044	5,010,000	2,171,412	7,181,412
2045-2049	4,540,000	1,041,037	5,581,037
2050-2051	2,100,000	134,725	2,234,725
Total	<u>\$64,655,514</u>	<u>\$38,800,379</u>	<u>\$103,455,893</u>

NOTE 11 – LEASES

The District leases buildings, vehicles and other equipment under noncancelable leases. The District disbursed \$250,043 to pay lease costs for the year ended June 30, 2014. Future lease payments are as follows:

Fiscal Year Ending June 30,	Total Payments
2015	\$249,613
2016	249,887
2017	248,863
2018	249,516
2019	248,817
2020-2024	1,242,375
2025-2029	1,238,192
2030-2031	493,745
Total	4,221,008
Less: Amount Representing Interest	(1,458,008)
Present Value of Net Minimum Lease Payments	<u>\$2,763,000</u>

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

A. Jointly Governed Organizations

Southwest Ohio Computer Association

The District is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The District paid SWOCA \$165,300 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Southwestern Ohio Educational Purchasing Council

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

During fiscal year 2014, the District paid \$2,620 to SWEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Dr., Suite 208, Vandalia, OH 45377.

Warren County Career Center

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

B. Insurance Purchasing Pool

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

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 13 – FUND BALANCE

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

	General	Classroom Facilities Project Fund	Other Governmental Funds	Total Governmental
Restricted for:				
Career Tech Funds	\$27,807	\$0	\$0	\$27,807
Debt Retirement	0	0	4,680,429	4,680,429
Permanent Improvements	0	0	1,373,218	1,373,218
Classroom Facilities Project	0	24,276,255	2,500,000	26,776,255
Building Projects	0	0	43,554	43,554
Energy Conservation Projects	0	0	115,403	115,403
Food Service	0	0	1,104,068	1,104,068
Miscellaneous Local Grants	0	0	4,822	4,822
Classroom Facilities Maintenance	0	0	190,271	190,271
Athletic Activities	0	0	119,137	119,137
Auxiliary Services	0	0	67,459	67,459
Data Connectivity	0	0	8,088	8,088
Special Education (IDEA, Part B)	0	0	3,799	3,799
LEP (Title III)	0	0	250	250
Intervention (Title I)	0	0	10,722	10,722
Teacher Quality Improvement (Title IIA)	0	0	6,809	6,809
Total Restricted	<u>27,807</u>	<u>24,276,255</u>	<u>10,228,029</u>	<u>34,532,091</u>
Committed for:				
Athletic Stadium Improvements	0	0	146,896	146,896
Total Committed	<u>0</u>	<u>0</u>	<u>146,896</u>	<u>146,896</u>
Assigned for:				
School Supplies	101,091	0	0	101,091
Public School Support	126,512	0	0	126,512
Educational Activities	361,371	0	0	361,371
Total Assigned	<u>588,974</u>	<u>0</u>	<u>0</u>	<u>588,974</u>
Unassigned	<u>10,200,928</u>	<u>0</u>	<u>0</u>	<u>10,200,928</u>
Total Fund Balance	<u>\$10,817,709</u>	<u>\$24,276,255</u>	<u>\$10,374,925</u>	<u>\$45,468,889</u>

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

NOTE 14 – SET-ASIDE CALCULATION

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

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

	Capital Improvements
Set-aside Reserve Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	954,624
Qualifying Disbursements	(207,287)
Current Year Offsets	(1,046,042)
Total	(\$298,705)
Set-aside Reserve Balance as of June 30, 2014	\$0

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

NOTE 15 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

The District was a party to legal proceedings at June 30, 2014. The District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 16 – SUBSEQUENT EVENT

On November 5, 2013, the voters of the District approved a 37-year, 1.87 mill bond levy and corresponding .5 mills permanent improvement maintenance levy. The levies were issued for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. At the elementary school level, there will be additions to Bowman Elementary to house grades PK-2, additions and renovations to Donovan Elementary to house grades three and four, and partial demolition, addition and renovations to Berry Intermediate to house grades five and six. At the secondary level, a new junior high will be built to house grades seven and eight, and there were be additions to Lebanon High School to house grades nine through 12. Groundbreaking on this project began in October, 2014.

LEBANON CITY SCHOOL DISTRICT



**Single Audit Reports
June 30, 2014**

**LEBANON CITY SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor, Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Child Nutrition Cluster:						
National School Breakfast Program	3L70	10.553	74,981	0	74,981	0
National School Lunch Program	3L60	10.555	500,937	70,858	500,937	65,222
Total Nutrition Cluster			<u>575,918</u>	<u>70,858</u>	<u>575,918</u>	<u>65,222</u>
School Lunch Program - Performance Based	N/A	10.589	25,287	0	25,287	0
Total U.S. Department of Agriculture			<u>601,205</u>	<u>70,858</u>	<u>601,205</u>	<u>65,222</u>
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education - Grants to States	3M20	84.027	762,377	0	939,051	0
Special Education - Preschool Grants	3C50	84.173	6,313	0	6,313	0
Total Special Education Cluster			<u>768,690</u>	<u>0</u>	<u>945,364</u>	<u>0</u>
Title I Grants to Local Educational Agencies	3M00	84.010	724,265	0	694,904	0
Total Title I Grants to Local Educational Agencies			<u>724,265</u>	<u>0</u>	<u>694,904</u>	<u>0</u>
English Language Acquisition	N/A	84.365	29,334	0	18,105	0
Improving Teacher Quality State Grants	3Y60	84.367	101,479	0	113,530	0
Race to the Top - ARRA	3FD0	84.395	1,400	0	0	0
Total Department of Education			<u>1,625,168</u>	<u>0</u>	<u>1,771,903</u>	<u>0</u>
Total Federal Assistance			<u>\$2,226,373</u>	<u>\$70,858</u>	<u>\$2,373,108</u>	<u>\$65,222</u>

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared using the cash basis of accounting.

**INDEPENDENT AUDITORS' 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***

Board of Education
Lebanon City School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lebanon City School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 30, 2014, wherein we noted the District presented financial statements on the modified cash basis of accounting rather than in accordance with accounting principles generally accepted in the United States of America, as disclosed in Note 2.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-001.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 30, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Education
Lebanon City School District

Report on Compliance for Each Major Federal Program

We have audited the Lebanon City School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 30, 2014, which contained unmodified opinions on those financial statements, wherein we noted the District presented financial statements on the modified cash basis of accounting rather than in accordance with accounting principles generally accepted in the United States of America, as disclosed in Note 2. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Cincinnati, Ohio

December 30, 2014

**LEBANON CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

Section I – Summary of Auditor’s Results

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other significant control deficiencies reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under Section .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	Title I Grants to Local Educational Agencies -CFDA #84.010
<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

Section II – Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

Finding 2014-001 – Noncompliance – GAAP Reporting

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

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). For fiscal year 2014, the District prepared financial statements using the modified cash basis of accounting. Although formatted similar to GAAP basis financial statements, the District's modified cash basis financial statements and notes omit certain assets, liabilities, deferred inflows, deferred outflows, fund equities, and disclosures. The differences between the District's financial statements and GAAP basis financial statements cannot be reasonably determined but presumably such differences are material. Pursuant to Ohio Revised Code Section 117.38 the District may be fined and/or subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District.

District's Response:

The District evaluated the cost-benefit relationship of preparing GAAP financial statements versus modified cash financial statements for the fiscal year ended June 30, 2014 and determined that the significant cost of compliance exceeds the benefit received.

Section III – Federal Award Findings and Questioned Costs

None

LEBANON CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133
JUNE 30, 2014

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Finding Corrected</u>	<u>Explanation</u>
2013-001	Ohio Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with GAAP.	No	The District prepared GASB 34 Look-Alike Statements pursuant to a cost- benefit analysis.

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Dave Yost • Auditor of State

LEBANON CITY SCHOOL DISTRICT

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 24, 2015**