



Dave Yost • Auditor of State

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Lebanon Local School District, Montgomery County, Ohio (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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of New Lebanon Local School District, Montgomery County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, during 2014, the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities. The implementation of GASB Statement Number 65 required a restatement of Net Position of Governmental Activities as of July 1, 2013.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 19, 2015

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**New Lebanon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

The discussion and analysis of New Lebanon Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- Net position of governmental activities increased \$902,693 which represents a 3% increase from 2013.
- General revenues accounted for \$10,131,288 in revenue or 76% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,182,818 or 24% of total revenues of \$13,314,106.
- The District had \$12,411,413 in expenses related to governmental activities; \$3,182,818 of these expenses were offset by program specific charges for services, grants or contributions. General revenues were also used to provide for these programs.

Overview of the Financial Statements

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in those assets. This change in net position is important because it tells the reader that, for the District as a whole, the financial position

**New Lebanon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

Fund Financial Statements

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

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

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

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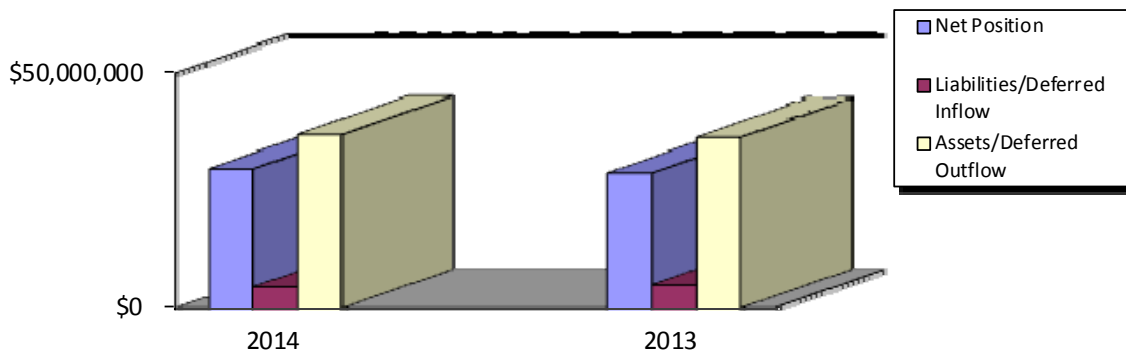
**New Lebanon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

The District as a Whole

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2014 compared to 2013:

Table 1
Net Position

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013 Restated</u>
Assets:		
Current and Other Assets	\$12,212,811	\$11,100,644
Capital Assets	<u>24,698,285</u>	<u>25,203,365</u>
Total Assets	<u>36,911,096</u>	<u>36,304,009</u>
Liabilities:		
Other Liabilities	1,416,660	1,682,876
Long-Term Liabilities	<u>3,108,889</u>	<u>3,287,791</u>
Total Liabilities	<u>4,525,549</u>	<u>4,970,667</u>
Total Deferred Inflows of Resources	<u>2,707,625</u>	<u>2,558,113</u>
Net Position:		
Net Investment in Capital Assets	22,128,561	22,436,668
Restricted	1,513,411	1,451,487
Unrestricted	<u>6,035,950</u>	<u>4,887,074</u>
Total Net Position	<u>\$29,677,922</u>	<u>\$28,775,229</u>



Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities by \$29,677,922.

**New Lebanon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

At year-end, capital assets represented 67% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2014, was \$22,128,561. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$1,513,411 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current assets increased mainly due to an increase in the District's bank balance in fiscal year 2014 as compared to fiscal year 2013. Long-term liabilities decreased mainly due to the District continuing to pay down its debt obligations.

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**New Lebanon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

**Table 2
Changes in Net Position**

	Governmental Activities	
	2014	2013 Restated
Revenues:		
Program Revenues		
Charges for Services	\$1,442,496	\$1,291,633
Operating Grants, Contributions	1,740,322	1,542,046
General Revenues:		
Income Taxes	1,420,069	1,392,510
Property Taxes	2,784,903	2,680,030
Grants and Entitlements	5,779,706	5,648,248
Other	146,610	94,851
Total Revenues	<u>13,314,106</u>	<u>12,649,318</u>
Program Expenses:		
Instruction	7,083,744	6,720,508
Support Services:		
Pupil and Instructional Staff	1,206,981	1,399,889
School Administrative, General		
Administration, Fiscal and Business	1,276,325	1,253,894
Operations and Maintenance	1,299,101	1,251,267
Pupil Transportation	357,895	546,667
Central	12,711	168,761
Operation of Non-Instructional Services	544,546	549,882
Extracurricular Activities	527,837	475,498
Interest and Fiscal Charges	102,273	117,021
Total Program Expenses	<u>12,411,413</u>	<u>12,483,387</u>
Change in Net Position	902,693	165,931
Net Position - Beginning of Year, Restated	<u>28,775,229</u>	<u>28,609,298</u>
Net Position - End of Year	<u><u>\$29,677,922</u></u>	<u><u>\$28,775,229</u></u>

**New Lebanon Local School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

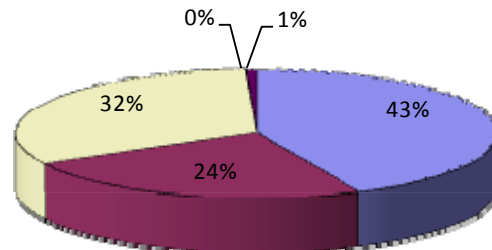
Governmental Activities

The District revenues are mainly from three sources. Income taxes, property taxes levied for general, special revenue, debt service, capital project purposes, and grants and entitlements comprised 75% of the District’s revenues for governmental activities.

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

Thus, Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 21% of revenue for governmental activities for the District in fiscal year 2014.

Revenue Sources	2014	Percent of Total
General Grants	\$5,779,706	43%
Program Revenues	3,182,818	24%
General Tax Revenues	4,204,972	32%
Investment Earnings	2,240	0%
Other Revenues	144,370	1%
	<u>\$13,314,106</u>	<u>100%</u>



Instruction comprises 57% of governmental program expenses. Support services expenses were 33% of governmental program expenses. All other expenses including interest expense were 10% . Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Income tax revenues increased mainly due to an increase in income tax receipts received in fiscal year 2014 as compared to fiscal year 2013. Grants and Entitlements remained relatively consistent from fiscal year 2014 as compared to fiscal year 2013. Instructional expenses increased due to an increase in personnel costs and general inflationary costs.

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

**New Lebanon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$7,083,744	\$6,720,508	(\$5,107,566)	(\$4,913,246)
Support Services:				
Pupil and Instructional Staff	1,206,981	1,399,889	(787,205)	(1,098,995)
School Administrative, General				
Administration, Fiscal and Business	1,276,325	1,253,894	(1,262,229)	(1,250,715)
Operations and Maintenance	1,299,101	1,251,267	(1,172,349)	(1,171,909)
Pupil Transportation	357,895	546,667	(317,040)	(509,582)
Central	12,711	168,761	(12,711)	(166,634)
Operation of Non-Instructional Services	544,546	549,882	(110,632)	(82,043)
Extracurricular Activities	527,837	475,498	(356,590)	(339,563)
Interest and Fiscal Charges	102,273	117,021	(102,273)	(117,021)
Total Expenses	<u>\$12,411,413</u>	<u>\$12,483,387</u>	<u>(\$9,228,595)</u>	<u>(\$9,649,708)</u>

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the general fund comprised \$10,012,735 (82%) of the total \$12,220,121 governmental funds' assets.

General Fund: Fund balance at June 30, 2014 was \$6,426,233. The primary reason for the increase in fund balance was due to an increase in tuition and fees revenue.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$11,484,173, above original budget estimates of \$8,297,471. Of this \$3,186,702 difference, most was due to a difference in estimate for taxes and intergovernmental revenue.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$24,698,285 invested in land, buildings and improvements, furniture, equipment and vehicles. Table 4 shows fiscal year 2014 balances compared to fiscal year 2013:

**New Lebanon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

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

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$35,490	\$35,490
Buildings and Improvements	23,491,797	24,065,466
Furniture, Equipment and Vehicles	<u>1,170,998</u>	<u>1,102,409</u>
Total Net Capital Assets	<u>\$24,698,285</u>	<u>\$25,203,365</u>

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

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

Debt

At June 30, 2014, the District had \$2,569,724 in bonds payable, \$205,000 due within one year. Table 5 summarizes outstanding debt at year end.

Table 5
Outstanding Debt, at Year End

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
General Obligation Bonds:		
2001 Facilities Improvement Bonds	\$930,000	\$930,000
2012 Refunding Bonds:		
Current Interest Bonds -		
Facilities Improvements Bonds	1,620,000	1,815,000
Premium on 2012 Refunding Bonds	<u>19,724</u>	<u>21,697</u>
Total Outstanding Debt at Year End	<u>\$2,569,724</u>	<u>\$2,766,697</u>

See Note 10 in the notes to the basic financial statements for further details on the District's outstanding debt.

For the Future

The District continues to face many challenges. As the preceding information shows, the District relies heavily upon property and income taxes as well as state and federal grants. The District made extensive cuts in fiscal years 2004 and 2005 in order to balance the budget. The renewal of our emergency levy and permanent improvement levy in November of 2012 allow us to maintain our current status. Even so, the District is still operating near State minimums. Looking to this year and next we will be going to

**New Lebanon Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)**

our voters for renewals of our income tax levies, without which continued programming would be curtailed.

As the uncertainties from State funding continue along with our need to renew levies in the future, the District looks forward with caution. The need for improved technology to prepare our students for their futures, in addition to unfunded mandates from our state government, continues to stretch our capabilities. Under these constraints, the students are receiving only the most essential offerings, materials and services at the present time. Fortunately, instructional services are provided by a very experienced staff of dedicated and caring professionals. All of the District's personnel and financial abilities/resources will be needed to meet the financial challenges of the future.

Contacting the District's Financial Management

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

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New Lebanon Local School District
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$8,548,427
Receivables (Net):	
Taxes	3,562,627
Accounts	16,000
Intergovernmental	76,489
Inventory	9,268
Nondepreciable Capital Assets	35,490
Depreciable Capital Assets, Net	<u>24,662,795</u>
 Total Assets	 <u>36,911,096</u>
Liabilities:	
Accounts Payable	66,568
Accrued Wages and Benefits	1,341,900
Accrued Interest Payable	8,192
Long-Term Liabilities:	
Due Within One Year	244,273
Due In More Than One Year	<u>2,864,616</u>
 Total Liabilities	 <u>4,525,549</u>
Deferred Inflows of Resources:	
Property Taxes	<u>2,707,625</u>
 Total Deferred Inflows of Resources	 <u>2,707,625</u>
Net Position:	
Net Investment in Capital Assets	22,128,561
Restricted for:	
Debt Service	564,737
Capital Projects	493,885
Classroom Facilities Maintenance	101,992
Food Service	245,468
Federal Grants	86,960
Other Purposes	20,369
Unrestricted	<u>6,035,950</u>
 Total Net Position	 <u>\$29,677,922</u>

See accompanying notes to the basic financial statements.

New Lebanon Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services and Sales	Operating Grants and Contributions	and Changes in Net Position Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$5,059,182	\$919,057	\$99,613	(\$4,040,512)
Special	1,707,031	156,584	757,317	(793,130)
Vocational	454	0	2,991	2,537
Other	317,077	36,784	3,832	(276,461)
Support Services:				
Pupil	734,734	0	399,799	(334,935)
Instructional Staff	472,247	0	19,977	(452,270)
General Administration	82,747	0	0	(82,747)
School Administration	802,749	0	0	(802,749)
Fiscal	310,090	0	14,096	(295,994)
Business	80,739	0	0	(80,739)
Operations and Maintenance	1,299,101	24,420	102,332	(1,172,349)
Pupil Transportation	357,895	0	40,855	(317,040)
Central	12,711	0	0	(12,711)
Operation of Non-Instructional Services	544,546	134,404	299,510	(110,632)
Extracurricular Activities	527,837	171,247	0	(356,590)
Interest and Fiscal Charges	102,273	0	0	(102,273)
Totals	\$12,411,413	\$1,442,496	\$1,740,322	(9,228,595)

General Revenues:	
Income Taxes	1,420,069
Property Taxes Levied for:	
General Purposes	2,211,241
Special Revenue Purposes	37,790
Debt Service Purposes	302,609
Capital Projects Purposes	233,263
Grants and Entitlements, Not Restricted	5,779,706
Investment Earnings	2,240
Other Revenues	144,370
Total General Revenues	10,131,288
Change in Net Position	902,693
Net Position - Beginning of Year, Restated	28,775,229
Net Position - End of Year	\$29,677,922

See accompanying notes to the basic financial statements.

New Lebanon Local School District
Balance Sheet
Governmental Funds
June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$7,045,639	\$1,502,788	\$8,548,427
Receivables (Net):			
Taxes	2,944,148	618,479	3,562,627
Accounts	15,638	362	16,000
Intergovernmental	0	76,489	76,489
Interfund	7,310	0	7,310
Inventory	0	9,268	9,268
Total Assets	10,012,735	2,207,386	12,220,121
Liabilities:			
Accounts Payable	24,672	41,896	66,568
Accrued Wages and Benefits	1,254,583	87,317	1,341,900
Interfund Payable	0	7,310	7,310
Total Liabilities	1,279,255	136,523	1,415,778
Deferred Inflows of Resources:			
Property Taxes	2,307,247	588,818	2,896,065
Grants and Other Taxes	0	61,558	61,558
Total Deferred Inflows of Resources	2,307,247	650,376	2,957,623
Fund Balances:			
Restricted	0	1,451,539	1,451,539
Committed	79,557	0	79,557
Assigned	788,262	0	788,262
Unassigned	5,558,414	(31,052)	5,527,362
Total Fund Balances	6,426,233	1,420,487	7,846,720
Total Liabilities, Deferred Inflows and Fund Balances	\$10,012,735	\$2,207,386	\$12,220,121

See accompanying notes to the basic financial statements.

New Lebanon Local School District
 Reconciliation of Total Governmental Fund Balance to
 Net Position of Governmental Activities
 June 30, 2014

Total Governmental Fund Balance \$7,846,720

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

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

Capital assets used in the operation of Governmental Funds 24,698,285

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

Delinquent Property Taxes	188,440	
Intergovernmental	<u>61,558</u>	
		249,998

In the statement of net position interest payable is accrued when
 incurred; whereas, in the governmental funds interest is
 reported as a liability only when it will require the use of
 current financial resources. (8,192)

Some liabilities reported in the statement of net position do not
 require the use of current financial resources and, therefore,
 are not reported as liabilities in governmental funds.

Compensated Absences (539,165)

Long-term liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds. (2,569,724)

Net Position of Governmental Activities \$29,677,922

See accompanying notes to the basic financial statements.

New Lebanon Local School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Taxes	\$2,199,889	\$573,839	\$2,773,728
Income Taxes	1,420,069	0	1,420,069
Tuition and Fees	1,125,348	0	1,125,348
Investment Earnings	6,305	554	6,859
Intergovernmental	6,311,776	1,191,049	7,502,825
Extracurricular Activities	32,907	93,373	126,280
Charges for Services	0	158,824	158,824
Other Revenues	169,154	7,260	176,414
Total Revenues	11,265,448	2,024,899	13,290,347
Expenditures:			
Current:			
Instruction:			
Regular	4,515,554	240,889	4,756,443
Special	1,460,714	196,784	1,657,498
Other	316,975	102	317,077
Support Services:			
Pupil	607,116	128,513	735,629
Instructional Staff	308,182	97,335	405,517
General Administration	82,747	0	82,747
School Administration	791,472	1,750	793,222
Fiscal	281,378	11,878	293,256
Business	80,739	0	80,739
Operations and Maintenance	1,095,366	155,700	1,251,066
Pupil Transportation	490,851	1,577	492,428
Operation of Non-Instructional Services	1,376	460,859	462,235
Extracurricular Activities	298,953	113,481	412,434
Capital Outlay	1,966	25,793	27,759
Debt Service:			
Principal Retirement	0	195,000	195,000
Interest and Fiscal Charges	0	104,736	104,736
Total Expenditures	10,333,389	1,734,397	12,067,786
Excess of Revenues Over (Under) Expenditures	932,059	290,502	1,222,561
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	526	0	526
Transfers In	59,728	213,697	273,425
Transfers (Out)	0	(273,425)	(273,425)
Total Other Financing Sources (Uses)	60,254	(59,728)	526
Net Change in Fund Balance	992,313	230,774	1,223,087
Fund Balance - Beginning of Year	5,433,920	1,189,713	6,623,633
Fund Balance - End of Year	\$6,426,233	\$1,420,487	\$7,846,720

See accompanying notes to the basic financial statements.

New Lebanon Local School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2014

Net Change in Fund Balance - Total Governmental Funds \$1,223,087

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

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

Capital assets used in governmental activities	381,135	
Depreciation Expense	<u>(838,682)</u>	(457,547)

Governmental funds only report the disposal of assets to the
 extent proceeds are received from the sale. In the statement
 of activities, a gain or loss is reported for each disposal. The
 amount of the proceeds must be removed and the gain or loss
 on the disposal of capital assets must be recognized. This is the
 amount of the difference between the proceeds and the gain or loss. (47,533)

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

Delinquent Property Taxes	11,175	
Interest	(4,619)	
Intergovernmental	<u>17,203</u>	23,759

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net position. 195,000

In the statement of activities interest expense is accrued when incurred;
 whereas, in governmental funds an interest expenditure is reported
 when due. 490

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

Compensated Absences	(36,536)	
Amortization of Bond Premium	<u>1,973</u>	(34,563)

Change in Net Position of Governmental Activities \$902,693

See accompanying notes to the basic financial statements.

New Lebanon Local School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$2,579,652	\$3,570,385	\$3,578,056	\$7,671
Tuition and Fees	821,705	1,137,287	1,139,730	2,443
Investment Earnings	6,838	9,465	9,485	20
Intergovernmental	4,550,567	6,298,244	6,311,776	13,532
Extracurricular Activities	16,389	22,683	22,732	49
Other Revenues	84,998	117,642	117,895	253
Total Revenues	8,060,149	11,155,706	11,179,674	23,968
Expenditures:				
Current:				
Instruction:				
Regular	2,206,317	2,978,169	2,910,229	67,940
Special	766,119	1,034,136	1,010,545	23,591
Other	264,014	356,376	348,246	8,130
Support Services:				
Pupil	389,892	526,291	514,285	12,006
Instructional Staff	312,342	421,611	411,993	9,618
General Administration	86,859	117,246	114,571	2,675
School Administration	530,588	716,208	699,869	16,339
Fiscal	212,684	287,088	280,539	6,549
Business	26,564	35,857	35,039	818
Operations and Maintenance	889,726	1,200,985	1,173,587	27,398
Pupil Transportation	379,860	512,749	501,052	11,697
Central	8,146	10,996	10,745	251
Extracurricular Activities	221,915	299,548	292,715	6,833
Capital Outlay	17,597	23,753	23,211	542
Total Expenditures	6,312,623	8,521,013	8,326,626	194,387
Excess of Revenues Over (Under) Expenditures	1,747,526	2,634,693	2,853,048	218,355
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	379	525	526	1
Advances In	220,596	305,317	305,973	656
Advances (Out)	(22,744)	(30,700)	(30,000)	700
Transfers In	16,347	22,625	22,674	49
Transfers (Out)	(1,821,267)	(2,458,414)	(2,402,331)	56,083
Total Other Financing Sources (Uses)	(1,606,689)	(2,160,647)	(2,103,158)	57,489
Net Change in Fund Balance	140,837	474,046	749,890	275,844
Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)	6,003,430	6,003,430	6,003,430	0
Fund Balance - End of Year	\$6,144,267	\$6,477,476	\$6,753,320	\$275,844

See accompanying notes to the basic financial statements.

New Lebanon Local School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2014

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$20,174</u>
Total Assets	<u>20,174</u>
Liabilities:	
Accounts Payable	64
Intergovernmental Payable	<u>20,110</u>
Total Liabilities	<u>\$20,174</u>

See accompanying notes to the basic financial statements.

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

Note 1 - Description of the School District

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

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

The District currently operates 1 elementary school, 1 middle school and 1 comprehensive high school. The District employs 62 non-certified and 90 (including administrative) certified full-time and part-time employees to provide services to approximately 1,200 students in grades K through 12 and various community groups, which ranks it 435th out of 936 public school districts and community schools in Ohio.

Note 2 - Summary of Significant Accounting Policies

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

Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

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

Jointly Governed Organizations

Miami Valley Career Technology Center (MVCTC)

The Miami Valley Career Technology Center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide for the vocational and special education needs of its students. The Board of Education is comprised of 17 members elected from the 27 participating school districts. The school accepts non-tuition students from the District as a member school, however, it is considered to be a separate political subdivision and not part of the District. The District made no payments to MVCTC in fiscal year 2014. Financial information is available from Debbie Gossett, Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

Southwestern Ohio Educational Purchasing Council (SOEPC)

SOEPC is a purchasing cooperative made up of nearly one hundred school districts in Montgomery and surrounding counties. The Montgomery County Educational Service Center acts as fiscal agent for the group. The purpose of the cooperative is to obtain lower prices for materials and supplies commonly used by the member districts. The members are obligated to pay all fees, charges and assessments as established by SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by SOEPC is held in trust for the member districts by the fiscal agent. Any district withdrawing from SOEPC shall forfeit its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the District's general fund. The District paid \$745 to SOEPC in fiscal year 2014. Financial information is available from SOEPC by contacting Steffnay O'Bryan, Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Metropolitan Dayton Educational Cooperative Association (MDECA)

The District is a participant in MDECA, which is a computer consortium of 34 public school districts within the boundaries of Darke, Greene, Miami, and Montgomery Counties. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The governing board of MDECA consists of one representative from each district plus one representative from the fiscal agent. The District pays MDECA an enrollment based fee for services provided during the year. The District made payments of \$20,502 to MDECA in fiscal year 2014. Financial information is available from Dean Reineke, Executive Director, at 201 Riverside Drive, Dayton, Ohio 45405.

Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's major governmental fund:

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

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

Proprietary Funds

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

Fiduciary Funds

Fiduciary fund reporting focuses on net 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. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

Basis of Presentation and Measurement Focus

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

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

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

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

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

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

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

Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, grants and other taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Expenses/Expenditures

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

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

Budgets

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

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget

New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.

2. By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for tax rate determination. The Montgomery County Commissioners waived this requirement for fiscal year 2014.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2014.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level, the District has elected to present budgetary statement comparisons at the fund and function levels of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2014; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

Cash and Investments

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

During fiscal year 2014, investments were limited to U.S. Treasury notes, U.S. Government money markets, negotiable CDs, and federal agency securities. Investments are reported at fair value, which is based on quoted market prices.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$6,305 (no interest revenue credited from other funds) and \$554 was credited to Other Governmental Funds.

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

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

Inventory

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

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

Capital Assets

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

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

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

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

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

Interfund Balances

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

Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2014, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 or above with 10 or more years of service, or any age with 20 or more years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2014 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance

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

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

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

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

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

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

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

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

Net Position

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

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

Estimates

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

Interfund Activity

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

Note 3 - Accountability and Compliance

Deficit Fund Balance

Fund balances at June 30, 2014 included the following individual fund deficit:

**New Lebanon Local School District
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<u>Other Governmental Funds</u>	<u>Deficit</u>
Special Revenue:	
IDEA Part B	\$21,304
Improving Teacher Quality	8,698
Miscellaneous State Grants	1,050

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

Note 4 - Deposits and Investments

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**New Lebanon Local School District
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5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$2,464,288. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$1,757,905 of the District's bank balance of \$2,497,880 was exposed to custodial risk as discussed below, while \$739,975 was covered by the FDIC.

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

**New Lebanon Local School District
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Notes to the Basic Financial Statements
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Investments

As of June 30, 2014, the District had the following investments:

Investment Type	Fair Value	Weighted Average	
		Maturity (Years)	% of Total
Money Market Funds	\$3,197,140	0.14	52.37%
Federal Farm Credit Bank	386,043	0.37	6.32%
Federal Home Loan Bank	423,144	0.42	6.93%
Freddie Mac	351,798	0.23	5.76%
Negotiable CD's	1,339,785	1.13	21.95%
Federal National Mortgage Association	361,325	0.32	5.92%
Treasury Bill	45,099	0.79	0.75%
Total Fair Value	<u>\$6,104,334</u>		<u>100.00%</u>
Portfolio Weighted Average Maturity		0.41	

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

Credit Risk: The District's investments, except for the Money Market Funds were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The Money Market Funds are not rated. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

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

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Notes to the Basic Financial Statements
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Note 5 - Interfund Transactions

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

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$7,310	\$0	\$59,728	\$0
Other Governmental Funds	0	7,310	213,697	273,425
Total All Funds	<u>\$7,310</u>	<u>\$7,310</u>	<u>\$273,425</u>	<u>\$273,425</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers to the general fund funded the schoolwide building program, which is accounted for in the general fund. Transfers between governmental funds are eliminated in the statement of activities.

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

Note 6 - Property Taxes

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

Tangible personal property tax revenue received during calendar year 2014 (other than public utility property tax) represents the collection of 2014 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2014 were levied after April 1, 2013, on the value as of December 31, 2013. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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 For the Fiscal Year Ended June 30, 2014**

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2015 operations. The amount available for advance can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2014. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year appropriations. The amount available as an advance at June 30, 2014 was \$113,355 in the General Fund and \$29,661 in Other Governmental Funds.

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

	<u>Amount</u>
Agricultural/residential and other real estate	\$100,076,690
Public utility personal	<u>3,604,850</u>
Total	<u><u>\$103,681,540</u></u>

Note 7 - Income Tax

The District levies a voted income tax of 1.25% for general obligations on the income of residents and of estates. An income tax of .75% was effective January 1, 1998 and was renewed in May 2011. The District passed an additional .5% income tax in November 2005, which was renewed in May 2012. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and totaled \$1,420,069 for fiscal year 2014.

Note 8 – Receivables

Receivables at June 30, 2014 consisted of taxes, accounts, interfund and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$35,490	\$0	\$0	\$35,490
Total Capital Assets, not being depreciated	35,490	0	0	35,490
Capital Assets, being depreciated:				
Buildings and Improvements	30,049,244	26,766	0	30,076,010
Furniture, Equipment and Vehicles	3,817,691	354,369	109,490	4,062,570
Total Capital Assets, being depreciated:	<u>33,866,935</u>	<u>381,135</u>	<u>109,490</u>	<u>34,138,580</u>
Totals at Historical Cost	<u>33,902,425</u>	<u>381,135</u>	<u>109,490</u>	<u>34,174,070</u>
Less Accumulated Depreciation:				
Buildings and Improvements	5,983,778	600,435	0	6,584,213
Furniture, Equipment and Vehicles	2,715,282	238,247	61,957	2,891,572
Total Accumulated Depreciation	<u>8,699,060</u>	<u>838,682</u>	<u>61,957</u>	<u>9,475,785</u>
Governmental Activities Capital Assets, Net	<u>\$25,203,365</u>	<u>(\$457,547)</u>	<u>\$47,533</u>	<u>\$24,698,285</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$337,382
Special	54,552
Vocational	454
Support Services:	
Pupils	586
Instructional Staff	51,927
School Administration	36,343
Fiscal	2,922
Operations and Maintenance	95,149
Pupil Transportation	22,865
Central	27,466
Operation of Non-Instructional Services	81,241
Extracurricular Activities	127,795
Total Depreciation Expense	<u>\$838,682</u>

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**New Lebanon Local School District
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Notes to the Basic Financial Statements
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Note 10 - Long-Term Liabilities

The following is a description of the District's bonds outstanding as of June 30, 2014:

	Interest Rate	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:						
General Obligation Bonds:						
2001 Facilities Improvement Bonds	5.08%	\$930,000	\$0	\$0	\$930,000	\$0
2012 Refunding of Facilities Improvement	3.12%	1,815,000	0	(195,000)	1,620,000	205,000
Premium on 2012 Refunding Bonds		21,697	0	(1,973)	19,724	0
Subtotal Bonds		2,766,697	0	(196,973)	2,569,724	205,000
Compensated Absences		521,094	73,837	(55,766)	539,165	39,273
Total Governmental Activities						
Long-Term Liabilities		<u>\$3,287,791</u>	<u>\$73,837</u>	<u>(\$252,739)</u>	<u>\$3,108,889</u>	<u>\$244,273</u>

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

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

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

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

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

Fiscal Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2015	205,000	98,496	303,496
2016	220,000	89,308	309,308
2017	230,000	77,051	307,051
2018	245,000	64,108	309,108
2019	255,000	50,477	305,477
2020-2024	1,395,000	111,150	1,506,150
Total	\$2,550,000	\$490,590	\$3,040,590

Note 11 - Risk Management

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

During fiscal year 2014, The District purchased from the Governmental Underwriters of America general liability insurance, which carried a \$1 million per occurrence/\$3 million annual aggregate limitation.

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

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2013.

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

Note 12 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

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Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2014, 2013, and 2012 were \$255,528, \$265,872, and \$265,272, respectively; contributions equaled the required contributions for each year.

State Teachers Retirement System of Ohio

Plan Description

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

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary

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is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

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

Combined Plan Benefits

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

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

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

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

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

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Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2014, 2013, and 2012 were \$696,732, \$706,512, and \$712,860, respectively; 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

Note 13- Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was .76%. District contributions for the years ended June 30, 2014, 2013 and 2012 were \$13,506, \$14,053, and \$14,211, respectively, which equaled the required contributions each year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2014, the health care allocation was .14%. An additional health care surcharge on employers is collected for

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For the Fiscal Year Ended June 30, 2014**

employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$2,920, \$3,039, and \$28,005, respectively.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

State Teachers Retirement System of Ohio

Plan Description

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

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

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

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

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2014, 2013, and 2012 were \$49,767, \$50,465, and \$50,919, 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

Note 14 - Budgetary Basis of Accounting

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

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

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

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

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**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

Net Change in Fund Balance:

	<u>General</u>
GAAP Basis	\$992,313
Revenue Accruals	(77,948)
Expenditure Accruals	2,223,736
Transfers In	(37,054)
Transfers (Out)	(2,402,331)
Advances In	305,973
Advances (Out)	(30,000)
Encumbrances	(202,662)
Funds Budgeted Elsewhere	<u>(22,137)</u>
Budget Basis	<u><u>\$749,890</u></u>

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

Note 15 – Contingencies

Grants

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

Litigation

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

Note 16 - Set-Asides

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

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

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2013	\$0
Current Year Set Aside Requirements	199,670
Qualified Disbursements	(123,744)
Current Year Offsets	(75,926)
Set Aside Reserve Balance as of June 30, 2014	<u>\$0</u>
Restricted Cash as of June 30, 2014	<u>\$0</u>

Note 17 – Fund Balances

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

Fund Balances	General	Other Governmental Funds	Total
Restricted for:			
Other Grants	0	442	442
Classroom Facilities Maintenance	0	99,403	99,403
District Managed Student Activity	0	19,927	19,927
Race to the Top	0	5,813	5,813
Drug Free School Grant	0	522	522
Title I	0	27,739	27,739
IDEA Preschool	0	93	93
Food Service	0	265,901	265,901
Bond Retirement	0	553,771	553,771
Permanent Improvements	0	477,928	477,928
Total Restricted	<u>0</u>	<u>1,451,539</u>	<u>1,451,539</u>
Comitted to:			
Termination Benefits	79,557	0	79,557
Total Committed	<u>79,557</u>	<u>0</u>	<u>79,557</u>
Assigned to:			
Encumbrances	178,154	0	178,154
Budgetary Resource	598,587	0	598,587
Public Schools	11,521	0	11,521
Total Assigned	<u>788,262</u>	<u>0</u>	<u>788,262</u>
Unassigned (Deficit)	<u>5,558,414</u>	<u>(31,052)</u>	<u>5,527,362</u>
Total Fund Balance	<u>\$6,426,233</u>	<u>\$1,420,487</u>	<u>\$7,846,720</u>

**New Lebanon Local School District
Montgomery County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014**

Note 18 – Change in Accounting Principles

The District adopted the provisions of GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement Number 67, *Financial Reporting from Pension Plans* – an amendment of GASB Statement Number 25. GASB Statement Number 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the District. GASB Statement Number 67 replaces the requirements of Statements Number 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Deferred Contribution Plans*, and Number 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The provisions of the Statement are effective for financial statements for periods beginning after June 15, 2013, and have been implemented by the District. The implementation of GASB 67 had no effect on the financial statements.

Note 19 – Prior Period Adjustment

In prior periods, the District had reported assets related to bond issuance costs in the Governmental Activities entity-wide financial statements. GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*, has reclassified debt issuance costs as an expense in the period incurred rather than amortizing the costs over the life of the debt. The implementation of GASB Statement Number 65 requires a restatement of prior period’s net position as follows:

	<u>Governmental Activities</u>
Net Position - June 30, 2013	\$28,794,644
Prior Period Adjustments:	
Bond Issuance Costs	(19,415)
Restated Net Position - June 30, 2013	<u><u>\$28,775,229</u></u>

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**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture					
<i>Passed through Ohio Department of Education</i>					
Child Nutrition Cluster:					
Non-Cash Assistance:					
National School Lunch Program	10.555		\$31,014		\$31,014
Cash Assistance:					
School Breakfast Program	10.553	\$41,395		\$41,395	
National School Lunch Program	10.555	254,069		254,069	
Total Child Nutrition Cluster		<u>295,464</u>	<u>31,014</u>	<u>295,464</u>	<u>31,014</u>
State Administrative Expenses for Child Nurition	10.560			102	
Total U.S. Department of Agriculture		295,464	31,014	295,566	31,014
U.S. Department of Education					
<i>Passed through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	316,389		331,565	
Special Education Cluster:					
Special Education - Grants to States	84.027	236,933		238,647	
Special Education - Preschool Grants	84.173	893		825	
Total Special Education Cluster		<u>237,826</u>		<u>239,472</u>	
Improving Teacher Quality State Grants	84.367	23,726		23,726	
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	<u>86,885</u>		<u>70,543</u>	
Total U.S. Department of Education		<u>664,826</u>		<u>665,306</u>	
Total Federal Financial Assistance		<u>\$960,290</u>	<u>\$31,014</u>	<u>\$960,872</u>	<u>\$31,014</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of New Lebanon Local School District, Montgomery County, (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 March 19, 2015. Also as disclosed in Note 19, the District restated their beginning net position for their Governmental Activities as of July 1, 2013 due to GASB Statement No. 65.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

March 19, 2015



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the New Lebanon Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the New Lebanon Local School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies

As described in finding 2014-001 in the accompanying schedule of findings, the District did not comply with requirements regarding sub-recipient monitoring applicable to its Title I Grants to Local Educational Agencies major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title I Grants to Local Educational Agencies* paragraph, the New Lebanon Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Title I Grants to Local Educational Agencies for the year ended June 30, 2014.

Unmodified Opinion on the Other Major Federal Program

In our opinion, New Lebanon Local School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2014-002. This finding did not require us to modify our compliance opinion on each major federal program.

The District's responses to our noncompliance findings are described in the accompanying schedule of findings and/or corrective action plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

Report on Internal Control over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2014-001 to be a material weakness.

New Lebanon Local School District
Montgomery County
Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control
Over Compliance Required by OMB Circular A-133
Page 2

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings and corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

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

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Dave Yost
Auditor of State
Columbus, Ohio

March 19, 2015

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**NEW LEBANON LSD
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified – Title I Grants to Local Educational Agencies Unmodified – Child Nutrition Cluster
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster: CFDA #10.553 – School Breakfast Program CFDA #10.555 – National School Lunch Program CFDA #84.010 - Title I Grants to Local Educational Agencies
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. Title I – Sub-recipient Monitoring

Finding Number	2014-001
CFDA Title and Number	CFDA #84.010 – Title I Grants to Local Educational Agencies
Federal Award Number / Year	2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE/MATERIAL WEAKNESS

31 USC §7502(f)(2)(B) states that each pass-through entity shall monitor the sub-recipient's use of federal awards through site visits, limited scope audits, or other means.

31 USC §7502(f)(2)(C) requires that each pass-through entity review the audit of a sub-recipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to federal awards provided to the sub-recipient by the pass-through entity.

The District entered into sub-grant agreements under the Title I Program with the Center for Adolescent Services, which is part of Montgomery County in the amount of \$53,492. Of the contract amount, the District also charged 5 percent of the contract amount for fiscal services. However, there was no indication that the District performed any type of sub-recipient monitoring as required under the above referenced federal statute.

The District should implement policies and procedures over sub-recipient monitoring to verify that the grant funds were used in accordance with applicable grant requirements. Failure to do so could result in material noncompliance at sub-grantee level going unnoticed and the District being liable for questioned cost and/or noncompliance noted in sub-grantee audits.

Official’s Response: At beginning of school year, in conjunction with the administration of the Center for Adolescent Services (Center), it was verbally decided to use all available funds from Title I-D to help offset the costs for Behavioral Health Services at the facility. Invoices for these costs were submitted to the Center by South Community Behavioral Health Care for approval prior to being forwarded to New Lebanon Schools for payment disbursement. All funds were disbursed in accordance with this understanding. No further monitoring was done as all funds were disbursed as agreed.

2. Title I – Project Cash Request (PCR)

Finding Number	2014-002
CFDA Title and Number	CFDA #84.010 – Title I Grants to Local Educational Agencies
Federal Award Number / Year	2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE

34 CFR §80.20(b)(7) requires that the financial management systems of other grantees and sub-grantees must have procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and sub-grantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on sub-grantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their sub-grantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

When requesting funds from the school-wide program, which includes Title I, local educational agencies are required to report expenditures on the project cash request (PCR). The first 2014 grant PCR reported expenditures which were overstated by \$298,238 due to incorrectly reporting the District's July and August 2013 expenditures which were the 2013 grant year expenditures that were not to be included in 2014 grant year expenditures.

The District should implement policies and procedures to verify that the correct expenditures are reported when requesting cash drawdowns. Failure to accurately complete PCR could result in the incorrect drawdown being claimed and not being able to minimize the time elapsed between the transfer of funds from Ohio Dept. of Education and disbursement by grantee.

Official's Response: My first week here and the fund was negative, not knowing that the fund was using the same special cost center number year over year, I assumed that the full amount needed to be applied for. This was corrected in November when ODE sent a Negative Balance payment. The situation for FY15 was corrected by giving the School-wide program a separate special cost center number for FY2015. This sets a specific line between years for both revenue and expenditure recording to insure the problem would not re-occur.

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev.Code Section 5705.10(H) - Negative Fund Balances	No	Partially corrected repeated in the management letter
2013-002	Financial Statement Presentation	No	Partially corrected repeated in the management letter
2013-003 and 2013-005	OMB Circular A-133 Subpart C, §_.310(b) Schedule of Expenditures of Federal Awards	No	Partially corrected repeated in the management letter
2013-004	2 CFR Part 225, Appendix A, Section (C)(1)(j) Question Cost of \$239,959	Yes	N/A

**NEW LEBANON LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (C)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	In conjunction with the Center for Adolescent Children, plan and detail expenditures for the fiscal year in writing. Have both parties sign and approve the agreement prior to any expenditures. Due to the nature of the Center these plans may be updated during the year.	3/15	Rob Wannemacher
2014-002	Beginning with FY15 the School-wide program's special cost center will be changed each year to reflect a break between years for both revenue and expenditures	7/14	Rob Wannemacher

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NEW LEBANON LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 16, 2015**