



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 modified cash-basis 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of New Lebanon Local School District, Montgomery County, Ohio, as of June 30, 2016, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

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

***Other Matters***

***Supplemental Information***

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures and Receipts of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives 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 this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 June 7, 2017, 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 "Y" and "O".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 7, 2017

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New Lebanon Local School District  
Statement of Net Position - Modified Cash Basis  
June 30, 2016

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	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	<u>\$11,628,723</u>
Total Assets	<u>11,628,723</u>
Net Cash Position:	
Restricted for:	
Debt Service	210,296
Capital Projects	536,370
Classroom Facilities Maintenance	170,515
Food Service	255,841
Auxiliary Services	259
Federal Grants	118
Other Purposes	53,727
Unrestricted	<u>10,401,597</u>
Total Net Cash Position	<u><u>\$11,628,723</u></u>

See accompanying notes to the basic financial statements.

New Lebanon Local School District  
Statement of Activities - Modified Cash Basis  
For the Fiscal Year Ended June 30, 2016

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$4,880,272	\$1,034,572	\$172,567	(\$3,673,133)
Special	1,744,323	251,490	1,097,085	(395,748)
Vocational	0	0	3,448	3,448
Other	376,820	36,750	14,304	(325,766)
<b>Support Services:</b>				
Pupil	764,303	3,842	7,915	(752,546)
Instructional Staff	301,041	0	8,270	(292,771)
General Administration	72,378	0	0	(72,378)
School Administration	927,347	0	0	(927,347)
Fiscal	340,078	0	3,097	(336,981)
Business	38,517	0	0	(38,517)
Operations and Maintenance	1,130,365	27,710	77,468	(1,025,187)
Pupil Transportation	545,159	0	37,638	(507,521)
Central	14,245	0	0	(14,245)
Operation of Non-Instructional Services	487,139	149,426	330,992	(6,721)
Extracurricular Activities	522,574	161,637	0	(360,937)
Capital Outlay	242,344	0	0	(242,344)
<b>Debt Service:</b>				
Principal Retirement	220,000	0	0	(220,000)
Interest and Fiscal Charges	89,308	0	0	(89,308)
<b>Totals</b>	<b>\$12,696,213</b>	<b>\$1,665,427</b>	<b>\$1,752,784</b>	<b>(9,278,002)</b>

**General Receipts:**

Income Taxes	1,526,278
<b>Property Taxes Levied for:</b>	
General Purposes	2,218,270
Special Revenue Purposes	38,064
Debt Service Purposes	295,954
Capital Projects Purposes	235,006
Grants and Entitlements, Not Restricted	6,763,325
Investment Earnings	107,796
Refunds and Reimbursements	11,980
Other Receipts	205,600
<b>Total General Receipts</b>	<b>11,402,273</b>
<b>Change in Net Cash Position</b>	<b>2,124,271</b>
<b>Net Cash Position - Beginning of Year</b>	<b>9,504,452</b>
<b>Net Cash Position - End of Year</b>	<b>\$11,628,723</b>

See accompanying notes to the basic financial statements.

New Lebanon Local School District  
Statement of Assets and Fund Balances - Modified Cash Basis  
Governmental Funds  
June 30, 2016

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	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in Pooled Cash and Investments	<u>\$10,401,597</u>	<u>\$1,227,126</u>	<u>\$11,628,723</u>
<b>Total Assets</b>	<u><b>10,401,597</b></u>	<u><b>1,227,126</b></u>	<u><b>11,628,723</b></u>
Fund Cash Balances:			
Restricted	0	1,227,126	1,227,126
Committed	122,525	0	122,525
Assigned	214,536	0	214,536
Unassigned	<u>10,064,536</u>	<u>0</u>	<u>10,064,536</u>
<b>Total Fund Cash Balances</b>	<u><b>\$10,401,597</b></u>	<u><b>\$1,227,126</b></u>	<u><b>\$11,628,723</b></u>

See accompanying notes to the basic financial statements.

New Lebanon Local School District  
Statement of Cash Receipts, Cash Disbursements  
and Changes in Fund Cash Balances - Modified Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
Receipts:			
Property and Other Taxes	\$2,218,270	\$569,024	\$2,787,294
Income Taxes	1,526,278	0	1,526,278
Tuition and Fees	1,322,812	0	1,322,812
Investment Earnings	100,395	7,401	107,796
Intergovernmental	7,434,356	1,083,797	8,518,153
Extracurricular Activities	30,296	131,341	161,637
Charges for Services	0	173,068	173,068
Other Receipts	214,603	8,843	223,446
<b>Total Receipts</b>	<b>12,847,010</b>	<b>1,973,474</b>	<b>14,820,484</b>
Cash Disbursements:			
Current:			
Instruction:			
Regular	4,477,267	403,005	4,880,272
Special	1,376,593	367,730	1,744,323
Other	366,820	10,000	376,820
Support Services:			
Pupil	752,500	11,803	764,303
Instructional Staff	285,615	15,426	301,041
General Administration	72,378	0	72,378
School Administration	927,347	0	927,347
Fiscal	328,813	11,265	340,078
Business	38,517	0	38,517
Operations and Maintenance	929,779	200,586	1,130,365
Pupil Transportation	463,035	82,124	545,159
Central	14,245	0	14,245
Operation of Non-Instructional Services	0	487,139	487,139
Extracurricular Activities	366,058	156,516	522,574
Capital Outlay	16,000	226,344	242,344
Debt Service:			
Principal Retirement	0	220,000	220,000
Interest and Fiscal Charges	0	89,308	89,308
<b>Total Cash Disbursements</b>	<b>10,414,967</b>	<b>2,281,246</b>	<b>12,696,213</b>
<b>Excess of Receipts Over (Under) Cash Disbursements</b>	<b>2,432,043</b>	<b>(307,772)</b>	<b>2,124,271</b>
Other Financing Sources (Uses):			
Advances In	16,678	16,598	33,276
Advances (Out)	(16,598)	(16,678)	(33,276)
Transfers In	0	465,000	465,000
Transfers (Out)	(37,592)	(427,408)	(465,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(37,512)</b>	<b>37,512</b>	<b>0</b>
<b>Net Change in Fund Cash Balance</b>	<b>2,394,531</b>	<b>(270,260)</b>	<b>2,124,271</b>
<b>Fund Cash Balance - Beginning of Year</b>	<b>8,007,066</b>	<b>1,497,386</b>	<b>9,504,452</b>
<b>Fund Cash Balance - End of Year</b>	<b>\$10,401,597</b>	<b>\$1,227,126</b>	<b>\$11,628,723</b>

See accompanying notes to the basic financial statements.

New Lebanon Local School District  
Statement of Receipts, Cash Disbursements and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2016

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Budgetary Basis Receipts:</b>				
Taxes	\$3,307,245	\$3,744,133	\$3,744,548	\$415
Tuition and Fees	1,168,329	1,322,665	1,322,812	147
Investment Earnings	53,311	60,353	60,360	7
Intergovernmental	6,566,142	7,433,532	7,434,356	824
Extracurricular Activities	21,772	24,648	24,651	3
Other Receipts	149,695	169,469	169,488	19
<b>Total Budgetary Basis Receipts</b>	<b>11,266,494</b>	<b>12,754,800</b>	<b>12,756,215</b>	<b>1,415</b>
<b>Budgetary Basis Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,585,777	4,394,196	4,242,843	151,353
Special	1,438,565	1,378,466	1,330,986	47,480
Other	407,127	390,118	376,681	13,437
<b>Support Services:</b>				
Pupil	798,180	764,834	738,490	26,344
Instructional Staff	355,846	340,980	329,235	11,745
General Administration	89,155	85,431	82,488	2,943
School Administration	991,717	950,285	917,554	32,731
Fiscal	359,016	344,017	332,168	11,849
Operations and Maintenance	1,046,817	1,003,084	968,534	34,550
Pupil Transportation	508,681	487,430	470,641	16,789
Central	15,450	14,805	14,295	510
Extracurricular Activities	386,296	370,158	357,408	12,750
Capital Outlay	17,293	16,571	16,000	571
<b>Total Budgetary Basis Disbursements</b>	<b>10,999,920</b>	<b>10,540,375</b>	<b>10,177,323</b>	<b>363,052</b>
<b>Excess of Budgetary Basis Receipts Over (Under) Budgetary Basis Disbursements</b>	<b>266,574</b>	<b>2,214,425</b>	<b>2,578,892</b>	<b>364,467</b>
<b>Other financing sources (uses):</b>				
Advances In	14,730	16,676	16,678	2
Advances (Out)	(17,940)	(17,190)	(16,598)	592
Transfers (Out)	(561,364)	(537,912)	(519,384)	18,528
<b>Total Other Financing Sources (Uses)</b>	<b>(564,574)</b>	<b>(538,426)</b>	<b>(519,304)</b>	<b>19,122</b>
<b>Net Change in Fund Balance</b>	<b>(298,000)</b>	<b>1,675,999</b>	<b>2,059,588</b>	<b>383,589</b>
<b>Fund Balance - Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>7,969,244</b>	<b>7,969,244</b>	<b>7,969,244</b>	<b>0</b>
<b>Fund Balance - End of Year</b>	<b>\$7,671,244</b>	<b>\$9,645,243</b>	<b>\$10,028,832</b>	<b>\$383,589</b>

See accompanying notes to the basic financial statements.

New Lebanon Local School District  
Statement of Fiduciary Net Position - Modified Cash Basis  
Fiduciary Fund  
June 30, 2016

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$32,877</u>
Total Assets	<u>32,877</u>
Liabilities:	
Held on Behalf of Students	<u>32,877</u>
Total Liabilities	<u>\$32,877</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, 2016**

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

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The New Lebanon Local School District (the "District") is located in west-central Montgomery County, including all of the Village of New Lebanon, and portions of surrounding townships. The District serves an area of approximately 29 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 119 non-certified and 102 (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 378<sup>th</sup> out of 881 public school districts and community schools in Ohio.

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

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

The more significant of the School District's accounting policies are described below.

**Reporting Entity**

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, 2016**

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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 2016. 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 \$711 to SOEPC in fiscal year 2016. Financial information is available from SOEPC by contacting Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

META Solutions

The District is a participant in Meta Solutions, formerly known as 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 Meta Solutions consists of one representative from each district plus one representative from the fiscal agent. The District pays Meta Solutions an enrollment based fee for services provided during the year. The District made payments of \$22,930 to Meta Solutions in fiscal year 2016. Financial information is available from Dean Reineke, Executive Director, at 225 Linwood Street, 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.



**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016**

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**Governmental Funds**

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

The District uses the provisions of GASB 34 for financial reporting on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. The District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

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 disbursements and program receipts for each function or program of the governmental activities of the District. Disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program receipts include amounts paid by the

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016**

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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. Receipts not classified as program receipts are presented as general receipts of the District.

**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.

**Basis of Accounting**

The District's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

**Budgets**

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

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements 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 2016.
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 receipts of each fund. Prior to July 1, the District must revise its budget so that total contemplated disbursements 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 receipts 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 2016.

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016**

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4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of disbursements, 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 disbursements. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of disbursements 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, 2016; 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. Disbursements may not legally exceed budgeted appropriations at the fund level.

**Cash and Investments**

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

During fiscal year 2016, 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 2016 amounted to \$100,395 (no interest revenue credited from other funds) and \$7,401 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 3.

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**Interfund Balances**

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**Fund Cash Balance**

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

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

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**Net Position**

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 a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

**Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the modified cash basis of accounting used by the District.

**Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**Long-Term Obligations**

Modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**Note 3 - Deposits and Investments**

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

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

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

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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;
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

**New Lebanon Local School District  
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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, 2016, the carrying amount of all District deposits was \$481,241. As of June 30, 2016, \$10,245 of the District's bank balance of \$502,036 was exposed to custodial risk as discussed below, while \$491,791 was covered by the FDIC.

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

**Investments**

As of June 30, 2016, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)	% of Total
Money Market Funds	\$2,531,814	0.00	22.65%
Federal Home Loan Mortgage	101,227	3.09	0.91%
Freddie Mac	100,199	1.22	0.89%
Negotiable CD's	5,438,305	2.04	48.64%
Federal National Mortgage Association	306,387	2.40	2.74%
Treasury Notes	2,702,463	0.75	24.17%
Total Fair Value	\$11,180,395		100.00%
Portfolio Weighted Average Maturity		1.28	

**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.

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

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

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

**Note 4 - Interfund Transactions**

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Interfund transactions at fiscal year end, consisted of the following individual fund advances and transfers:

	Advances		Transfers	
	In	Out	In	Out
General Fund	\$16,678	\$16,598	\$0	\$37,592
Other Governmental Funds	16,598	16,678	465,000	427,408
Total All Funds	<u>\$33,276</u>	<u>\$33,276</u>	<u>\$465,000</u>	<u>\$465,000</u>

Transfers are used to move receipts 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 receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. 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 5 - Property Taxes**

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



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Tangible personal property tax revenue received during calendar year 2016 (other than public utility property tax) represents the collection of 2016 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 2016 were levied after April 1, 2015, on the value as of December 31, 2015. 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 District prior to June 30.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2017 operations. The amount available for advance can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	<u>2016 1st Half Amount</u>	<u>2015 2nd Half Amount</u>
Agricultural/residential and other real estate	\$102,779,960	\$103,146,410
Public utility personal	<u>3,959,800</u>	<u>3,777,180</u>
Total	<u><u>\$106,739,760</u></u>	<u><u>\$106,923,590</u></u>

**Note 6 - Income Tax**

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The District levies a voted income tax of 1.25% for general obligations on the income of residents and of estates. An income tax of .75% was effective January 1, 1998 and was renewed in November 2014. The District passed an additional .5% income tax in November 2005, which was renewed in November 2015. 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 \$1,526,278 for fiscal year 2016.

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**Note 7 - Long-Term Obligations**

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The following is a description of the District's changes in long-term obligations during fiscal year 2016:

	Interest Rate	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
<b>Governmental Activities:</b>						
General Obligation Bonds:						
2001 Facilities Improvement Bonds	5.08%	\$930,000	\$0	(\$215,000)	\$715,000	\$225,000
2012 Refunding of Facilities Improvement	3.12%	1,415,000	0	(5,000)	1,410,000	5,000
Premium on 2012 Refunding Bonds		17,751	0	(1,973)	15,778	0
Total		<u>2,362,751</u>	<u>0</u>	<u>(221,973)</u>	<u>2,140,778</u>	<u>230,000</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 December 2013 the Board of Education approved decreasing the current millage rate on the construction bonds used for the OSFC construction and renovation project from 3.77 mills to 3.20 mills effective December 31, 2013; therefore, reducing the taxes owed starting with the February 2014 collection. This reduction was made possible by the bond refinancing in 2012 that lowered bond interest rates.

In conjunction with the 3.20 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.

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

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Fiscal Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2017	\$230,000	\$77,051	\$307,051
2018	245,000	64,108	309,108
2019	255,000	50,477	305,477
2020	265,000	39,390	304,390
2021	270,000	31,044	301,044
2022-2024	860,000	40,716	900,716
Total	\$2,125,000	\$302,786	\$2,427,786

**Note 8 - Risk Management**

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

During fiscal year 2016, The District purchased from Wells Fargo Insurance Services USA and Caitlin Indemnity Company general liability insurance, which carried a \$1 million per occurrence/\$3 million annual aggregate limitation.

Fleet and property/casualty insurance are purchased through Wells Fargo Insurance Services USA and Caitlin Indemnity Company 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 2015.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 10. As such, no funding provisions are required by the District.

**Note 9 - Defined Benefit Pension Plans**

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**Net Pension Liability**

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**Plan Description - School Employees Retirement System (SERS)**

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service, and 2.5 percent for years of service credit over 30 or \$86.00 multiplied by the years of vice credit. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution

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requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14.00 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$256,944 for fiscal year 2016.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service.

With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among 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. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$721,380 for fiscal year 2016.

**Net Pension Liability**

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,067,449	\$13,777,242	\$16,844,691
Proportion of the Net Pension Liability	0.0537574%	0.04985058%	

**Actuarial Assumptions - SERS**

SERS’ total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are

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subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS’ *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016**

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Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$4,253,450	\$3,067,449	\$2,068,739

**Changes Between Measurement Date and Report Date**

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District’s net pension liability is expected to be significant.

**Actuarial Assumptions - STRS**

The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:



**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016**

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Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2013.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016**

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***Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$19,137,629	\$13,777,242	\$9,244,236

**Note 10 - Post Employment Benefits**

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**School Employees Retirement System of Ohio**

Plan Description

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2016 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 2016, the actuarially required allocation was .74%. District contributions for the years ended June 30, 2016, 2015 and 2014 were \$13,581, \$14,156, and \$13,506, 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.

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016**

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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, 2016, the health care allocation was 0%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the minimum compensation level was established at \$23,000. 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, 2016, 2015, and 2014 were \$0, \$2,608, and \$2,920, 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](http://www.ohsers.org) under *Employers/Audit Resources*.

### **State Teachers Retirement System of Ohio**

#### Plan Description

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

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial 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](http://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, 0% of covered payroll was allocated to post-employment health care for the years ended June 30, 2016 and 2015, and 1% of covered payroll was allocated to post employment health care for the year ended June 30, 2014. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$49,767, 0% has been contributed for fiscal years 2016 and 2015 and 100% for fiscal year 2014.

**New Lebanon Local School District  
Montgomery County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016**

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**Note 11 - Budgetary Basis of Accounting**

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The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year-end encumbrances treated as cash disbursements (budgetary basis) rather than restricted, committed or assigned fund balance (modified cash basis).

The following table summarizes the adjustments necessary to reconcile the modified cash basis statement to the budgetary basis statement for the General Fund.

	<u>General</u>
Cash Basis	\$2,394,531
Revenue	(90,795)
Expenditure	430,914
Transfers (Out)	(481,792)
Encumbrances	(191,313)
Funds Budgeted Elsewhere	<u>(1,957)</u>
Budget Basis	<u>\$2,059,588</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 12 – Contingencies**

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**Grants**

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

**Litigation**

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

**School Foundation**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as

**New Lebanon Local School District**  
**Montgomery County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2016**

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enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the District.

**Note 13 - Set-Asides**

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

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

	Capital Acquisition
Set Aside Reserve Balance as of June 30, 2015	\$0
Current Year Set Aside Requirements	204,184
Qualified Disbursements	(213,996)
Current Year Offsets	0
Set Aside Reserve Balance as of June 30, 2016	<u>(\$9,812)</u>
Restricted Cash as of June 30, 2016	<u>\$0</u>
Carry forward to future years	\$0

**Note 14 – Fund Balances**

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Fund cash 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 District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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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, 2016**

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Fund Cash Balances	General	Other Governmental Funds	Total
<b>Restricted for:</b>			
Other Grants	0	1,743	1,743
Classroom Facilities Maintenance	0	170,515	170,515
District Managed Student Activity	0	50,486	50,486
Auxiliary Services	0	259	259
Ohio SchoolNet Professional Development	0	1,498	1,498
Drug Free School Grant	0	118	118
Food Service	0	255,841	255,841
Bond Retirement	0	210,296	210,296
Permanent Improvements	0	536,370	536,370
<b>Total Restricted</b>	<b>0</b>	<b>1,227,126</b>	<b>1,227,126</b>
<b>Committed to:</b>			
Termination Benefits	122,525	0	122,525
<b>Total Committed</b>	<b>122,525</b>	<b>0</b>	<b>122,525</b>
<b>Assigned to:</b>			
Encumbrances	193,270	0	193,270
Public Schools	21,266	0	21,266
<b>Total Assigned</b>	<b>214,536</b>	<b>0</b>	<b>214,536</b>
<b>Unassigned (Deficit)</b>	<b>10,064,536</b>	<b>0</b>	<b>10,064,536</b>
<b>Total Fund Cash Balance</b>	<b>\$10,401,597</b>	<b>\$1,227,126</b>	<b>\$11,628,723</b>

**Note 15 – Compliance**

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

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NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY

SCHEDULE OF EXPENDITURES AND RECEIPTS OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures	Non-Cash Federal Expenditures	Total Federal Receipts	Non-Cash Federal Receipts
<b>U.S. DEPARTMENT OF AGRICULTURE</b>							
<i>Passed Through Ohio Department of Education</i>							
Child Nutrition Cluster							
School Breakfast Program	10.553			\$56,466		\$56,466	
National School Lunch Program	10.555			269,244	\$24,103	269,244	\$24,103
Total Child Nutrition Cluster				<u>325,710</u>	<u>24,103</u>	<u>325,710</u>	<u>24,103</u>
Total U.S. Department of Agriculture				<u>325,710</u>	<u>24,103</u>	<u>325,710</u>	<u>24,103</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>							
<i>Passed Through Ohio Department of Education</i>							
Title I Grants to Local Educational Agencies	84.010	S010A150035	58,279	292,191		317,465	
Special Education Cluster							
Special Education_Grants to States	84.027	H027A150111		232,045		231,760	
Special Education_Preschool Grants	84.173	H173A150119		857		1,008	
Total Special Education Cluster				<u>232,902</u>		<u>232,768</u>	
Improving Teacher Quality State Grants	84.367	S367A150034		14,283		14,286	
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395			103		321	
Total U.S. Department of Education				<u>539,479</u>		<u>564,840</u>	
Total Expenditures and Receipts of Federal Awards				<u>\$865,189</u>	<u>\$24,103</u>	<u>\$890,550</u>	<u>\$24,103</u>

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

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES AND RECEIPTS OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures and Receipts of Federal Awards (the Schedule) includes the federal award activity of New Lebanon Local School District (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net assets of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - SUBRECIPIENTS**

The District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note B describes the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

**NOTE D - 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 E – FOOD DONATION PROGRAM**

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

**NOTE F - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2015 to 2016 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$1,021.04
Special Education - Preschool Grants	84.173	\$0.06

Per 2016 Consolidated PCR pages in CCIP for #84.010 (\$1,006.69 for Title I-D + \$14.35 for Title I-A = \$1,021.04 and #84.173, \$0.06 carryover cash on hand amounts





# 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 modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Lebanon Local School District, Montgomery County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 7, 2017, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

***District's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 7, 2017



# 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 THE UNIFORM GUIDANCE

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) *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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in finding 2016-002 in the accompanying schedule of findings, the District did not comply with requirements regarding Activities Allowed or Unallowed and Allowable Costs/Cost Principles applicable to its CFDA 10.553 and 10.555 Child Nutrition Cluster major federal program. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to this program.

***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* 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 Child Nutrition Cluster program for the year ended June 30, 2016.

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

***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, 2016.

***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 the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2016-002.

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings and / or 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 the Uniform Guidance requirements. Accordingly, this report 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

June 7, 2017

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**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
2 C.F.R. § 200.515  
JUNE 30, 2016**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control 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)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control 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	Unmodified for Special Education Cluster Qualified for Child Nutrition Cluster
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 C.F.R. § 200.516(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster  Special Education Cluster (IDEA)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 C.F.R. § 200.520?	No

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

**FINDING NUMBER 2016-001**

**Noncompliance**

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

**Ohio Admin. Code § 117-2-03(B)** requires all Districts to file annual financial reports which are prepared using generally accepted accounting principles. However, the District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit certain assets, liabilities, deferred inflows/outflows, fund equities, and disclosure that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District should prepare its annual financial statements in accordance with generally accepted accounting principles to include assets, liabilities, deferred inflows/outflows, fund equities, and the disclosures required to accurately present the District's financial condition and to provide the user with more meaningful and useful financial statements.

**Officials' Response:**

See following Corrective Action Plan.

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

<b>Finding Number</b>	2016-002		
<b>CFDA Title and Number</b>	Child Nutrition Cluster 10.553 & 10.555		
<b>Federal Award Identification Number / Year</b>	2016		
<b>Federal Agency</b>	U.S. Department of Agriculture		
<b>Pass-Through Entity</b>	Ohio Department of Education		
<b>Repeat Finding from Prior Audit?</b>	No	<b>Finding Number (if repeat)</b>	

**Material Weakness & Noncompliance – Activities Allowed or Unallowed and Allowable Costs/Cost Principles**

Under the authority of 2 CFR § 3474.1 and except as otherwise provided by this section, the Department of Education adopted the Office of Management and Budget (OMB) Guidance in 2 CFR part 200. Thus, this part gives regulatory effect to the OMB guidance and supplements the guidance as needed for the Department. 2 C.F.R. Part 200 § 200.303(a) provides that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with



**Finding 2016-002  
(Continued)**

Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

During Fiscal Year 2016, the District did not consistently review Child Nutrition Cluster non-payroll expenditures to determine that the expenditures were for activities allowed or allowable costs. Six of the 23 (26%) expenditures that were reviewed during testing did not have an indication that they had been reviewed for activities allowed or allowable cost in accordance with the grant requirements. These invoices were not signed off on indicating the goods/services were received and were not marked okay to pay before being sent to the Treasurer’s office for payment.

The District should implement policies and procedure to verify that Child Nutrition Cluster expenditures and/or any federal expenditure are reviewed for allowable cost and allowable activities prior to making payment. Failure to do so may result in future questioned costs and the potential loss of federal funding.

**Officials’ Response:**

See following Corrective Action Plan.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Ohio Rev. Code § 117.38 & Ohio Admin. Code § 117-2-03 (B), the District failed to file its annual financial report under GAAP.	Not fully corrected. Repeated as finding 2016-001 in the Schedule of Findings.	The District filed its annual report under a modified-cash special framework basis of accounting for FY16 to save on excess audit costs. The District plans to continue this practice in the future.

**NEW LEBANON LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	The district plans to continue using the OCBOA format for year-end reporting. No expected borrowing or specific need is projected to require any other type of format. This format meets all needs and creates a sizable savings in audit costs.	N/A	Rob Wannemacher, Treasurer
2006-002	Procedures are being put in place beginning July 1, 2017 to correct process for approvals of all expenditures to insure allowable activities or costs were properly reviewed. One of the approval forms is being connected to the payment records for easy verification. Signed copies of receipt and approval for payment were provided but not kept with the invoice.	7-1-2017	Rob Wannemacher, Treasurer

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# Dave Yost • Auditor of State

**NEW LEBANON LOCAL SCHOOL DISTRICT**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 6, 2017**