



OHIO AUDITOR OF STATE
KEITH FABER



**LEBANON CITY SCHOOL DISTRICT
WARREN COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Lebanon City School District
Warren County
160 Miller Road
Lebanon, Ohio 45036

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 Lebanon City School District, Warren County, Ohio (the School District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School 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 School 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 School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation 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 the School District, as of June 30, 2020, 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 School 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.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

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

The Schedule of Expenditures 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 Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2021, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive style with a large, stylized 'K' and 'F'.

Keith Faber
Auditor of State
Columbus, Ohio
January 27, 2021

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2020
Unaudited

The Lebanon City School District is presenting the following discussion and analysis in order to provide an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The discussion and analysis is within the limitations of the District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

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

Financial Highlights

- ❑ In total, net position decreased by \$84,711 or .21%.
- ❑ General receipts accounted for \$62,471,892 in revenue. Program specific receipts in the form of charges for services, operating grants, interest and contributions accounted for \$5,334,443. Total revenues were \$67,806,335.
- ❑ The District had \$67,891,046 in cash disbursements to governmental activities; \$5,334,443 of these expenses was offset by program specific charges for services, operating grants, interest or contributions. General receipts (primarily property taxes and entitlements) of \$62,471,892 were also used to provide for these services.
- ❑ Among major funds, the general fund had \$55,863,448 in receipts and \$55,691,485 in disbursements. The general fund's fund balance increased \$511,908 from fiscal year 2019 to a fund balance of \$23,614,663 at June 30, 2020.

Using the Basic Financial Statements

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

Report Components

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

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

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2020
Unaudited

Basis of Accounting

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

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

Reporting the District as a Whole

The *Statement of Net Position - Modified Cash Basis* and the *Statement of Activities - Modified Cash Basis* reflect how the District performed financially during 2020, within the limitations of modified cash basis accounting. The *Statement of Net Position - Modified Cash Basis* presents the cash balances and investments of the governmental activities of the District at year-end. The *Statement of Activities - Modified Cash Basis* compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

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

Lebanon City School District, Ohio
Management’s Discussion and Analysis
June 30, 2020
Unaudited

Reporting the District’s Most Significant Funds

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

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

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

The District as a Whole

The Statement of Net Position - Modified Cash Basis provides the perspective of the District as a whole. Table 1 below provides a summary of the District’s net position for 2020 and 2019:

(Table 1)
Net Position

	Governmental Activities 2020	2019	% of Change
Assets:			
Cash and Investments	\$40,792,496	\$40,636,763	0.38%
Cash with Escrow Agents	59,132	299,576	-80.26%
Total Assets	<u>\$40,851,628</u>	<u>\$40,936,339</u>	-0.21%
Net Position:			
Restricted for:			
Other Purposes	\$2,123,634	\$1,912,619	11.03%
Debt Service	8,504,018	8,098,624	5.01%
Capital Projects	5,130,939	5,607,636	-8.50%
Unrestricted	<u>25,093,037</u>	<u>25,317,460</u>	-0.89%
Total Net Position	<u>\$40,851,628</u>	<u>\$40,936,339</u>	-0.21%

Total assets decreased by \$84,711. The decrease can mostly be attributed to the decrease in State funding due to the CoVid 19 Pandemic.

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2020
Unaudited

Table 2 demonstrates the changes in net position for fiscal year 2020.

(Table 2)
Change in Net Position

	Governmental Activities		% of
	2020	2019	Change
Receipts:			
Program Receipts:			
Charges for Services	\$2,110,855	\$2,180,129	-3.18%
Operating Grants, Interest and Contributions	3,223,588	2,529,575	27.44%
Total Program Receipts	5,334,443	4,709,704	13.26%
General Receipts:			
Property Taxes			
General Purposes	28,894,030	25,321,888	14.11%
Debt Service	4,139,768	4,731,326	-12.50%
Capital Outlay	1,602,968	1,560,488	2.72%
Grants and Entitlements not Restricted to Specific Programs			
	24,478,385	25,575,491	-4.29%
Grants and Entitlements for Capital Construction			
	546,091	0	100.00%
Receipts in Lieu of Taxes			
	1,264,432	2,238,617	-43.52%
Interest			
	443,020	601,232	-26.31%
Gifts and Donations			
	61,157	128,842	-52.53%
Miscellaneous			
	1,051,910	1,241,473	-15.27%
Lease Purchase Obligation			
	0	4,000,000	-100.00%
Transfers			
	585	3,039	-80.75%
Advances			
	(1,835)	237	-874.26%
Refund of Prior Year Receipts			
	(8,619)	0	100.00%
Total General Receipts and Transfers	62,471,892	65,402,633	-4.48%
Total All Receipts	\$67,806,335	\$70,112,337	-3.29%

(Continued)

The 3.29% decrease in all receipts from fiscal year 2019 to fiscal year 2020 is attributed to the State funding cuts due to the CoVid19 Pandemic.

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2020
Unaudited

(Table 2)
Change in Net Position
(Continued)

	Governmental Activities 2020	2019	% of Change
Cash Disbursements:			
Instruction:			
Regular	\$23,189,800	\$23,117,713	0.31%
Special	8,770,944	8,448,165	3.82%
Vocational	64,335	44,753	43.76%
Other	4,505,144	3,823,794	17.82%
Support Services:			
Pupils	4,036,051	3,753,310	7.53%
Instructional Staff	1,223,556	1,470,688	-16.80%
Board of Education	42,523	56,702	-25.01%
Administration	3,932,723	3,752,166	4.81%
Fiscal	1,317,946	921,008	43.10%
Operation and Maintenance of Plant	4,087,700	3,804,987	7.43%
Pupil Transportation	5,035,953	5,889,855	-14.50%
Central	486,670	419,695	15.96%
Operating of Non-Instructional Services	1,705,075	1,813,124	-5.96%
Extracurricular Activities	2,104,490	1,425,560	47.63%
Capital Outlay	2,509,024	3,706,425	-32.31%
Debt Service:			
Principal Retirement	2,849,000	2,647,000	7.63%
Interest and Fiscal Charges	2,029,212	1,903,873	6.58%
Bond Issuance Costs	900	52,400	-98.28%
Total Cash Disbursements	<u>67,891,046</u>	<u>67,051,218</u>	<u>1.25%</u>
Change in Net Position	<u>(\$84,711)</u>	<u>\$3,061,119</u>	<u>102.77%</u>

Disbursements increased by \$839,828 or 1.25% from 2020. This increase is mostly attributed to the annual increase in salary and benefit costs for employees.

Governmental Activities

The District receives 51.08% of its receipts from property taxes and 36.10% from grants and entitlements. The balance of receipts received, or 12.82%, is in the form of program receipts, investment income, gifts and donations, and miscellaneous items.

Disbursements for instruction represent 53.81% of the total governmental disbursements. Support services represent 29.70% of the total disbursements. The remaining 16.49% of expenses are attributed to food services, community services, extracurricular activities, capital outlay and debt service.

Lebanon City School District, Ohio
Management’s Discussion and Analysis
June 30, 2020
Unaudited

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

(Table 3)
Governmental Activities

	Total Cost of Services 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019	% of Change in Net Cost
Instruction	\$36,530,223	\$33,802,321	\$35,434,425	\$33,217,611	1.76%
Support Services	20,163,122	19,642,594	20,068,411	19,882,813	-1.21%
Operation of Non-Instructional Services	1,705,075	238,326	1,813,124	114,570	108.02%
Extracurricular Activities	2,104,490	1,485,226	1,425,560	816,822	81.83%
Capital Outlay	2,509,024	2,509,024	3,706,425	3,706,425	-32.31%
Debt Service	4,879,112	4,879,112	4,603,273	4,603,273	5.99%
Total Cash Disbursements	<u>\$67,891,046</u>	<u>\$62,556,603</u>	<u>\$67,051,218</u>	<u>\$62,341,514</u>	<u>0.35%</u>

The District’s Funds

Total governmental funds had receipts of \$67,046,306 and disbursements of \$67,891,046. The fund balance of the general fund increased by \$511,908. The fund balance of the debt service fund increased by \$405,394. The other governmental funds balances decreased by \$1,002,013.

General Fund Budget Highlights

The District’s budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal 2020, the District revised its budget to accommodate changes in expected revenues and planned expenditures.

Capital Assets and Debt Administration

Capital Assets

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

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2020
Unaudited

Debt

As of June 30, 2020, the District had the following outstanding debt:

Refunding of General Obligation Bonds	\$16,720,000
School Improvement General Obligation Bonds	24,950,000
Energy Conservation Bonds:	
Qualified School Construction Bonds	1,545,000
Lease Purchase Obligation	3,875,000
COPS Capital Lease	<u>2,055,000</u>
Total Debt Issues	<u>\$49,145,000</u>

In fiscal year 2014, the District issued \$17,335,000 and \$9,730,000 in voted general obligation bonds. These bonds were issued for the local portion of State of Ohio Classroom Facilities Assistance Program. The bonds are payable semi-annually on June 1 and December 1 of each year with the first payment having been made on December 1, 2014 and the final payment is due on December 1, 2050. The District refunded \$9,280,000 of the 2005A Series advanced refunded bonds during fiscal year 2016. These bonds will be paid from the bond retirement fund. In addition, the District refunded \$12,435,000 of the 2007 general obligation bonds in September, 2017. These refunding bonds are payable annually on November 1.

At June 30, 2020, the District's overall legal debt limitation was \$59,880,466, and the unvoted debt margin was \$1,033,849. The District currently has bond ratings of A+ Stable from Standard & Poor's and Aa3 from Moody's Investor Services. Further information regarding the District's debt can be found in Note 9 to the basic financial statements.

The Future of Lebanon City School District

On November 5, 2013, voters approved a 37-year, 1.87 mill bond levy and corresponding .5 mill permanent improvement maintenance levy to build, renovate and maintain the District's school buildings. The levies provided the local share of funding for school construction under the State of Ohio Classroom Facilities Assistance Program. At the elementary school level, there were additions to Bowman Elementary to house grades PK-2, additions and renovations to Donovan Elementary School to house grades three and four, and partial demolition, addition and renovations to Berry Intermediate School to house grades five and six. At the secondary level, a new junior high was built to house grades seven and eight, and there were additions done to Lebanon High School to house grades nine through 12. We have completed construction on Bowman Elementary, Donovan Elementary, Berry Intermediate, Lebanon Junior High School and Lebanon High School. The final phase of the construction project will be to demolish the current central office building and renovate the old junior high to accommodate the Central Office staff. The final phase is expected to be completed by the fall of 2021.

The Lebanon Community has a bright future and is expected to grow due to a number of economic development projects that are currently approved that will ultimately add students to the Lebanon City School District. Currently approved projects include the Union Village development that is expected to add 4,500 new homes and 12,000 new residents to the community, the North Broadway development that will add a new 120-unit upscale apartment complex along with a mixed use business properties just north of the downtown business district. In addition, the recently opened Warren County Sports Park, the Warren

Lebanon City School District, Ohio
Management's Discussion and Analysis
June 30, 2020
Unaudited

County Event Center, expansion of Miami Valley Gaming and the Amazon Fulfillment center are expected to spur additional housing and business development in the future. The District will need to expand both services and facilities in the future to meet the increased need for residents and business.

In March of 2020, the Lebanon Community along with the rest of the country, experienced an unprecedented change in both our personal and professional lives due to the COVID19 Pandemic. The Pandemic has had, and will continue to have in the foreseeable future, a profound impact on the all operations of the District. As a direct result of the Pandemic, we have changed our instructional model to include both in-person and virtual courses, decreased class sizes to incorporate social distancing, limited access to buildings to authorized personnel, incorporated very strict sanitation guidelines, increased district cleaning staff, modified our building entries for improved movement, added water bottle filling stations, changed business practices to incorporate touch less payments, increased instructional, increased classified staff and many others that are too numerous to list. At this point, we do not know how long these practices will continue to be needed into the future due to the pandemic. It is important to note that these practices will have a financial and procedural impact on the district in the future.

District Contact Information

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

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Lebanon City School District, Ohio
Statement of Net Position - Modified Cash Basis
June 30, 2020

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$40,792,496
Cash with Escrow Agents	59,132
 Total Assets	 \$40,851,628
Net Position:	
Restricted for:	
Other Purposes	\$2,123,634
Debt Service	8,504,018
Capital Projects	5,130,939
Unrestricted	25,093,037
 Total Net Position	 \$40,851,628

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District, Ohio
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2020

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants, Interest and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$23,189,800	\$0	\$12,786	(\$23,177,014)
Special	8,770,944	0	1,672,184	(7,098,760)
Vocational	64,335	0	94,040	29,705
Other	4,505,144	948,892	0	(3,556,252)
Support Services:				
Pupils	4,036,051	0	334,679	(3,701,372)
Instructional Staff	1,223,556	0	37,446	(1,186,110)
Board of Education	42,523	0	0	(42,523)
Administration	3,932,723	0	112,120	(3,820,603)
Fiscal	1,317,946	0	0	(1,317,946)
Operation and Maintenance of Plant	4,087,700	2,834	24,449	(4,060,417)
Pupil Transportation	5,035,953	0	0	(5,035,953)
Central	486,670	0	9,000	(477,670)
Operation of Non-Instructional Services	1,705,075	573,751	892,998	(238,326)
Extracurricular Activities	2,104,490	585,378	33,886	(1,485,226)
Capital Outlay	2,509,024	0	0	(2,509,024)
Debt Service:				
Principal Retirement	2,849,000	0	0	(2,849,000)
Interest and Fiscal Charges	2,029,212	0	0	(2,029,212)
Bond Issuance Costs	900	0	0	(900)
Total Governmental Activities	\$67,891,046	\$2,110,855	\$3,223,588	(62,556,603)
General Receipts:				
Property Taxes Levied for:				
General Purposes				28,894,030
Debt Service				4,139,768
Capital Outlay				1,602,968
Grants and Entitlements not Restricted to Specific Programs				24,478,385
Grants and Entitlements for Capital Construction for the School Facilities Commission				546,091
Receipts in Lieu of Taxes				1,264,432
Interest				443,020
Gifts and Donations				61,157
Miscellaneous				1,051,910
Refund of Prior Year Receipts				(8,619)
Transfers				585
Advances				(1,835)
Total General Receipts and Transfers				62,471,892
Change in Net Position				(84,711)
Net Position Beginning of Year				40,936,339
Net Position End of Year				\$40,851,628

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District, Ohio
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2020

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets:				
Equity in Pooled Cash and Investments	\$23,614,663	\$8,504,018	\$8,673,815	\$40,792,496
Cash with Escrow Agents	0	0	59,132	59,132
Total Assets	<u>\$23,614,663</u>	<u>\$8,504,018</u>	<u>\$8,732,947</u>	<u>\$40,851,628</u>
Fund Balances:				
Unreserved, Undesignated, Reported in:				
Restricted	\$150,680	\$8,504,018	\$7,103,893	\$15,758,591
Committed	0	0	1,629,054	1,629,054
Assigned	1,209,405	0	0	1,209,405
Unassigned	22,254,578	0	0	22,254,578
Total Fund Balances	<u>\$23,614,663</u>	<u>\$8,504,018</u>	<u>\$8,732,947</u>	<u>\$40,851,628</u>

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District, Ohio
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Receipts:				
Property and Other Taxes	\$28,894,030	\$4,139,768	\$1,602,968	\$34,636,766
Intergovernmental	24,032,098	392,236	3,735,277	28,159,611
Interest	134,967	2,164	306,589	443,720
Tuition and Fees	948,892	0	0	948,892
Rent	2,834	0	1,420	4,254
Extracurricular	389,562	0	194,460	584,022
Gifts and Donations	45,439	0	29,343	74,782
Charges for Services	0	0	573,631	573,631
Receipts in Lieu of Taxes	1,264,432	0	0	1,264,432
Miscellaneous	151,194	0	205,002	356,196
Total Receipts	55,863,448	4,534,168	6,648,690	67,046,306
Disbursements:				
Current:				
Instruction:				
Regular	22,689,675	0	500,125	23,189,800
Special	7,178,686	0	1,592,258	8,770,944
Vocational	64,335	0	0	64,335
Other	4,505,144	0	0	4,505,144
Support Services:				
Pupils	3,946,442	0	89,609	4,036,051
Instructional Staff	1,190,697	0	32,859	1,223,556
Board of Education	42,523	0	0	42,523
Administration	3,821,286	4,156	107,281	3,932,723
Fiscal	1,256,993	41,543	19,410	1,317,946
Operation and Maintenance of Plant	3,630,273	0	457,427	4,087,700
Pupil Transportation	5,035,953	0	0	5,035,953
Central	473,170	0	13,500	486,670
Operation of Non-Instructional Services	500	0	1,704,575	1,705,075
Extracurricular Activities	1,059,771	0	1,044,719	2,104,490
Capital Outlay	0	0	2,509,024	2,509,024
Debt Service:				
Principal Retirement	494,000	2,355,000	0	2,849,000
Interest and Fiscal Charges	301,137	1,728,075	0	2,029,212
Issuance Costs	900	0	0	900
Total Disbursements	55,691,485	4,128,774	8,070,787	67,891,046
Excess of Receipts Over (Under) Disbursements	171,963	405,394	(1,422,097)	(844,740)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	2,512	0	0	2,512
Refund of Prior Year Disbursements	745,245	0	11,322	756,567
Transfers - In	0	0	113,637	113,637
Transfers - Out	0	0	(113,052)	(113,052)
Refund of Prior Year Receipts	0	0	(8,619)	(8,619)
Insurance Recoveries	10,819	0	0	10,819
Advances - In	448,573	0	865,139	1,313,712
Advances - Out	(867,204)	0	(448,343)	(1,315,547)
Total Other Financing Sources (Uses)	339,945	0	420,084	760,029
Net Change in Fund Balances	511,908	405,394	(1,002,013)	(84,711)
Fund Balances at Beginning of Year	23,102,755	8,098,624	9,734,960	40,936,339
Fund Balances at End of Year	\$23,614,663	\$8,504,018	\$8,732,947	\$40,851,628

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Property and Other Taxes	\$25,420,509	\$25,420,509	\$28,894,030	\$3,473,521
Intergovernmental	24,930,206	24,930,206	24,032,098	(898,108)
Interest	140,000	140,000	134,967	(5,033)
Tuition and Fees	548,190	548,190	603,300	55,110
Rent	10,000	10,000	2,834	(7,166)
Extracurricular	247,000	247,000	194,550	(52,450)
Gifts and Donations	29,500	29,500	750	(28,750)
Revenue in Lieu of Taxes	530,000	530,000	1,264,432	734,432
Miscellaneous	88,000	88,000	144,985	56,985
Total Revenues	51,943,405	51,943,405	55,271,946	3,328,541
Expenditures:				
Current:				
Instruction:				
Regular	22,908,458	22,649,763	22,472,061	177,702
Special	7,189,554	7,231,995	7,203,577	28,418
Vocational	26,049	120,993	65,782	55,211
Other	3,631,796	4,553,880	4,550,485	3,395
Support Services:				
Pupils	4,051,181	4,141,891	4,047,838	94,053
Instructional Staff	1,367,347	1,436,953	1,183,705	253,248
Board of Education	74,995	66,066	62,987	3,079
Administration	3,975,175	4,018,603	3,871,314	147,289
Fiscal	1,241,744	1,327,194	1,278,469	48,725
Operation and Maintenance of Plant	4,226,296	4,546,560	3,944,417	602,143
Pupil Transportation	6,274,452	6,132,246	5,198,393	933,853
Central	453,266	514,868	478,220	36,648
Operation of Non-Instructional Services	2,500	2,260	500	1,760
Extracurricular Activities	824,928	867,598	852,226	15,372
Debt Service:				
Principal Retirement	494,000	494,000	494,000	0
Interest and Fiscal Charges	297,095	301,137	301,137	0
Issuance Costs	900	900	900	0
Intergovernmental	8,000	8,000	0	8,000
Total Expenditures	57,047,736	58,414,907	56,006,011	2,408,896
Excess of Revenues Over (Under) Expenditures	(5,104,331)	(6,471,502)	(734,065)	5,737,437
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	10,000	10,000	2,512	(7,488)
Refund of Prior Year Expenditures	25,000	25,000	745,220	720,220
Insurance Recoveries	0	0	10,819	10,819
Advances - In	1,200,000	1,200,000	451,443	(748,557)
Advances - Out	(540,000)	(870,147)	(870,074)	73
Total Other Financing Sources (Uses)	695,000	364,853	339,920	(24,933)
Net Change in Fund Balance	(4,409,331)	(6,106,649)	(394,145)	5,712,504
Fund Balance at Beginning of Year	21,945,495	21,945,495	21,945,495	0
Prior Year Encumbrances Appropriated	852,462	852,462	852,462	0
Fund Balance at End of Year	\$18,388,626	\$16,691,308	\$22,403,812	\$5,712,504

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District, Ohio
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
June 30, 2020

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$307,532	\$163,214
Net Position:		
Restricted for Students	0	163,214
Held in Trust for Scholarships	307,532	0
Total Net Position	\$307,532	\$163,214

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District, Ohio
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2020

	Private Purpose Trust
Additions:	
Interest	\$1,908
Gifts and Donations	167,266
Total Additions and Transfers	169,174
Deductions:	
Payments in Accordance with Trust Agreements	21,400
Total Deductions	21,400
Change in Net Position	147,774
Net Position Beginning of Year	159,758
Net Position End of Year	\$307,532

See Accompanying Notes to the Basic Financial Statements

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by State and/or federal agencies. It is staffed by 269 non-certified employees, 342 certified full time personnel, who provide services to 5,284 students and other community members. The District currently operates eight instructional/support facilities.

Reporting Entity

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

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

The District participates in three jointly governed organizations and one insurance purchasing pool. These organizations include the Southwest Ohio Computer Association (SWOCA), the Southwestern Ohio Educational Purchasing Council (SWEPC), the Warren County Career Center and the Ohio SchoolComp Group Retro Program (GRP). These organizations are presented in Note 11 to the basic financial statements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds:

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

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

Debt Service Fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal retirement and interest and fiscal charges.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fiduciary Fund Types:

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2020.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

E. Cash and Investments

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

At June 30, 2020, the District's investments included money market funds, STAR Ohio, STAR Plus, commercial paper, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Association Notes, Federal Farm Credit Bank Notes, and U.S. Treasury Notes.

During fiscal year 2020, the District invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2020 were \$134,967 which included \$60,896 assigned from other District funds. Interest revenue was posted to the debt service fund, the permanent improvement fund, the building fund, the classroom facilities project fund, the food service fund, classroom facilities maintenance fund, the auxiliary services fund, and to the private purpose trust fund in the amounts of \$2,164, \$17,135, \$265,317, \$15,616, \$2,096, \$5,725, \$700 and \$1,908, respectively.

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Receivables/Payables

The District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. Advances in and advances out do not equal on the statement of cash receipts, disbursements and changes in modified cash basis fund balances due to an advance with the agency funds of \$1,835.

G. Pensions/Other Postemployment Benefits (OPEB)

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

H. Fund Balance

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

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

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

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

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

I. Net Position

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

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The statement of revenues, expenditures and changes in fund balance - budget (non-GAAP basis) and actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and modified cash basis are that:

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

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statement for the general fund. This table is comparing Net Change in Fund Balance.

Cash Basis	\$511,908
Net Adjustments	(1,440)
Funds Budgeted Elsewhere	(37,012)
Adjustment for Encumbrances	<u>(867,601)</u>
Budget Basis	<u><u>(\$394,145)</u></u>

NOTE 4 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and certain tangible personal property located in the District. Real property tax revenue received in calendar 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019 and are collected in 2020 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Warren County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 4 - PROPERTY TAXES (continued)

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second- Half Collections		2020 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$950,613,320	94.79%	\$981,673,040	94.95%
Public Utility	52,212,710	5.21%	52,176,380	5.05%
Total Assessed Value	<u>\$1,002,826,030</u>	<u>100.00%</u>	<u>\$1,033,849,420</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$59.97		\$64.51	

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. The District did not have any inactive deposits for the period ending June 30, 2020.

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

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

1. United States Treasury bills, notes, bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency or instrumentality securities must be a direct issuance of the federal agency or instrumentality;
3. STAR Ohio is eligible as long as the fund maintains the highest letter rating provided by at least one nationally recognized standard rating service as outlined in ORC 135.45;

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

4. Bonds and other obligations of the state of Ohio;
5. Interim deposits, such as certificates of deposits, in the eligible institutions having been approved by the Board for interim moneys. All demand and time deposits must be properly collateralized as required by ORC 135.18;
6. No-load money market funds offered by eligible depositories under ORC 135.03 consisting exclusively of obligations described in (1) or (2) above; and
7. Written repurchase agreements (repos) with any eligible public depository mentioned in ORC 135.03, or with any dealer who is a member of the NASD. The market value of the securities held as collateral for an overnight repo (including sweep accounts) or term repo must exceed principal by at least 2 percent, and the securities must be marked to market daily. Term repurchase agreement with an eligible securities dealer must be transacted on a delivery versus payment basis. All securities purchased pursuant to a repurchase agreement must be delivered into the custody of the Treasurer or an agent designated by the Treasurer. Such institution or dealer must agree in writing to unconditionally repurchase any of the securities used for any repo transaction.

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$9,028,747 of the District's bank balance of \$17,429,803 was exposed to custodial credit risk. All statutory requirements for the deposit of money had been followed.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

B. Investments

As of June 30, 2020, the District had the following investments. All investments are in an internal investment pool.

<u>Investment Type (Cost)</u>	<u>Investment Maturities (in years)</u>			<u>Percent of Total Investments</u>
	<u>Cost</u>	<u>1-2</u>	<u>3 or more</u>	
Money Market Funds	\$6,700,886	\$0	\$0	27.88%
STAR Ohio	6,372,257	0	0	26.51%
Certificates of Deposit	7,742,536	6,745,404	997,132	32.21%
Commercial Paper	2,293,857	2,293,857	0	9.54%
U.S. Treasury Notes	418,692	418,692	0	1.74%
Federal National Mortgage Association Notes	149,588	0	149,588	0.62%
Federal Home Loan Mortgage Notes	235,000	0	235,000	0.98%
Federal Farm Credit Bureau Notes	124,924	124,924	0	0.52%
Total Investments	\$24,037,740	\$9,582,877	\$1,381,720	

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

Credit Risk: STAR Ohio's ratings as of June 30, 2020 from Standard and Poor's are AAAM. The Federal National Mortgage Association Note, the Federal Home Loan Mortgage Notes, and the Federal Farm Credit Bureau Note carry a rating of AA+ by Standard and Poor's. The District's investment policy limits investments to those authorized by State statute. The District has no investment policy that addresses credit risk.

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 6 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the District contracted with Wright Specialties for general liability insurance with a \$1,000,000 single occurrence limit and a \$2,000,000 aggregate with a \$2,500 deductible. Property is protected by the USI Insurance Services and holds a \$5,000 deductible.

Vehicles and grounds equipment are insured by the Wright Specialties with a \$500 deductible for trucks, vans, cars and trailers with a \$1,000 deductible for school buses. There is a \$1,000,000 limit per occurrence.

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

B. Workers' Compensation

For fiscal year 2020, the District participated in the Ohio SchoolComp Group Retro Program (GRP) sponsored by both the Ohio School Board's Association and the Ohio Association of School Business Officials (Note 11). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

A. 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.

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.

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

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.

B. 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 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 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. 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 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, 2020, the allocation to pension, death benefits, and Medicare B was 13.50 percent. There was .50 percent allocated to the Health Care Fund.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

The District's contractually required contribution to SERS was \$1,148,243 for fiscal year 2020.

C. 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.

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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost of living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 after termination of employment at age 50 or later.

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.

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

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. For the fiscal year ended June 30, 2020, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$3,389,702 for fiscal year 2020.

D. Net Pension Liability

The net pension liability was measured as of June 30, 2019 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	\$15,387,141	\$45,855,953	\$61,243,094
Proportion of the Net Pension Liability			
Current Measurement Date	0.2571735%	0.20735790%	
Prior Measurement Date	0.2537825%	0.20129321%	
Change in Proportionate Share	0.0033910%	0.00606469%	

E. 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 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.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

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, 2019, are presented below:

Wage Inflation	3.00%
Future Salary Increases, including inflation	3.50% to 18.20%
COLA or Ad Hoc COLA	2.50%, three year suspension for 2018-2020
Investment Rate of Return	7.50% net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions Experience Study Date	Five year period ended June 30, 2015

Prior to 2017, an assumption of three percent was used for COLA or Ad Hoc COLA.

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members and beneficiaries was based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.50%
US Equity	22.50%	4.75%
International Equity	22.50%	7.00%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	8.00%
Real Assets	15.00%	5.00%
Multi-Asset Strategies	10.00%	3.00%
Total	<u>100.00%</u>	

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

1. Discount Rate

The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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.

2. 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$21,562,886	\$15,387,141	\$10,208,007

F. Changes in Benefit Terms

The COLA was changed from a fixed three percent to a COLA that is indexed to CPI-W not greater than 2.5 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

G. Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019 is presented below:

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Discount Rate of Return	7.45%
Payroll Increases	3.00%
Cost-of-Living Adjustments (COLA)	0% effective July 1, 2017

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

For the July 1, 2019, actuarial valuations, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio’s investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	1.00%	2.25%
Total	100.00%	

*10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS Ohio’s investment consultant indicates that the above target for allocations should generate a return above the actuarial rate of return, without net value added by management.

1. Discount Rate

The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. 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. 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 7 – DEFINED BENEFIT PENSION PLANS (continued)

2. Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the School District's proportionate share of the net pension liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$67,013,367	\$45,855,953	\$27,945,119

NOTE 8 – DEFINED BENEFIT OPEB PLANS

A. Net OPEB Liability

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB liability represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates annually.

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 OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

B. Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was \$97,043.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$139,571 for fiscal year 2020.

C. Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly 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. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

D. Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability (asset) was based on the District's share of contributions to the respective retirement systems relative to the 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 OPEB Liability (Asset)	\$6,484,991	(\$3,434,344)	\$3,050,647
Proportion of the Net OPEB Liability (Asset)			
Current Measurement Date	0.2578741%	0.20735790%	
Prior Measurement Date	<u>0.2569436%</u>	<u>0.20129321%</u>	
Change in Proportionate Share	0.0009305%	0.0060647%	

E. Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). Actuarially determined amounts are 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.

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Wage Inflation	3.00%
Future Salary Increases, including inflation	3.50% to 18.20%
Investment Rate of Return	7.50%, net of investment expenses, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13%
Prior Measurement Date	3.62%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.22%
Prior Measurement Date	3.70%
Medical Trend Assumption	
Medicare	5.25%-4.75%
Pre-Medicare	7.00%-4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.50%
U.S. Stocks	22.50%	4.75%
Non-U.S. Stocks	22.50%	7.00%
Fixed Income	19.00%	1.50%
Private Equity	10.00%	8.00%
Real Assets	15.00%	5.00%
Multi Asset Strategy	10.00%	3.00%

1. Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

2. Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates

The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	<u>1% Decrease (2.22%)</u>	<u>Current Discount Rate (3.22%)</u>	<u>1% Increase (4.22%)</u>
District's proportionate share of the net OPEB liability	\$7,871,550	\$6,484,991	\$5,382,515

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing (5.75%))
District's proportionate share of the net OPEB liability	\$5,195,792	\$6,484,991	\$8,195,447

F. Actuarial Assumptions - STRS

The total OPEB asset in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Salary Increases	12.50% at age 20 to 2.50% at age 65	
Payroll Increases	3.00%	
Investment Rate of Return	7.45%, net of investment expenses, including inflation	
Discount Rate of Return	7.45%	
Health Care Cost Trends	Initial	Ultimate
Medical		
Medicare	4.93%	4.00%
Pre-Medicare	5.87%	4.00%
Prescription Drug		
Medicare	9.62%	4.00%
Pre-Medicare	7.73%	4.00%

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	28.00%	7.35%
International Equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed Income	21.00%	3.00%
Real Estate	10.00%	6.00%
Liquidity Reserves	1.00%	2.25%
Total	<u>100.00%</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

1. Discount Rate

The discount rate used to measure the total OPEB asset was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB asset as of June 30, 2019.

2. Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate

The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB (asset)	(\$2,930,529)	(\$3,434,344)	(\$3,857,935)

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 8 – DEFINED BENEFIT OPEB PLANS (continued)

	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
District's proportionate share of the net OPEB (asset)	(\$3,894,389)	(\$3,434,344)	(\$2,870,901)

NOTE 9 – LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2020 were as follows:

	Amount Outstanding 6/30/2019	Additions	Deductions	Amount Outstanding 6/30/2020	Amounts Due In One Year
Governmental Activities					
General Obligation Bonds:					
December, 2015 Refunding of General Obligation Bonds, 2%-3%	\$4,530,000	\$0	\$1,580,000	\$2,950,000	\$1,630,000
May, 2014 Refunding of General Obligation Bonds, 2%-5%	3,115,000	0	210,000	2,905,000	215,000
May, 2014 School Improvement General Obligation Bonds, 4.1%	16,595,000	0	225,000	16,370,000	245,000
April, 2014 School Improvement General Obligation Bonds, 1%-4%	8,790,000	0	210,000	8,580,000	215,000
September, 2017 Refunding of General Obligation Bonds, 2%-5%	10,995,000	0	130,000	10,865,000	0
Total General Obligation Bonds	44,025,000	0	2,355,000	41,670,000	2,305,000
Energy Conservation Bonds:					
2011 Qualified School Construction Bonds, 4.45%	1,780,000	0	235,000	1,545,000	240,000
Capital Leases:					
Lease Purchase Obligation	4,000,000	0	125,000	3,875,000	230,000
COPS Capital Lease	2,189,000	0	134,000	2,055,000	141,000
Total Capital Leases	6,189,000	0	259,000	5,930,000	371,000
Total Governmental Activities Long-Term Liabilities	\$51,994,000	\$0	\$2,849,000	\$49,145,000	\$2,916,000

General Obligation Bonds

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

In fiscal year 2014, the District issued \$17,335,000 and \$9,730,000 in voted general obligation bonds for the purpose of additions to Bowman Elementary to house grades PK-two, additions and renovations to Donovan Elementary to house grades three and four, and partial demolition, addition and renovations to Berry Intermediate to house grades five and six. At the secondary level, a new junior high will be built to house grades seven and eight, and there were be additions to Lebanon High School to house grades nine through 12. These bonds were issued for the local portion of State of Ohio Classroom Facilities Assistance Program. The bonds are payable semi-annually on June 1 and December 1 of each year with the first payment due on December 1, 2014 and the final payment is due on December 1, 2050. In addition, the District refunded \$3,835,000 of the 2005 Series general obligation bonds during fiscal year 2014. These bonds will be paid from the debt service fund. The District refunded \$9,280,000 of the 2005 series refunded bonds in December, 2015. These bonds will also be paid from the debt service fund.

In fiscal year 2018, the District refunded \$12,435,000 of the 2007 refunded general obligation bonds. The bonds will be paid from the debt service fund.

Energy Conservation Bonds

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

Capital Leases

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

During fiscal year 2019, the District entered into a lease-purchase agreement for the construction/improvement of the central office/district event center. The lease agreement provided for cash payments which were recorded as an other financing source, inception of capital lease. Future expenditures will be recorded in the building capital projects fund.

All general obligation debt is supported by the full faith and credit of the District. At June 30, 2020, the District's overall legal debt limitation was \$59,880,466, and the unvoted debt margin was \$1,033,849.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2020, are as follows:

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$2,916,000	\$1,915,983	\$4,831,983
2022	3,079,000	1,839,818	4,918,818
2023	1,397,000	1,779,358	3,176,358
2024	2,981,000	1,722,679	4,703,679
2025	3,055,000	1,625,124	4,680,124
2026-2030	15,222,000	6,077,224	21,299,224
2031-2035	5,515,000	3,812,848	9,327,848
2036-2040	4,270,000	2,897,223	7,167,223
2041-2045	4,905,000	1,805,213	6,710,213
2046-2050	4,735,000	747,470	5,482,470
2051	1,070,000	22,738	1,092,738
Total	<u>\$49,145,000</u>	<u>\$24,245,678</u>	<u>\$73,390,678</u>

NOTE 10 – LEASES

The District leases buildings, vehicles and other equipment under noncancelable leases. The District disbursed \$489,095 to pay lease costs for the year ended June 30, 2020. Future lease payments are as follows:

Fiscal Year Ending June 30,	Total Payments
2021	\$583,995
2022	582,630
2023	585,620
2024	583,941
2025	581,636
2026-2030	2,909,982
2031-2034	1,583,774
Total	<u>7,411,578</u>
Less: Amount Representing Interest	(1,481,578)
Present Value of Net Minimum Lease Payments	<u>\$5,930,000</u>

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

A. Jointly Governed Organizations

Southwest Ohio Computer Association

The District is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The District paid SWOCA \$185,556 for services provided during the fiscal year. Financial information can be obtained from Donna Davis Norris, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Southwestern Ohio Educational Purchasing Council

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

To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Dr., Suite 208, Vandalia, OH 45377.

Warren County Career Center

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

B. Insurance Purchasing Pool

Ohio SchoolComp Group Retro Program

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

Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 12 – FUND BALANCE

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

	General	Debt Service Fund	Other Governmental Funds	Total Governmental
Restricted for:				
Career Tech Funds	\$150,680	\$0	\$0	\$150,680
Debt Retirement	0	8,504,018	0	8,504,018
Permanent Improvements	0	0	1,441,625	1,441,625
Building Projects	0	0	44,775	44,775
Classroom Facilities Project	0	0	3,634,545	3,634,545
Energy Conservation Projects	0	0	9,994	9,994
Food Service	0	0	262,038	262,038
Miscellaneous Local Grants	0	0	7,899	7,899
Classroom Facilities Maintenance	0	0	1,043,800	1,043,800
Athletic Activities	0	0	40,030	40,030
Auxiliary Services	0	0	145,721	145,721
Making Middle Grades Work	0	0	430	430
Student Wellness and Success Funds	0	0	251,943	251,943
Miscellaneous State Grants	0	0	38,017	38,017
Special Education (IDEA, Part B)	0	0	175,096	175,096
LEP (Title III)	0	0	2,018	2,018
Intervention (Title I)	0	0	2,307	2,307
Early Childhood Education	0	0	3,320	3,320
Title IV-A	0	0	335	335
Total Restricted	<u>150,680</u>	<u>8,504,018</u>	<u>7,103,893</u>	<u>15,758,591</u>
Committed for:				
Athletic Stadium Improvements	0	0	1,629,054	1,629,054
Total Committed	<u>0</u>	<u>0</u>	<u>1,629,054</u>	<u>1,629,054</u>
Assigned for:				
School Supplies	189,397	0	0	189,397
Public School Support	152,407	0	0	152,407
Educational Activities	867,601	0	0	867,601
Total Assigned	<u>1,209,405</u>	<u>0</u>	<u>0</u>	<u>1,209,405</u>
Unassigned				
	<u>22,254,578</u>	<u>0</u>	<u>0</u>	<u>22,254,578</u>
Total Fund Balance	<u><u>\$23,614,663</u></u>	<u><u>\$8,504,018</u></u>	<u><u>\$8,732,947</u></u>	<u><u>\$40,851,628</u></u>

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 13 – SET-ASIDE CALCULATION

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

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

	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2019	\$0
Current Year Set-aside Requirement	972,186
Qualifying Disbursements	(289,091)
Current Year Offsets	(1,602,967)
Total	(\$919,872)
Set-aside Reserve Balance as of June 30, 2020	\$0

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

NOTE 14 - INTERFUND TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
Nonmajor Funds:		
Athletics	\$743	\$158
Title I	111,995	899
Title II-A	899	111,995
Agency:		
Tournaments	158	743
Total All Funds	\$113,795	\$113,795

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The transfers out of the tournaments fund were to cover the costs of the OHSAA sponsored tournaments that were paid out of the athletics fund. The transfers out of the Title II-A fund to the Title I fund were due to the funds being combined on the consolidated grant application.

**Lebanon City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020**

NOTE 15 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2020, if applicable, cannot be determined at this time.

B. Litigation

The District was not a party to any legal proceedings at June 30, 2020.

C. Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective during the 2014-2015 school year, traditional school districts had to 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 enrollment information is updated by the school 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, 2020 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 future receipt or future expenditure of the School District that is related to the current fiscal year.

NOTE 16 – TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Other governments entered into property tax abatement agreements with property owners under the Ohio Community Reinvestment Area (“CRA”) program with the taxing districts of the District. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, the City of Lebanon has entered into such an agreement. Under this agreement, the District’s property taxes were reduced by approximately \$262,214. The District is receiving \$83,571 from this other government in association with the forgone property tax revenue.

NOTE 17 – COVID 19

The United States and the State of Ohio declared a state of emergency in March, 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. The School District’s investment portfolio and the investments of the pension and the other employee benefit plan in which the School District participates, fluctuate with market conditions, and due to the market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**LEBANON CITY SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
<i>Non-Cash Assistance (Food Distribution)</i>			
National School Lunch Program	10.555	3L60	83,076
<i>Cash Assistance</i>			
COVID-19 School Breakfast Program	10.553	3L70	36,058
School Breakfast Program	10.553	3L70	48,004
COVID-19 National School Lunch Program	10.555	3L60	84,761
National School Lunch Program	10.555	3L60	310,565
Cash Assistance Subtotal			<u>479,388</u>
Total Child Nutrition Cluster			<u>562,464</u>
Total U.S. Department of Agriculture			<u>562,464</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	3M00	555,772
Special Education Cluster:			
Special Education - Grants to States	84.027	3M20	1,091,659
Special Education - Grants to States (Restoration)	84.027	3M20	27,701
Special Education - Preschool Grants	84.173	3C50	28,172
Special Education - Preschool Grants (Restoration)	84.173	3C50	2,803
Total Special Education Cluster			<u>1,150,335</u>
English Language Acquisition State Grants	84.365	3Y70	14,588
Student Support & Academic Enrichment Program	84.424	3H10	39,077
Total U.S. Department of Education			<u>1,759,772</u>
Total Expenditures of Federal Awards			<u><u>\$2,322,236</u></u>

The accompanying notes are an integral part of this schedule.

**LEBANON CITY SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Lebanon City School District (the District) under programs of the federal government for the year ended June 30, 2020. 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 position 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 the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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 fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE F - MATCHING REQUIREMENTS

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

OHIO AUDITOR OF STATE KEITH FABER



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

Lebanon City School District
Warren County
160 Miller Road
Lebanon, Ohio 45036

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 Lebanon City School District, Warren County, (the School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 27, 2021, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School 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 School 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 School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-001.

School's Response to Findings

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the School District's response to the auditing procedures applied in the audit of the financial statements 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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
January 27, 2021

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Lebanon City School District
Warren County
160 Miller Road
Lebanon, Ohio 45036

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Lebanon City School District's (the School 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 the Lebanon City School District's major federal program for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal program 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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Lebanon City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

The School 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 School 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 School 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 compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with 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 would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Keith Faber
Auditor of State
Columbus, Ohio
January 27, 2021

**LEBANON CITY SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

<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?	No
<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
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	84.027/84.173: Special Education Cluster
<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 CFR § 200.520?	No

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

FINDING NUMBER 2020-001

Noncompliance

Ohio Rev. § Code §117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

**FINDING NUMBER 2020-001
(Continued)**

The School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements according to generally accepted accounting principles.

Officials' Response:

The District intentionally chooses to not file annual financial reports in accordance with GAAP to avoid increased preparation and audit cost. This practice will be reviewed annually by the Community Audit Advisory Committee but is expected to continue for future audits.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Ohio Revised Code §117.38; Ohio Admin. Code § 117-2-03(B) – requires the School District to file annual financial reports in accordance with GAAP	Not Corrected	The District intentionally chooses to not file annual financial reports in accordance with GAAP to avoid increased preparation and audit cost. This practice will be reviewed annually by the Community Audit Advisory Committee but is expected to continue for future audits.

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CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
June 30, 2020

Finding Number: 2020-001
Planned Corrective Action: The District intentionally chooses to not file annual financial reports in accordance with GAAP to avoid increased preparation and audit cost. This practice will be reviewed annually by the Community Audit Advisory Committee but is expected to continue for future audits.
Anticipated Completion Date: No completion expected
Responsible Contact Person: Paul E. Sotzing

OHIO AUDITOR OF STATE KEITH FABER



LEBANON CITY SCHOOL DISTRICT

WARREN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/23/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov