

LEBANON SPECIAL SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

LEBANON SPECIAL SCHOOL DISTRICT

Table of Contents

INTRODUCTORY SECTION

Roster of District Officials.....	1
-----------------------------------	---

FINANCIAL SECTION

Independent Auditor's Report.....	2-3
Management's Discussion and Analysis.....	4-8

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets	9
Statement of Activities	10

Fund Financial Statements:

Balance Sheet – Governmental Funds	11
Reconciliation of Balance Sheet to Statement of Net Assets.....	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds to the Statement of Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund.....	15-23
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – School Federal Projects	24-25
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Education Capital Projects .	26
Notes to Financial Statements.....	27-43

Combining and Individual Nonmajor Fund Statement and Schedules:

Description of Nonmajor Governmental Funds.....	44
Combining Balance Sheet – Nonmajor Governmental Funds.....	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	46
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual Central Cafeteria Fund	47
Extended School Projects Fund	48

Capital Assets Used in the Operation of Governmental Funds:

Schedule by Function and Activity	49
Schedule of Changes by Function and Activity	50
Schedule of Changes in General Long-Term Notes and Bonds.....	51
Schedule of Indebtedness and Interest Requirements	52
Schedule of Interfund Transfers.....	53
Schedule of Salary and Official Bond of Director of Schools	54
Schedule of Expenditures of Federal Awards and State Financial Assistance	55

LEBANON SPECIAL SCHOOL DISTRICT

Table of Contents (Continued)

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56-57
Report on Compliance with Requirements Applicable to a Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133...	58-59
Schedule of Findings and Questioned Costs.....	60-61
Disposition of Prior Year Findings	62

LEBANON SPECIAL SCHOOL DISTRICT

Roster of District Officials

June 30, 2010

Director of Schools

Dr. Sharon Roberts

Board of Education

Steve Jones, Chairman
Andy Brummett, Secretary-Treasurer
Mark Tomlinson

Vance CPA LLC

Certified Public Accountants

178 Honey Hollow Lane
Belvidere, Tennessee 37306

Member of:

American Institute of Certified Public Accountants

Georgia Society of Certified Public Accountants

Alabama Society of Certified Public Accountants

Tel. (888) 531-6408

Fax (866) 406-7422

INDEPENDENT AUDITOR'S REPORT

To the Director of Schools and
Board of Education
Lebanon Special School District

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lebanon Special School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Lebanon Special School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lebanon Special School District as of June 30, 2010, and the respective changes in financial position and the budgetary comparison for the General Fund and School Federal Projects Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 23, 2011, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis on pages 4 through 8 is not a required part of the financial statements but is supplementary information required by the Government Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and did not express an opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lebanon Special School District's basic financial statements. The introductory Section (page 1), combining and individual nonmajor fund statements and schedules (pages 43 through 55) are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund statement and schedules and the Schedule of Expenditures of Federal Awards and State Financial Assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in the relation to the basic financial statements taken as whole. The introductory section has not been subjected to the auditing procedures applied by me in the audit of the basic financial statements, and accordingly, I express no opinion on it.

February 23, 2011


Vance CPA LLC

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Fiscal Year ending June 30, 2010

Lebanon Special School District

Introduction

The Management's Discussion and Analysis (MD&A) is a required supplementary document to the District's annual financial report to comply with the more stringent requirements of the accounting standards established by the Governmental Accounting Standards Board (GASB 34). The MD&A portion of this audit report has been prepared by management of the Lebanon Special School District, and presents a narrative overview and analysis of the District's financial performance for the fiscal year ended June 30, 2010.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Lebanon Special School District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes). Interfund services provided and used are not eliminated in the process of consolidation.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are reflected as governmental funds.

Overview of the Financial Statements (Cont.)

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Condensed financial information

The following schedule presents a summary of the financial position for the fiscal years ended June 30, 2010 and 2009 and the amount and percentage of increases and decreases in relation to the year ended June 30, 2009.

	<u>FY 10</u>	<u>FY 09</u>	<u>Percentage Inc / (Dec)</u>
<u>Statement of Net Assets</u>			
Capital assets net of accumulated depr	\$15,820,320	\$15,180,587	4.2
Other assets	<u>37,181,517</u>	<u>17,591,366</u>	111.4
Total assets	<u>\$53,001,837</u>	<u>\$32,771,953</u>	61.7
Long-term liabilities	\$26,251,610	\$ 9,267,587	183.3
Other liabilities	<u>8,864,549</u>	<u>8,197,438</u>	8.1
Total liabilities	<u>35,116,159</u>	<u>17,465,025</u>	101.1
Net assets invested in capital assets	(9,299,011)	5,280,304	(276.1)
Restricted net assets	21,134,826	4,114,807	413.6
Unrestricted net assets	<u>6,049,863</u>	<u>5,911,817</u>	2.3
Total net assets	<u>\$17,885,678</u>	<u>\$15,306,928</u>	16.8

Condensed financial information (Cont.)

	<u>FY 10</u>	<u>FY 09</u>	<u>Percentage Inc / (Dec)</u>
<u>Statement of Activities</u>			
Program revenues			
Charges for services	\$ 1,019,492	\$ 1,073,161	(5.2)
Operating grants and contributions	15,978,842	15,429,590	3.6
General revenues:			
Local taxes	12,575,777	12,180,632	3.2
Licenses and permits	1,154	1,202	(4.0)
Other local revenues	<u>336,013</u>	<u>289,016</u>	16.3
	<u>29,911,278</u>	<u>28,973,601</u>	3.2
Expenses			
Instruction	15,413,207	14,323,453	7.6
Support Services	8,637,946	8,239,643	4.8
Operation of non-instructional svcs	2,838,361	2,742,791	3.5
Interest on long-term debt	564,563	430,913	31.0
Capital projects	<u>2,069</u>	<u>0</u>	100.0
	<u>27,456,146</u>	<u>25,736,800</u>	6.7
Increase (decrease) in net assets	2,455,132	3,236,801	(24.1)
Net assets, beginning	15,306,928	12,070,127	26.8
Prior period adjustments	<u>123,618</u>	<u>0</u>	100.0
Net assets, ending	<u>\$17,885,678</u>	<u>\$15,306,928</u>	16.8

The significant increases in other assets, long term liabilities, and restricted net assets resulted primarily from cash received from a bond issue to build a new middle school.

The significant increase in net assets invested in capital assets resulted from unexpended capital outlay debt issued for the new middle school.

Capital Expenditures

Some of the significant capital expenditures made during fiscal year 2010 were:

Land for new middle school	\$1,799,795
Construction in progress on new school	756,385
Three buses	250,736
Elementary curriculum license	191,970
Roof replacement at Coles Ferry Elementary	44,996
2010 Ford E-350	22,672
Computer lab – WJ Baird	22,498
Computer lab – Castle Heights	22,498

See Note 3 on pages 31-32 for more detailed information concerning capital asset activity.

Financial Analysis – General Fund

Highlights of Governmental Fund Balance sheet include:

- Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” on the Governmental Fund Balance Sheet. The net amount of these accounts are combined and shown as “internal balances” on the Statement of Net Assets.
- Net assets related to federal programs are restricted by the awarding agency, while net assets related to career ladder, debt service and capital outlay are restricted by the Board of Education.

General Fund Budgetary Highlights

The District adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. Overall, the District stayed within its spending guidelines and had a favorable budget variance.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Inc / (Dec)</u>
Revenue			
Taxes	\$10,297,207	\$10,024,807	\$ (254,400)
Licenses and permits	1,000	1,000	-
State of Tennessee	12,775,972	12,778,962	2,990
Other local revenues	<u>159,509</u>	<u>148,309</u>	<u>(11,200)</u>
	<u>23,215,688</u>	<u>22,953,078</u>	<u>(262,610)</u>
Expenditures			
Instruction	13,989,691	13,743,091	(246,600)
Support Services	8,365,811	8,335,561	(30,250)
Operation of non-instructional svcs	<u>862,686</u>	<u>859,536</u>	<u>(3,150)</u>
	<u>23,218,188</u>	<u>22,938,188</u>	<u>(280,000)</u>
Excess (deficiency) of revenues over expenditures	(2,500)	14,890	17,390
Other financing sources (uses)	<u>2,500</u>	<u>(592,500)</u>	<u>(595,000)</u>
Net change in fund balances	-	(577,610)	(577,610)
Fund balance, beginning	-	<u>4,531,184</u>	<u>4,531,184</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ 3,953,774</u>	<u>\$ 3,953,774</u>

The original budget for tax revenues decreased significantly due to the lower collections than estimated due, in part, to the closing of area industries. The decrease in the original budget for instruction is due primarily to the overly conservative estimation of salaries for both regular instruction teachers and related payroll taxes and retirement.

General Fund Budgetary Highlights (Cont.)

The increase in the budget for support services is primarily due to unscheduled maintenance of buildings and equipment. The Board generally does not include the beginning fund balance in its budget.

Debt Administration

As of June 30, 2010, the District had outstanding bonds totaling \$27,095,000 which consisted of refunding issues and the new school building construction debt issuance.. See Note 5 on pages 34-35 for more detailed information concerning long-term debt.

Economic Issues and Problem Areas:

The trend at the state level is toward taking more and more of local government's share of state collected taxes (sales, income, etc.). Many governmental entities have been forced to increase their local revenue and/or reduced their services in order to make ends meet. The District of Lebanon Special School District has minimized its increase in local taxes and reduction of any services to date.

Independent Audit

State statutes require an annual audit by an independent certified public accounting firm. In addition to meeting the requirements set forth in state statutes, the audit is conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States of America. The auditor's report on the basic financial statements and supplementary schedules is included in the financial section of this report.

Contacting the District's Financial Management

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. If you have questions about this report or need additional financial information, contact the Lebanon Special School District, 701 Coles Ferry Pike, Lebanon, TN 37087. Our phone number is 615-449-6060.

LEBANON SPECIAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 26,299,511
Investments	850,000
Receivables, net of allowance for uncollectibles	
Taxes	6,706,920
Due from other governments	996,815
Other	13,524
Inventories, at cost	22,687
Deferred charges - debt issuance costs	204,781
Land	2,087,279
Capital assets (net of accumulated depreciation)	15,820,320
Total Assets	<u>\$ 53,001,837</u>
LIABILITIES	
Accounts payable	\$ 196,665
Accrued liabilities	778,449
Interest payable	227,515
Deferred revenue	6,706,920
Long-term liabilities due within one year	955,000
Long-term liabilities due in more than one year	26,251,610
Total Liabilities	<u>35,116,159</u>
NET ASSETS	
Investments in capital assets, net of related debt	(9,299,011)
Restricted for:	
Career ladder	1,762
Federal projects	71,212
Debt service	3,962,459
Capital outlay	17,099,393
Unrestricted	6,049,863
Total Net Assets	<u>\$ 17,885,678</u>

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2010

	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets	
<u>Functions / Programs:</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>Total</u>
Primary Government:				
Governmental Activities:				
Instruction	\$ 15,413,207	\$ 15,978,842	\$ 565,635	\$ 565,635
Support services	8,637,946	-	(8,637,946)	(8,637,946)
Operation of non-instructional services	2,838,361	1,019,492	(1,818,869)	(1,818,869)
Interest expense on long-term debt	519,758	-	(519,758)	(519,758)
Other debt service	44,805	-	(44,805)	(44,805)
Capital projects	2,069	-	(2,069)	(2,069)
Total Government Activities	27,456,146	1,019,492	(10,457,812)	(10,457,812)
Total Primary Government	\$ 27,456,146	\$ 1,019,492	\$ (10,457,812)	\$ (10,457,812)
General Revenues:				
Local taxes			12,575,777	12,575,777
Licenses and permits			1,154	1,154
Other local revenues			336,013	336,013
Total general revenues			12,912,944	12,912,944
Change in net assets			2,455,132	2,455,132
Net assets - beginning of year			15,306,928	15,306,928
Prior period adjustment			123,618	123,618
Net assets - end of year			\$ 17,885,678	\$ 17,885,678

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

**Balance Sheet
Governmental Funds**

June 30, 2010

	Major Funds				Nonmajor	Total Governmental Funds
	General	School Federal Projects	Education Debt Service	Education Capital Projects	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 4,419,382	\$ 108,400	\$ 3,830,263	\$ 17,263,067	\$ 678,399	\$ 26,299,511
Investments	-	-	-	-	850,000	850,000
Accounts receivable	1,809	-	-	-	-	1,809
Interest receivable	-	-	-	-	11,715	11,715
Due from other governments	860,761	3,858	132,196	-	-	996,815
Due from other funds	37,183	-	-	-	-	37,183
Taxes receivable	6,806,811	-	-	-	-	6,806,811
Allowance for uncollectibles	(99,891)	-	-	-	-	(99,891)
Inventories	-	-	-	-	22,687	22,687
Total assets	\$ 12,026,055	\$ 112,258	\$ 3,962,459	\$ 17,263,067	\$ 1,562,801	\$ 34,926,640
LIABILITIES:						
Accounts payable	\$ 29,128	\$ 3,863	\$ -	\$ 163,674	\$ -	\$ 196,665
Accrued liabilities	778,449	-	-	-	-	778,449
Due to other funds	-	37,183	-	-	-	37,183
Deferred revenue	6,706,920	-	-	-	-	6,706,920
Total liabilities	7,514,497	41,046	-	163,674	-	7,719,217
FUND BALANCES						
Reserved for:						
Career ladder	1,762	-	-	-	-	1,762
Federal projects	-	71,212	-	-	-	71,212
Debt service	-	-	3,962,459	-	-	3,962,459
Inventory	-	-	-	-	22,687	22,687
Capital outlay	-	-	-	17,099,393	-	17,099,393
Unreserved, reported in						
General fund	4,509,796	-	-	-	-	4,509,796
Special revenue funds	-	-	-	-	1,540,114	1,540,114
Total fund balances	4,511,558	71,212	3,962,459	17,099,393	1,562,801	27,207,423
Total liabilities and fund balances	\$ 12,026,055	\$ 112,258	\$ 3,962,459	\$ 17,263,067	\$ 1,562,801	\$ 34,926,640

LEBANON SPECIAL SCHOOL DISTRICT

Reconciliation of the Balance Sheet to Statement of Net Assets

June 30, 2010

Amounts reported for fund balance - total governmental funds	\$ 27,207,423
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Add: land	2,087,279
Add: property and equipment	23,562,273
Less: accumulated depreciation	(8,498,338)
Add: construction in progress	756,385
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Less: bonds payable	(27,095,000)
Less: accrued interest on bonds	(227,515)
Less: other post employments benefits liability	(111,610)
Add: deferred charges - debt issuance cost	204,781
Net assets of governmental activities	\$ <u>17,885,678</u>

LEBANON SPECIAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds

For the Fiscal Year Ended June 30, 2010

	Major Funds				Nonmajor	Total
	General	School Federal Projects	Education Debt Service	Education Capital Projects	Other Governmental Funds	
Revenues						
Local taxes	\$ 10,179,719	\$ -	\$ 2,396,058	\$ -	\$ -	\$ 12,575,777
Licenses and permits	1,154	-	-	-	-	1,154
Charges for current services	-	-	-	-	1,019,492	1,019,492
Other local revenues	189,118	-	62,134	59,052	25,709	336,013
State of Tennessee	12,792,232	-	-	-	-	12,792,232
Federal government	-	2,085,379	-	-	1,101,231	3,186,610
Total revenue	<u>23,162,223</u>	<u>2,085,379</u>	<u>2,458,192</u>	<u>59,052</u>	<u>2,146,432</u>	<u>29,911,278</u>
Expenditures						
Instruction	13,612,378	1,609,045	-	-	-	15,221,423
Support services	8,129,985	478,181	-	-	-	8,608,166
Operation of non-instructional services	847,186	-	-	-	2,033,446	2,880,632
Debt service	-	-	1,316,635	-	-	1,316,635
Capital projects	-	-	-	2,763,210	-	2,763,210
Total expenditures	<u>22,589,549</u>	<u>2,087,226</u>	<u>1,316,635</u>	<u>2,763,210</u>	<u>2,033,446</u>	<u>30,790,066</u>
Excess (deficiency) of revenues over expenditures	<u>572,674</u>	<u>(1,847)</u>	<u>1,141,557</u>	<u>(2,704,158)</u>	<u>112,986</u>	<u>(878,788)</u>
Other financing sources and (uses)						
Bond proceeds	-	-	-	18,000,000	-	18,000,000
Transfers in	2,500	50,000	-	1,800,023	-	1,852,523
Transfers out	(595,000)	-	(1,255,023)	-	(2,500)	(1,852,523)
Total other financing sources and (uses)	<u>(592,500)</u>	<u>50,000</u>	<u>(1,255,023)</u>	<u>19,800,023</u>	<u>(2,500)</u>	<u>18,000,000</u>
Net change in fund balances	(19,826)	48,153	(113,466)	17,095,865	110,486	17,121,212
Fund balances, beginning	4,531,384	23,059	4,075,925	3,528	1,452,315	10,086,211
Fund balances, ending	<u>\$ 4,511,558</u>	<u>\$ 71,212</u>	<u>\$ 3,962,459</u>	<u>\$ 17,099,393</u>	<u>\$ 1,562,801</u>	<u>\$ 27,207,423</u>

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenses and Changes in
Fund Balances to the Statement of Activities

June 30, 2010

Net change in fund balances - total governmental funds \$ 17,121,212

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Cost of assets acquired	2,366,108
Depreciation expense	(682,785)
Construction in progress	756,385

Governmental funds report underwriter's discount and bond issuance cost as expenditures. However, in the statement of activities, the cost is allocated over the repayment term of the bonds and reported as amortization expense.

Underwriters discount and bond issuance costs	206,850
Amortization expense	(2,069)

The issuance of long-term debt provides current financial resources to government funds while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds, but has no affect on net assets.

Issuance of school construction bonds	(18,000,000)
Repayment of bonds payable	920,000

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

Change in accrued interest payable	(167,928)
Change in other post employment benefits liability (net of prior period adjustment)	(62,641)

Change in net assets of governmental activities \$ 2,455,132

LEBANON SPECIAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual
General Fund

For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Revenues				
County taxes				
Current property taxes	\$ 6,360,551	\$ 6,179,551	\$ 6,210,114	\$ 30,563
Trustee's collections - prior	102,000	139,000	139,233	233
Trustee's collections - bankruptcy	-	2,800	3,098	298
Circuit/C&M - prior year	130,000	160,000	244,130	84,130
Interest & penalty	20,000	24,800	27,786	2,986
Local option sales tax	2,462,721	2,327,221	2,351,457	24,236
Bank excise tax	26,000	34,500	34,572	72
Interstate telecommunications	2,500	2,000	2,044	44
Total	9,103,772	8,869,872	9,012,434	142,561
Special school taxes				
Current property taxes	1,152,435	1,120,435	1,132,066	11,631
Trustee's collections - prior	20,000	29,700	29,725	25
Interest & penalty	3,000	4,800	5,494	694
Total	1,175,435	1,154,935	1,167,285	12,350
Total taxes	10,279,207	10,024,807	10,179,719	154,911
Licenses and permits				
Marriage licenses	1,000	1,000	1,154	154
Total	1,000	1,000	1,154	154
Other local revenues				
Recurring items				
Investment income	100,000	120,500	118,381	(2,119)
E-rate funding	15,509	14,509	14,645	136
Miscellaneous refunds	21,000	-	42,230	42,230
Nonrecurring items				
Sale of equipment	7,500	11,800	11,860	60
Damages recovered from individuals	500	-	25	25
Contributions & gifts	15,000	1,500	1,977	477
Total	159,509	148,309	189,118	40,809
State of Tennessee				
Basic Education Program	11,821,000	11,821,000	11,833,000	12,000
Early childhood education	650,111	650,111	650,111	-
School food serv. (state matching)	19,000	18,600	18,621	21
Other state education funds	123,300	2,100	2,125	25
Coordinated school health	-	90,000	90,000	-
Internet connectivity	-	8,900	8,929	29
Family resource center	-	33,300	33,300	-
Statewide student management system	-	7,940	7,942	2
Career ladder (regular)	122,000	117,950	117,985	35
Career ladder - extended contract	40,561	29,061	30,219	1,158
Total	12,775,972	12,778,962	12,792,232	13,270
Total revenue	23,215,688	22,953,078	23,162,223	209,143

(Continued)

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual (Continued)
General Fund

For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures				
Instruction				
Regular instruction program				
Teachers	\$ 8,901,714	\$ 8,744,714	\$ 8,723,542	\$ 21,172
Career ladder program	77,000	75,000	73,885	1,115
Career ladder extended contract	35,000	35,100	35,079	21
Homebound teachers	1,500	1,500	1,488	13
Educational assistants	416,038	379,038	377,105	1,933
Other salaries & wages	221,919	221,919	220,151	1,768
Substitute teachers	35,000	56,300	56,107	193
Non-certified substitute teachers	78,000	78,000	77,252	748
Social security	558,468	546,468	538,915	7,553
State retirement	629,523	617,523	613,419	4,104
Life insurance	8,125	12,525	12,462	64
Employee insurance	587,811	604,811	603,835	976
Unemployment compensation	2,490	2,790	2,754	36
Employer medicare liability	129,010	128,010	126,762	1,248
Tuition	1,000	-	-	-
Other contracted services	60,000	60,000	60,000	-
Instructional supplies & materials	50,000	43,500	43,121	379
Textbooks	177,123	173,123	172,127	996
Other supplies & materials	50,000	46,000	45,119	881
Other charges	46,500	39,500	24,444	15,056
Regular instruction equipment	428,420	428,420	401,618	26,802
Total	12,494,641	12,294,241	12,209,185	85,056
Alternative instruction program				
Teachers	151,290	151,290	149,855	1,435
Career ladder program	2,000	2,000	2,000	-
Educational Assistants	16,196	16,196	15,960	236
Social security	9,898	9,898	9,823	75
State retirement	11,311	11,311	11,139	172
Life insurance	150	250	222	28
Employee insurance	11,668	11,668	11,461	207
Unemployment compensation	47	47	43	4
Employer medicare liability	2,278	2,378	2,298	80
Total	204,838	205,038	202,801	2,237
Special education program				
Teachers	604,112	623,112	610,548	12,564
Career ladder program	8,000	8,000	8,000	-
Career ladder extended contracts	1,000	1,000	-	1,000
Homebound teachers	4,000	3,000	2,780	220
Educational assistants	280,269	269,269	266,392	2,877
Speech pathologist	85,465	42,465	41,919	546
Substitute teachers	4,000	4,000	3,809	191
Non-certified substitute teachers	4,000	4,000	3,595	405
Social security	54,222	53,722	51,986	1,736
State retirement	62,798	64,898	63,492	1,406
Life insurance	1,564	1,564	1,299	265
Employee insurance	93,175	104,175	103,144	1,031

(Continued)

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual (Continued)
General Fund

For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Instruction (cont.)				
Special education program (cont.)				
Unemployment compensation	\$ 404	\$ 404	\$ 363	\$ 41
Employer medicare liability	12,203	14,203	12,154	2,049
Contracts with private agencies	50,000	-	-	-
Instructional supplies	20,000	47,000	28,708	18,292
Other charges	5,000	-	2,203	(2,203)
Special educational equipment	-	3,000	-	3,000
Total	1,290,212	1,243,812	1,200,392	43,420
Total instruction	13,989,691	13,743,091	13,612,378	130,713
Support services				
Students				
Attendance				
Supervisor/director	63,705	63,705	63,705	-
Career ladder program	1,000	1,000	1,000	-
Social security	3,807	3,807	3,793	14
State retirement	4,095	4,195	4,154	41
Life insurance	37	137	85	52
Medical insurance	2,365	2,365	2,273	92
Unemployment compensation	12	12	12	-
Employer medicare liability	890	890	887	3
Communication	500	500	418	82
Travel	400	400	400	-
Other charges	400	400	171	229
Health services				
Medical personnel	51,693	51,693	51,089	604
Other salaries & wages	174,144	174,144	173,342	802
Social security	14,000	14,000	13,122	878
State retirement	17,385	17,585	17,565	20
Life insurance	240	340	301	39
Medical insurance	17,658	17,658	15,514	2,144
Unemployment compensation	72	72	74	(2)
Employer medicare liability	3,057	3,157	3,069	88
Postal	500	500	48	452
Travel	4,800	3,800	2,408	1,392
Drugs and medical supplies	6,000	5,000	4,087	913
Other supplies and materials	5,500	4,500	2,255	2,245
In-service	1,500	1,500	671	830
Other charges	10,279	10,379	10,299	80
Health equipment	3,000	3,000	1,710	1,290
Other student support				
Career ladder program	3,000	3,000	3,000	-
Guidance personnel	318,900	300,900	300,837	63
Career ladder extended contracts	1,000	1,000	-	1,000
School resource officer	56,476	56,476	56,476	-
Social security	17,463	17,463	17,412	51
State retirement	18,799	19,199	19,116	83
Life insurance	220	520	479	41

(Continued)

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual (Continued)
General Fund

For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance -
	Original	Final		Favorable/ (Unfavorable)
Expenditures (cont.)				
Support services (cont.)				
Other student support (cont.)				
Employee insurance	\$ 17,022	\$ 17,022	\$ 16,096	\$ 926
Unemployment compensation	72	72	82	(10)
Employer medicare liability	4,085	4,085	4,072	13
Evaluation and testing	51,000	16,000	9,180	6,820
Other supplies & materials	2,000	2,000	1,397	603
Total	877,076	822,476	800,599	21,876
Instructional staff				
Regular instruction program				
Supervisor/director	97,412	97,412	97,412	-
Career ladder program	7,000	7,000	7,000	-
Librarians	254,885	242,885	241,950	935
Materials supervisor	75,691	75,691	75,691	-
Instructional computer personnel	64,327	63,327	63,107	220
Secretary(s)	32,938	32,938	32,938	-
Clerical personnel	24,844	22,844	22,275	569
Educational assistants	82,261	81,261	81,027	234
Other salaries and wages	500	500	-	500
Social security	38,750	37,250	36,297	953
State retirement	46,359	44,859	43,406	1,453
Life insurance	550	850	824	26
Employee insurance	43,072	43,072	42,465	607
Unemployment compensation	155	255	200	55
Employer medicare liability	8,661	8,661	8,611	50
Communication	1,800	1,800	1,591	209
Travel	4,000	2,000	114	1,886
Library books/media	20,000	20,000	17,798	2,202
Other supplies & materials	1,500	1,500	1,356	144
In-service	36,942	37,442	29,707	7,735
Other charges	500	500	66	434
Special educational program				
Supervisor/director	76,499	76,499	76,499	-
Career ladder program	4,000	4,000	4,000	-
Secretary(s)	37,721	37,821	37,732	89
Other salaries & wages	120,166	120,166	120,166	-
Social security	14,700	14,200	13,612	588
State retirement	16,600	16,600	16,297	303
Life insurance	156	356	314	42
Employee insurance	15,169	15,569	15,486	83
Unemployment compensation	39	39	46	(7)
Employer medicare liability	3,480	3,480	3,183	297
Consultants	2,000	-	-	-
Maintenance and repair svc - equip	2,500	2,000	905	1,095
Postal charges	300	300	277	23
Travel	2,000	2,000	1,361	639
Other contracted services	25,000	19,000	17,126	1,874
Other supplies & materials	25,000	25,000	23,562	1,438
In-service	1,000	1,000	620	380
Other charges	3,000	3,000	574	2,426
Total	1,191,477	1,163,077	1,135,595	27,482

(Continued)

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual (Continued)
General Fund

For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services (cont.)				
General administration				
Board of education				
Audit services	\$ 15,000	\$ 15,000	\$ 13,428	\$ 1,573
Dues and memberships	9,500	9,500	8,533	967
Legal services	6,400	6,400	5,400	1,000
Travel	6,000	3,000	1,488	1,512
Other contracted services	1,000	-	-	-
Liability insurance	17,568	17,568	17,568	-
Premiums on corporate surety bonds	1,351	1,351	1,351	-
Trustee's commission	180,000	199,000	178,040	20,960
Workman's compensation ins	178,242	198,242	191,081	7,161
Criminal Investigation of Applicants TBI	1,000	1,300	1,208	92
Other charges	27,000	23,000	19,299	3,701
Office of the superintendent				
County official/administrative officer	119,765	119,765	119,765	-
Assistants	100,099	100,099	100,099	-
Career ladder program	1,000	1,000	-	1,000
Secretary(s)	29,924	28,924	27,859	1,065
Other salaries & wages	1,000	1,000	1,000	-
Social security	13,372	14,172	14,138	34
State retirement	16,755	16,755	16,616	139
Life insurance	190	390	295	95
Employee insurance	17,275	17,275	17,182	93
Unemployment compensation	41	41	37	4
Employer medicare liability	3,490	3,490	3,472	18
Communication	11,500	12,500	12,494	6
Dues and memberships	3,500	3,800	3,786	14
Postal charges	3,000	3,000	1,868	1,132
Travel	10,500	10,500	9,408	1,092
Other contracted services	10,000	10,000	10,000	-
Office supplies	300	300	-	300
In-service	3,500	3,500	1,879	1,621
Other charges	15,000	12,000	9,612	2,388
Administration equipment	500	500	-	500
Total	803,772	833,372	786,906	46,466
School administration				
Office of the principal				
Principals	388,388	389,688	389,600	88
Career ladder program	7,000	7,000	7,000	-
Accountants/bookkeepers	137,997	128,997	128,661	336
Assistant principals	382,376	377,376	377,281	95
Secretary(s)	147,916	144,316	144,558	(242)
Other salaries & wages	6,150	5,150	5,077	73
Social security	64,200	63,200	62,501	699
State retirement	75,987	73,987	73,446	541
Life insurance	813	1,413	1,401	12
Employee insurance	75,264	73,764	72,217	1,547

(Continued)

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual (Continued)
General Fund

For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services (cont.)				
School administration (cont.)				
Office of the principal (cont.)				
Unemployment compensation	\$ 261	\$ 261	\$ 263	\$ (2)
Employer medicare liability	15,509	14,909	14,617	292
Communication	16,200	16,200	15,695	505
Other contracted services	15,000	15,100	15,039	61
Other supplies and materials	500	-	-	-
Other charges	25,000	38,000	7,835	30,165
Total	1,358,561	1,349,361	1,315,191	34,170
Business administration				
Fiscal services				
Supervisor/director	59,132	59,132	59,132	-
Social security	3,586	3,586	3,587	(1)
State retirement	5,352	5,352	5,351	1
Life insurance	49	99	79	20
Employee insurance	3,837	4,187	4,087	100
Unemployment compensation	12	12	12	-
Employer medicare liability	850	850	839	11
Travel	1,200	1,200	1,200	-
Other contracted services	22,000	19,000	17,322	1,678
Data Processing Supplies	2,000	2,000	1,113	887
Office supplies	8,000	8,000	7,282	718
Other supplies and materials	500	500	95	405
In-service	400	500	344	156
Other charges	5,000	5,000	618	4,382
Administrative equipment	7,000	7,000	5,766	1,235
Human services (resources)/personnel				
Supervisor/director	54,078	54,078	54,078	-
Secretary(s)	29,023	29,023	29,023	-
Social security	4,850	4,850	4,313	537
State retirement	7,521	7,521	7,521	-
Life insurance	98	198	111	87
Medical insurance	5,459	5,759	5,744	15
Unemployment compensation	21	21	24	(3)
Employer medicare	1,004	1,004	1,009	(5)
Advertising	300	300	-	300
Travel	1,500	1,500	1,500	-
Office supplies	1,000	1,000	126	874
In-service	1,000	1,000	709	291
Other charges	1,000	1,000	228	772
Other equipment	2,000	2,000	-	2,000
Total	227,772	225,672	211,213	14,459

(Continued)

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual (Continued)
General Fund

For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services (cont.)				
Operation and maintenance of plant				
Operation of plant				
Custodial personnel	\$ 544,936	\$ 558,436	\$ 542,764	\$ 15,672
Social security	31,265	33,565	32,540	1,025
State retirement	47,250	47,550	45,867	1,683
Life insurance	705	805	741	64
Employee insurance	39,990	39,990	39,355	635
Unemployment compensation	293	393	321	72
Employer medicare liability	7,627	7,527	7,610	(83)
Disposal fees	20,000	20,000	18,489	1,511
Custodial supplies	17,000	20,000	18,744	1,256
Electricity	625,000	571,000	568,855	2,145
Natural gas	135,000	123,000	121,783	1,217
Water and sewer	65,000	67,300	67,056	244
Other supplies and materials	85,000	92,500	91,991	509
Boiler insurance	4,324	4,324	4,324	-
Building and contents insurance	76,081	76,081	76,081	-
Other charges	20,000	21,000	15,555	5,445
Plant operation equipment	3,000	4,000	4,000	-
Maintenance of plant				
Supervisor/director	52,995	52,995	52,995	-
Maintenance personnel	134,363	134,363	134,363	-
Other salaries & wages	41,973	40,973	39,577	1,396
Social security	12,990	12,990	12,833	157
State retirement	19,970	19,970	19,966	4
Life insurance	245	345	304	41
Employee insurance	16,625	16,625	15,685	940
Unemployment compensation	59	159	70	89
Employer medicare liability	3,127	3,127	3,001	126
Communication	300	300	-	300
Laundry service	1,800	2,400	2,174	226
Maintenance and repair svcs - bldgs	310,167	337,167	336,327	840
Maintenance and repair svcs - equip	500	500	-	500
Equipment and machinery parts	60,000	66,000	62,646	3,354
Other supplies & materials	15,000	15,000	14,967	33
Other charges	172,146	187,146	203,929	(16,783)
Total	2,564,731	2,577,531	2,554,913	22,618
Student Transportation				
Transportation				
Supervisor/director	53,607	53,607	53,607	-
Mechanics	49,436	49,436	49,436	-
Bus drivers	358,973	362,473	359,307	3,166
Other salaries & wages	56,528	60,528	60,868	(340)
Social security	32,150	32,450	32,279	171
State retirement	46,929	43,929	43,093	836
Life insurance	102	252	219	33
Employee insurance	35,804	36,304	36,282	22

(Continued)

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual (Continued)
General Fund

For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services (cont.)				
Student Transportation (cont.)				
Transportation (cont.)				
Unemployment compensation	\$ 250	\$ 350	\$ 275	\$ 75
Employer medicare liability	7,861	7,861	7,549	312
Communication	500	-	-	-
Laundry service	500	700	613	87
Maintenance and repair svcs - vehicles	1,000	1,000	749	251
Travel	1,200	1,200	611	589
Other contracted services	2,000	2,000	1,700	300
Diesel fuel	70,000	55,000	51,254	3,746
Garage supplies	2,000	2,000	1,653	347
Gasoline	12,000	12,100	10,886	1,214
Lubricants	2,000	2,000	1,889	111
Tires and tubes	12,000	12,000	7,218	4,782
Vehicle parts	34,000	56,000	44,095	11,905
Other supplies & materials	1,200	2,200	1,302	898
Vehicle and equipment insurance	24,324	24,324	24,324	-
In-service	1,500	1,500	1,417	83
Other charges	2,500	5,500	3,485	2,015
Transportation equipment	272,000	275,000	273,408	1,592
Total	1,080,364	1,099,714	1,067,519	32,195
Central and Other				
Data processing personnel	90,865	92,665	92,423	242
Other Salaries & Wages	44,772	44,772	44,772	-
Social security	7,629	8,229	8,028	201
State retirement	12,280	12,480	12,416	64
Life insurance	150	250	184	66
Medical insurance	9,453	9,553	9,482	71
Unemployment compensation	29	29	35	(6)
Employer medicare liability	1,880	1,880	1,877	3
Travel	8,000	3,000	2,482	518
Other contracted services	2,000	2,000	1,698	302
In-service	2,000	1,500	1,178	322
Other charges	18,000	23,000	20,469	2,531
Other equipment	65,000	65,000	63,005	1,995
Total	262,058	264,358	258,049	6,309
Total support services	8,365,811	8,335,561	8,129,985	205,577
Operation of non-instructional services				
Food service				
Supervisor/director	53,860	53,860	53,860	-
Other salaries & wages	8,255	15,255	14,549	706
Social security	3,852	4,152	4,116	36
State retirement	4,874	4,874	4,874	-
Life insurance	52	52	92	(40)
Unemployment compensation	22	122	36	86
Employer medicare liability	900	1,000	963	37
Total	71,815	79,315	78,490	825

(Continued)

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual (Continued)
General Fund

For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Operation of non-instructional services (cont.)				
Community services				
Supervisor/director	\$ 39,280	\$ 40,280	\$ 40,040	\$ 240
Clerical personnel	9,900	5,900	5,554	346
Social security	3,081	3,131	3,116	15
State retirement	3,600	3,650	3,624	26
Life insurance	52	52	54	(2)
Unemployment compensation	22	22	24	(2)
Employer medicare liability	720	720	729	(9)
Travel	1,200	1,100	938	162
Other contracted services	6,305	5,805	1,780	4,025
Food supplies	5,890	2,890	1,588	1,302
Instructional supplies & materials	500	500	(763)	1,263
Other supplies & materials	4,000	3,000	1,240	1,760
Other charges	5,000	5,000	5,000	-
Total	79,550	72,050	62,924	9,126
Operation of non-instructional services				
Early childhood education				
Teachers	379,904	373,904	372,204	1,700
Educational assistants	131,785	138,785	138,446	339
Other salaries & wages	14,500	14,500	14,500	-
Certified substitute teachers	2,000	1,000	853	147
Non-certified substitute teachers	3,000	6,000	5,917	83
Social security	31,587	30,087	29,180	908
State retirement	39,031	36,031	35,581	450
Life insurance	629	729	707	22
Employee insurance	54,815	48,815	48,058	757
Unemployment compensation	216	266	234	32
Employer medicare liability	7,272	7,272	6,824	448
Travel	7,000	6,200	5,760	440
Other contracted services	7,000	7,000	6,348	652
Instructional supplies & materials	20,582	28,582	27,842	740
In-service	4,500	1,500	1,027	473
Other charges	2,500	2,500	2,491	9
Other equipment	5,000	5,000	9,800	(4,800)
Total	711,321	708,171	705,772	2,399
Total operation of non-instructional services	862,686	859,536	847,186	12,351
Total expenditures	23,218,188	22,938,188	22,589,549	348,641
Excess (deficiency) of revenues over expenditures	(2,500)	14,890	572,674	557,784
Other financing sources and (uses)				
Transfers in	2,500	2,500	2,500	-
Transfers out	-	(595,000)	(595,000)	-
Total other financing sources and (uses)	2,500	(592,500)	(592,500)	-
Net change in fund balances	-	(577,610)	(19,826)	557,784
Fund balance, beginning	-	4,531,384	4,531,384	-
Fund balance, ending	\$ -	\$ 3,953,774	\$ 4,511,558	\$ 557,784

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual
School Federal Projects Fund

For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Federal funds received thru state				
Title 1- basic grants to local educ agencies	\$ 894,325	\$ 892,859	\$ 713,042	\$ (179,817)
Special education - grants to states	1,431,032	1,555,103	1,113,494	(441,609)
Special education preschool grants	54,404	54,404	44,909	(9,495)
Education for homeless children	7,358	7,358	-	(7,358)
Eisenhower prof dev state grants	189,518	189,603	151,217	(38,386)
Other fed thru state	68,971	69,041	62,717	(6,324)
Total revenue	<u>2,645,608</u>	<u>2,768,368</u>	<u>2,085,379</u>	<u>(682,989)</u>
Expenditures				
Instruction				
Regular				
Teachers	470,315	468,849	465,529	3,320
Social security	28,446	28,446	26,737	1,709
State retirement	29,823	29,823	29,963	(140)
Life insurance	414	414	333	81
Medical insurance	28,196	28,196	26,728	1,468
Unemployment compensation	101	101	110	(9)
Employer medicare liability	6,653	6,653	6,253	400
Other contracted services	36,000	36,000	34,199	1,801
Instructional supplies and materials	61,681	53,634	45,100	8,533
Other charges	15,300	15,300	16,063	(763)
Regular instructional equipment	20,386	26,509	25,294	1,215
Total	<u>697,315</u>	<u>693,925</u>	<u>676,309</u>	<u>17,616</u>
Education for handicapped				
Teachers	411,113	431,313	375,087	56,226
Educational assistants	218,000	214,747	221,312	(6,565)
Other salaries and wages	100,000	100,000	99,211	789
Certified substitute teachers	2,500	2,500	515	1,985
Non-certified substitute teachers	500	500	-	500
Social security	40,275	41,315	40,810	505
State retirement	41,907	43,057	49,991	(6,934)
Life insurance	1,160	1,135	591	544
Medical insurance	62,980	64,626	42,128	22,498
Unemployment compensation	225	212	233	(21)
Employer medicare liability	10,118	10,431	9,637	794
Contracts with private agencies	-	-	228	(228)
Maintenance and repair services	5,000	6,000	2,166	3,834
Instructional supplies and materials	399,953	404,075	49,133	354,942
Other supplies and materials	3,073	3,073	3,073	-
Other charges	7,832	7,832	5,366	2,466
Special education equipment	19,000	34,000	33,255	745
Total	<u>1,323,636</u>	<u>1,364,816</u>	<u>932,736</u>	<u>432,080</u>
Total instruction	<u>2,020,951</u>	<u>2,058,741</u>	<u>1,609,045</u>	<u>449,697</u>

(Continued)

LEBANON SPECIAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual (Continued)
School Federal Projects Fund

For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services				
Students				
Evaluation and testing	\$ 30,000	\$ 43,661	\$ 40,607	\$ 3,054
Travel	1,679	1,679	-	1,679
Other contracted services	17,825	19,793	18,280	1,513
Other supplies and materials	7,160	5,250	3,226	2,024
Other charges	167,134	167,480	25,865	141,615
Other equipment	2,136	2,114	-	2,114
Total	225,934	239,977	87,978	151,999
Instructional staff				
Regular instruction program				
Supervisor/director	77,401	77,401	77,401	-
Secretary(s)	20,569	20,569	20,569	-
Educational assistants	33,275	33,275	30,872	2,403
Certified substitute teachers	8,000	7,500	2,298	5,202
In-service training	5,000	5,000	4,727	273
Non-certified substitute teachers	5,750	5,500	2,677	2,823
Social security	6,863	6,863	6,559	304
State retirement	8,192	8,192	7,665	527
Life insurance	138	138	105	33
Medical Insurance	10,250	10,250	10,567	(317)
Unemployment compensation	37	37	36	1
Employer medicare liability	1,604	1,604	1,533	71
Communication	600	600	556	44
Travel	31,666	33,258	9,714	23,544
Library books/media	12,196	12,196	9,940	2,256
Other supplies and materials	9,281	9,216	3,806	5,410
In-service	26,393	37,314	32,604	4,710
Other charges	250	250	250	-
Total	257,465	269,163	221,879	47,284
Special education program				
Maintenance and repair services - equip	5,000	5,000	2,864	2,136
Travel	10,000	17,000	16,486	514
Other contracted services	67,800	113,910	104,268	9,642
Other supplies and materials	22,000	27,753	20,672	7,081
In-service	12,000	22,367	21,216	1,151
Other charges	15,000	15,000	2,818	12,182
Total	131,800	201,030	168,324	32,706
Transportation				
Bus Drivers	-	1,000	-	1,000
Travel	600	-	-	-
Diesel fuel	400	-	-	-
Total	1,000	1,000	-	1,000
Total support services	616,199	711,170	478,181	232,988
Total expenditures	2,637,150	2,769,911	2,087,226	682,685
Excess (deficiency) of revenues over expenditures	8,458	(1,543)	(1,847)	(304)
Other financing sources and (uses)				
Operating transfers in	221,238	194,634	50,000	(144,634)
Operating transfers out	(219,696)	(193,091)	-	193,091
Total other financing sources and (uses)	1,542	1,543	50,000	48,457
Net change in fund balances	10,000	-	48,153	48,153
Fund balance, beginning	-	23,059	23,059	-
Fund balance, ending	\$ 10,000	\$ 23,059	\$ 71,212	\$ 48,153

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures and
Changes in Fund Balance
Education Capital Projects Fund

For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Other local revenues				
Recurring items				
Interest earned	\$ -	\$ 44,500	\$ 59,052	\$ 14,552
Total revenue	-	44,500	59,052	14,552
Expenditures				
Education capital projects				
Architects	-	310,000	364,563	(54,563)
Consultants	-	-	13,783	(13,783)
Engineering services	-	5,000	2,528	2,472
Other charges	-	5,000	2,437	2,563
Underwriter's discount	-	150,000	148,500	1,500
Issuance costs	-	60,000	58,350	1,650
Land	-	1,800,000	1,799,975	25
Building construction	-	375,000	372,774	2,226
Site development	-	65,800	300	65,500
Total	-	2,770,800	2,763,210	7,590
Excess (deficiency) of revenues over expenditures	-	(2,726,300)	(2,704,158)	6,962
Other financing sources and (uses)				
Bond proceeds	-	18,000,000	18,000,000	-
Transfers in	-	1,800,000	1,800,023	23
Total other financing sources and (uses)	-	19,800,000	19,800,023	23
Net change in fund balances	-	17,073,700	17,095,865	6,985
Fund balance, beginning	-	3,528	3,528	-
Fund balance, ending	\$ -	\$ 17,077,228	\$ 17,099,393	\$ 6,985

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lebanon Special School District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Reporting Entity

The Lebanon Special School District is a school district governed by an appointed director and an elected three-member board. The District is engaged in providing and maintaining an educational system for children residing within the boundaries of the District. The Board of Education, through its executive committee (Superintendent of Schools and Chairman of the Board), is the governing body to which each department's management is accountable.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function. Program revenues include (i) charges to customers or applicants (including fines and fees) who purchase, use, or directly benefit from goods, services or privileges provided by a given function and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Government-wide and Fund Financial Statements (Cont.)

Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period, except for property taxes that are collected within 60 days of year-end. Sales taxes and other shared revenues received through intermediary collecting governments are considered measurable and available if received by the District within 60 days of year-end. Expenditures are generally recognized when the liability is incurred, as under accrual accounting. However, debt service expenditure, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when the government receives cash.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The School Federal Projects Fund accounts for certain federal grants received by the District for the purpose of assisting in the education of students with special needs.

The Education Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include (i) charges to customer or applicants (including fines and fees) for goods, services or privileges provided, (ii) operating grants and contributions and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources. When both restricted resources and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Cash, Cash Equivalents and Investments

Cash and cash equivalents consists of cash, savings and short-term certificates of deposit with an original maturity of three months or less.

The District is authorized to invest in U.S. Treasury Bills, mutual funds and certificates of deposit in local banks as well as participate in the Local Government Investment Pool administered by the State of Tennessee. The District limits its investments to certificates of deposit. District policy dictates that collateral meet certain requirements, such as, be deposited in an institution which participates in the state collateral pool or be deposited in an escrow account in another institution for the benefit of the District and must be a minimum of 110% of the value of the deposits placed in the institution less the amount protected by federal deposit insurance. The state collateral pool is administered by the State of Tennessee. Members of the pool may be required by agreement to pay an assessment to cover any deficiency.

Inventories

Inventories consist of expendable supplies held for consumption and are valued at the lower of cost or market based on the first-in, first-out method.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

All trade receivables and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance account is equal to approximately 1.4 percent of the gross receivable.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, streets and sidewalks are reported in the governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of three years. All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation has been calculated using the straight-line method and estimated useful lives as follows:

Infrastructure (roads, sidewalks, bridges)	15-40 years
Buildings	25-50 years
Equipment	5-10 years
Furniture and fixtures	7-10 years

Appropriations

Appropriations to other funds are accounted for as inter-fund transfers in the governmental fund statements, and are eliminated in the government-wide statements. Exchanges of equal or near equal value between funds are accounted for as inter-fund services provided and used.

Compensated Absences

The Lebanon Special School District does not provide for the accumulation of vacation days beyond the end of the year. It is the policy of the District to permit professional, central office and maintenance employees to accumulate an unlimited amount of earned but unused sick leave. The granting of sick leave has no guaranteed payment attached and therefore requires no accrual.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond and note premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable loss on refundings. Bond issue costs are reported net of amortization in other assets and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as a formal budgetary tool in the governmental funds. Encumbrances do not constitute expenditures or liabilities and are recorded as reservations of fund balance with the related expenditure being recorded in the subsequent year.

Fund Equity and Reserves

In fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. All reserves (with the exception of Reserve for Encumbrances discussed previously) represent unexpended revenues that legally require reappropriation and expended for specific purposes in subsequent years.

Taxes Receivable

The District's property tax is levied by the Wilson County Trustee each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the District's boundaries. Taxes become delinquent and begin accumulating interest and penalty the following March 1. The Wilson County Trustee collects all property taxes.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Taxes Receivable (Cont.)

Taxes receivable on file in the Trustee's office are presented on the balance sheet with offsetting contra-account, deferred revenue – taxes. Delinquent taxes filed in Chancery Court are not presented on the balance sheet.

Risk Financing

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District annually reviews its insurance needs based on claims and/or potential claims to minimize exposure. There were no claims in excess of insurance coverage during the past three years.

NOTE 2 – DEPOSITS

The District's cash and cash equivalents are comprised of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are comprised of certificates of deposit with maturities of greater than three months. The bank balance was covered by federal depository insurance or by collateral held by the government's agent in the government's name.

NOTE 3 – CAPITAL ASSETS

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Capital assets not depreciated</u>				
Land	\$ 287,304	\$1,799,975	\$ -	\$ 2,087,279
<u>Capital assets depreciated</u>				
Buildings and improvements	19,798,785	55,760	-	19,854,545
Equipment	<u>3,340,080</u>	<u>510,373</u>	<u>142,725</u>	<u>3,707,728</u>
Total	<u>\$23,426,169</u>	<u>\$2,366,133</u>	<u>\$142,725</u>	<u>\$25,649,552</u>

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2010

NOTE 3 – CAPITAL ASSETS (CONT.)

Accumulated depreciation

Buildings and improvements	\$ 5,377,006	\$ 373,705	\$ -	\$ 5,750,711
Equipment	<u>2,581,272</u>	<u>309,080</u>	<u>142,725</u>	<u>2,747,627</u>
Total	<u>7,958,278</u>	<u>682,785</u>	<u>142,725</u>	<u>8,498,338</u>
Subtotal	15,467,891	1,683,323	-	17,151,214
Construction in progress	<u>-</u>	<u>756,385</u>	<u>-</u>	<u>756,385</u>
Governmental capital assets - net	<u>\$15,467,891</u>	<u>\$ 2,439,708</u>	<u>\$ -</u>	<u>\$17,907,599</u>

Depreciation expense was charged to functions/programs of the District in the government-wide financial statements as follows:

Instruction	\$577,418
Support services	40,460
Operation of non-instructional services	<u>64,907</u>
	<u>\$682,785</u>

NOTE 4 – RECEIVABLES AND DEFERRED REVENUE

A summary of receivables totaling \$7,717,259 as of June 30, 2010 is as follows:

	<u>General</u>	<u>School Federal Projects</u>	<u>Education Debt Service</u>	<u>Cafeteria</u>	<u>Total</u>
Property taxes	\$6,806,811	\$ -	\$ -	\$ -	\$6,806,811
Due from other govts	860,761	3,858	132,196	-	996,815
Interest receivable	-	-	-	11,715	11,715
Other receivable	1,809	-	-	-	1,809
Less allowance	<u>(99,891)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(99,891)</u>
Total	<u>\$7,569,490</u>	<u>\$ 3,858</u>	<u>\$132,196</u>	<u>\$11,715</u>	<u>\$7,717,259</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not earned. The government-wide financial statements report estimated net realizable 2010 property taxes of \$6,706,920 which is net of an allowance for doubtful accounts of \$99,891. The 2010 property taxes are presented as deferred revenue since they are not available until the next fiscal year.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2010

NOTE 5 – LONG-TERM DEBT

The following is a summary of bond transactions included in general long-term debt for the fiscal year ended June 30, 2010:

Outstanding, beginning	\$10,015,000
Debt issued:	
General obligation	18,000,000
Debt retired	
General obligation	<u>920,000</u>
Outstanding, ending	<u>\$27,095,000</u>

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2010, including interest payments of \$13,871,353 on bonds carrying interest rates ranging from 2.0% to 4.1%, are as follows:

Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
2011	\$ 955,000	\$ 989,474	\$ 1,944,474
2012	980,000	951,214	1,931,214
2013	1,005,000	920,432	1,925,432
2014	1,040,000	887,856	1,927,856
2015	1,070,000	853,717	1,923,717
2016 – 2020	5,165,000	3,650,156	8,815,156
2021 – 2025	4,680,000	2,830,067	7,510,067
2026 – 2030	5,525,000	1,970,023	7,495,023
2031 - 2035	<u>6,675,000</u>	<u>818,414</u>	<u>7,493,414</u>
Total	<u>\$27,095,000</u>	<u>\$13,871,353</u>	<u>\$40,996,353</u>

Total general long-term debt due within one year includes \$955,000 of general obligation bonds noted above.

Total general long-term debt due in more than one year includes \$27,095,000 general obligation bonds presented above and noncurrent post employment benefit obligation (OPEB) of \$111,610 for a total of \$27,206,610.

There is \$3,962,459 available in the Education Debt Service fund to service general long-term debt.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2010

NOTE 5 – LONG-TERM DEBT (CONT.)

Advance refunding

The District issued on February 28, 2008, \$4,345,000 of general obligation refunding bonds to provide resources to refund the Refunding Bonds, Series 1998; Refunding Bonds, Series 1998A the remaining non-refunded maturity of the School bonds, Series 1999. The refunded bonds are considered to be defeased and the liability has been removed from its accounts. The refunding resulted in a savings to the District of \$234,340.

The District issued on November 1, 2004, \$6,465,000 of general obligation refunding bonds to provide resources to refund a portion of the Series 1999 School Building Bonds. Only Series 1999 Bonds maturing on April 1, 2008, through April 1, 2010, were refunded. The refunded bonds are considered to be defeased and the liability has been removed from its accounts. The refunding resulted in a savings to the District of \$202,118.

The District issued on December 1, 1998, \$4,005,000 of general obligation refunding bonds to provide resources to purchase U.S. Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$3,796,667 of refunded debt. The refunded bonds are considered to be defeased and the liability has been removed from its accounts. The refunding resulted in a savings to the District of \$308,328.

Debt refinanced in advance of their maturity consists of: 1) \$5,500,000 School Bonds, Series 1995 (outstanding balance of \$1,270,000 maturing April 1, 2003 through April 1, 2007); its \$1,500,000 School Bond, Series 1996 (maturing March 14, 2014; and its \$1,100,000 School Bond Series 1997 (outstanding balance of \$1,026,667 maturing May 1, 2012).

NOTE 6 – COMMITMENTS

Construction in progress or contracted

The Town is contracted to construct a middle school scheduled to open July 1, 2011 for the fiscal year ended June 30, 2012. At June 30, 2010, remaining costs on current uncompleted construction contracts approximated \$12,800,000. Funding for construction was obtained in the prior year with a \$20 million bond issue.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2010

NOTE 7 – BUDGET ACCOUNTABILITY AND COMPLIANCE

The District is required by state statute to adopt annual budgets. The District legally adopts budgets for all governmental funds except for the Education Capital Projects Fund. These budgets are prepared on the basis that current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the School Board. The budgets of the General, School Federal Projects and Education Debt Service funds were amended prior to June 30, 2010. Unencumbered appropriations lapse at the end of each fiscal year.

NOTE 8 – ACCOUNTING CHANGES

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*; and Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* became effective for the year ended June 30, 2010. GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three characteristics: lack of physical substance; nonfinancial in nature; and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be recorded as capital assets and amortized over their useful lives. Computer software is an example of an intangible asset that should be recognized under GASB Statement No. 51. The District had no assets that met the definition of intangible assets at June 30, 2010. However, it is reasonably expected that the District may acquire intangible assets in subsequent years.

GASB Statement No. 53 addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by local governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the costs of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. For the same reasons) derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with the District's derivative transactions. GASB Statement No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investment purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues in the Statement of Activities.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2010

NOTE 8 – ACCOUNTING CHANGES (CONT.)

Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e. effective) derivative instruments are reported in the Statement of Net Assets as deferrals. The District had not participated in derivative transactions as of June 30, 2010. However, it is reasonably expected that the District may enter into derivative transactions in subsequent years.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

The District's government-wide financial statements were restated \$123,628 from the prior year for other postemployment benefits due to a recalculation of contributed benefits for the fiscal years ended June 30, 2008 and 2009.

NOTE 10 – ON BEHALF PAYMENTS

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the District. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2010, were \$64,342 and \$16,094, respectively. The District has not recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

NOTE 11 – POST EMPLOYMENT HEALTHCARE PLAN

Plan Description

The Lebanon Special School District participates in the state-administered Teacher Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-302. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2010

NOTE 11 – POST EMPLOYMENT HEALTHCARE PLAN (CONT.)

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants. However, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan.

Annual OPEB Cost and Net OPEB Obligation

Annual required contribution	\$211,631
Interest on the net plan obligation	7,766
Adjustment to the annual required obligation	(7,356)
Annual OPEB cost:	212,041
Amount of contribution:	<u>149,400</u>
Increase/decrease in net plan obligation	62,641
Net OPEB obligation—beginning of year	172,587
Prior period adjustment	(123,618)
Net OPEB obligation—end of year	<u>\$ 111,610</u>

<u>Year End</u>	<u>Plan</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation at Year End</u>
6/30/2008	Teacher Group	\$139,827	74.3%	\$ 35,919
6/30/2009	Teacher Group	\$133,318	90.2%	\$ 48,969
6/30/2010	Teacher Group	\$212,041	70.6%	\$111,610

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2010

NOTE 11 – POST EMPLOYMENT HEALTHCARE PLAN (CONT.)

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows (dollars in thousands):

Actuarial valuation date	July 1, 2010
Actuarial accrued liability (AAL)	\$1,291,314
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$1,291,042
Actuarial Value of Assets as a % of the AAL	0
Covered payroll (active plan members)	\$ N/A
UAAL as a percentage of covered payroll	N/A

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The funding progress, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2009, actuarial valuation for the Local Education Plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 4 percent for fiscal year 2010. The trend will rise to 10% in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of 5 percent by fiscal year 2021. Both rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with June 30, 2008.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2010

NOTE 12 – DEFINED BENEFIT PLAN

Plan Description

The Lebanon Special School District contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty.

Plan Description (Continued)

Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly.

Plan Description

Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2010

NOTE 12 – DEFINED BENEFIT PLAN (CONT.)

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for the District is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2010, was 6.42% of annual covered payroll. The employer contribution requirement for the District is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2010, 2009 and 2008 were \$865,670, \$828,098, and \$780,322, respectively, equal to the required contributions for each year.

Plan Description

Employees of Lebanon Special School District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment.

There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Lebanon Special School District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://treasury.state.tn.us/tcrs/PS/>.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2010

NOTE 12 – DEFINED BENEFIT PLAN (CONT.)

Funding Policy

Lebanon Special School District requires employees to contribute 5.0 percent of earnable compensation. The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2010 was 9.05% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lebanon Special School District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2010, Lebanon Special School District's annual pension cost of \$355,808 to TCRS was equal to Lebanon Special School District's required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method.

Annual Pension Cost (Continued)

Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Lebanon Special School District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 8 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
June 30, 2010	\$355,808	100.0%	\$0.00
June 30, 2009	\$328,263	100.0%	\$0.00
June 30, 2008	\$326,661	100.0%	\$0.00

As of July 1, 2009, the most recent actuarial valuation date, the plan was 81.66% funded.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2010

NOTE 12 – DEFINED BENEFIT PLAN (CONT.)

The actuarial accrued liability for benefits was \$7.10 million, and the actuarial value of assets was \$5.80 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.30 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.23 million, and the ratio of the UAAL to the covered payroll was 40.27%. The schedules of funding progress present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. The annual required contribution (ARC) was calculated using the aggregate actuarial cost method.

Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
July 1, 2009	\$5,800	\$7,102	\$1,302	81.66%	\$3,234	40.27%
July 1, 2007	\$5,013	\$6,078	\$1,065	82.48%	\$3,224	32.04%

(Dollar amounts in thousands)

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the Entry Age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

NONMAJOR GOVERNMENTAL FUNDS

The Cafeteria Fund accounts for all revenue and expenditures from the District's schools cafeteria meal program. Revenue is comprised of state reimbursements for meal costs incurred and payments from children and adults for meals served.

The Extended School Projects Fund accounts for revenue and expenditures of the after school care program. Children participate in activities and are closely monitored by District staff. Revenue is generally limited to charged fees.

LEBANON SPECIAL SCHOOL DISTRICT

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2010

	Cafeteria	Extended School Projects	Total
ASSETS			
Cash and cash equivalents	\$ 401,261	\$ 277,138	\$ 678,399
Investments	850,000	-	850,000
Interest receivable	11,715	-	11,715
Inventories	22,687	-	22,687
Total assets	<u>\$ 1,285,663</u>	<u>\$ 277,138</u>	<u>\$ 1,562,801</u>
FUND BALANCES			
Reserved for:			
Inventory	\$ 22,687	\$ -	\$ 22,687
Unreserved	1,262,976	277,138	1,540,114
Total fund balances	<u>1,285,663</u>	<u>277,138</u>	<u>1,562,801</u>
Total liabilities and fund balances	<u>\$ 1,285,663</u>	<u>\$ 277,138</u>	<u>\$ 1,562,801</u>

LEBANON SPECIAL SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds**

For the Fiscal Year Ended June 30, 2010

	Cafeteria	Extended School Projects	Total
Revenues			
Charges for current services	\$ 379,882	\$ 639,610	\$ 1,019,492
Other local revenues	25,709	-	25,709
Federal government	1,101,231	-	1,101,231
Total revenue	1,506,822	639,610	2,146,432
Expenditures			
Operation of non-instructional services	1,383,381	650,065	2,033,446
Total expenditures	1,383,381	650,065	2,033,446
Excess (deficiency) of revenues over expenditures	123,441	(10,455)	112,986
Other financing sources and (uses)			
Transfers out	-	(2,500)	(2,500)
Total other financing sources and (uses)	-	(2,500)	(2,500)
Net change in fund balances	123,441	(12,955)	110,486
Fund balances, beginning	1,162,222	290,093	1,452,315
Fund balances, ending	\$ 1,285,663	\$ 277,138	\$ 1,562,801

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual
Central Cafeteria Fund

For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Charges for current services				
Lunch payments - children	\$ 324,873	\$ 324,873	\$ 260,763	\$ (64,110)
Lunch payments - adults	50,000	50,000	38,763	(11,237)
Income from breakfast	43,000	43,000	33,796	(9,204)
Special milk sales	12,000	12,000	7,006	(4,994)
A la carte sales	55,000	55,000	39,554	(15,446)
Receipts from individual schools	125	125	-	(125)
Total	484,998	484,998	379,882	(105,116)
Other local revenues				
Recurring items				
Investment income	25,000	25,000	25,368	368
Miscellaneous refunds	-	-	341	341
Total	25,000	25,000	25,709	708
Federal funds received thru state				
USDA lunch	760,000	760,000	818,627	58,627
USDA breakfast	263,501	263,501	271,004	7,503
USDA food service equip grant - ARRA	11,600	11,600	11,600	-
Total	1,035,101	1,035,101	1,101,231	66,130
Total revenue	1,545,099	1,545,099	1,506,822	(38,277)
Expenditures				
Food services				
Clerical personnel	27,520	27,520	27,520	-
Cafeteria personnel	554,000	554,000	545,741	8,259
Social security	44,000	44,000	34,088	9,912
State retirement	49,500	49,500	42,074	7,426
Life insurance	1,900	1,900	941	959
Medical insurance	90,000	98,429	98,469	(40)
Unemployment insurance	600	600	455	145
Employer medicare liability	8,500	8,500	7,972	528
Laundry service	400	400	400	-
Maintenance & repair serv. equip.	23,000	23,000	21,257	1,743
Postal charges	600	600	568	32
Transportation - other than students	15,000	15,000	10,410	4,590
Travel	1,000	1,000	1,000	-
Other contracted services	3,454	3,454	2,355	1,099
Food preparation supplies	10,000	10,764	10,764	-
Food supplies	630,000	620,806	504,519	116,287
Office supplies	3,000	3,000	1,851	1,149
Uniforms	500	500	183	317
Other supplies & materials	38,000	38,000	37,289	711
In-service	1,000	1,000	355	645
Other charges	8,125	8,125	4,365	3,760
Food service equipment	35,000	35,000	30,805	4,195
Total expenditures	1,545,099	1,545,099	1,383,381	161,718
Net change in fund balances	-	-	123,441	123,441
Fund balance, beginning	-	1,162,222	1,162,222	-
Fund balance, ending	\$ -	\$ 1,162,222	\$ 1,285,663	\$ 123,441

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (GAAP Basis) and Actual
Extended School Projects Fund

For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance -
	Original	Final		Favorable/ (Unfavorable)
Revenues				
Charges for current services				
Tuition - regular day students	\$ 531,580	\$ 519,154	\$ 521,999	\$ 2,845
Tuition - other	250	660	660	-
Community service fees - children	130,000	115,811	116,951	1,140
Total	661,830	635,625	639,610	3,985
Expenditures				
Community services				
Supervisor/director	53,370	53,370	53,370	-
Clerical personnel	26,416	26,604	26,603	1
Temporary/part-time personnel	100,145	101,266	101,266	-
Other salaries & wages	285,717	300,400	300,400	-
Social security	27,577	28,315	28,315	-
State retirement	25,845	29,535	29,534	1
Life insurance	525	441	441	-
Employee insurance	45,000	40,180	40,179	1
Unemployment compensation	500	443	443	-
Employer medicare liability	7,135	7,760	7,760	-
Maintenance & repair - equipment	2,500	5,541	5,540	1
Travel	6,000	3,541	3,540	1
Food supplies	25,000	23,691	23,798	(107)
Instructional supplies and materials	12,000	4,921	4,920	1
Refunds	200	328	328	-
In-service	5,000	1,192	1,192	-
Other charges	32,400	19,103	18,556	547
Other equipment	4,000	3,880	3,880	-
Total expenditures	659,330	650,511	650,065	444
Excess (deficiency) of revenues over expenditures	2,500	(14,886)	(10,455)	4,430
Other uses:				
Operating transfers	2,500	2,500	2,500	-
Total expenditures and other uses	2,500	2,500	2,500	-
Net change in fund balances	-	(17,386)	(12,955)	4,430
Fund balance, beginning	-	290,093	290,093	0
Fund balance, ending	\$ -	\$ 272,707	\$ 277,138	\$ 4,431

LEBANON SPECIAL SCHOOL DISTRICT

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2010

	Land	Buildings and Improvements	Equipment	Total
Instruction	\$ 1,849,820	\$ 17,869,090	\$ 2,892,027	\$ 22,610,937
Support Services	237,459	1,985,455	37,078	2,259,992
Operation of non-instructional services	-	-	778,623	778,623
Total governmental capital assets	\$ 2,087,279	\$ 19,854,545	\$ 3,707,728	\$ 25,649,552

LEBANON SPECIAL SCHOOL DISTRICT

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes - By Function and Activity

For the Fiscal Year Ended June 30, 2010

	Beginning Balance	Additions	Deletions	Ending Balance
Instruction	\$ 20,654,011	\$ 2,068,252	\$ 111,326	\$ 22,610,937
Support Services	2,070,741	190,678	1,427	2,259,992
Operation of non-instructional services	701,417	107,178	29,972	778,623
Total	<u>\$ 23,426,169</u>	<u>\$ 2,366,108</u>	<u>\$ 142,725</u>	<u>\$ 25,649,552</u>

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Changes in General Long-Term
Notes and Bonds

For the Fiscal Year Ended June 30, 2010

Description of Debt	Original Amount of Issue	Interest Rate	Date of Issue	Outstanding Beginning	Issued During Period	Paid and/or Matured During Period	Outstanding Ending
General bonded debt							
Payable through Education Debt Service Fund							
School Bond Refunding - Series 2004	6,465,000	2.0 to 4.1	11-1-04	\$ 6,210,000	\$ -	\$ 55,000	\$ 6,155,000
School Bond Refunding - Series 2008	4,345,000	3.0 to 3.25	2-28-08	3,805,000	-	865,000	2,940,000
School Construction	18,000,000	3.65	3-26-10	-	18,000,000	-	18,000,000
				\$ 10,015,000	\$ 18,000,000	\$ 920,000	\$ 27,095,000

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Bonded Indebtedness and Interest Requirements

For the Fiscal Year Ended June 30, 2010

Fiscal Year Ending June 30,	11-1-04 Principal	2-28-08 Principal	3/26/2010 Principal	Total Principal	Total Interest
2011	\$ 385,000	\$ 570,000	\$ -	\$ 955,000	\$ 989,474
2012	395,000	585,000	-	980,000	951,214
2013	485,000	520,000	-	1,005,000	920,432
2014	490,000	550,000	-	1,040,000	887,856
2015	490,000	580,000	-	1,070,000	853,717
2016	970,000	135,000	-	1,105,000	816,736
2017	1,170,000	-	-	1,170,000	775,489
2018	1,220,000	-	-	1,220,000	728,689
2019	550,000	-	270,000	820,000	679,889
2020	-	-	850,000	850,000	649,353
2021	-	-	875,000	875,000	623,662
2022	-	-	905,000	905,000	595,793
2023	-	-	935,000	935,000	566,969
2024	-	-	965,000	965,000	537,189
2025	-	-	1,000,000	1,000,000	506,454
2026	-	-	1,025,000	1,025,000	472,004
2027	-	-	1,065,000	1,065,000	435,160
2028	-	-	1,105,000	1,105,000	396,187
2029	-	-	1,145,000	1,145,000	355,031
2030	-	-	1,185,000	1,185,000	311,641
2031	-	-	1,235,000	1,235,000	265,965
2032	-	-	1,280,000	1,280,000	216,757
2033	-	-	1,335,000	1,335,000	165,755
2034	-	-	1,385,000	1,385,000	112,561
2035	-	-	1,440,000	1,440,000	57,376
	<u>\$ 6,155,000</u>	<u>\$ 2,940,000</u>	<u>\$ 18,000,000</u>	<u>\$ 27,095,000</u>	<u>\$ 13,871,353</u>

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Interfund Transfers

For the Fiscal Year Ended June 30, 2010

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Operating transfers</u>			
General	School Federal Projects	Operations	\$ 50,000
Extended School Projects	General	Operations	2,500
			<u>\$ 52,500</u>
 <u>Capital projects</u>			
General	Education Capital Projects		\$ 545,000
Education Debt Service	Education Capital Projects		1,255,023
			<u>\$ 1,800,023</u>

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Salary and Official Bond of Director of Schools

For the Fiscal Year Ended June 30, 2010

<u>Official</u>	<u>Authorization for Salary</u>	<u>Salary Paid During Period</u>	<u>Bond</u>	<u>Surety</u>
Director of Schools	Minimum salary - State Board of Education Salary Schedule, Local Supplement - Board of Education	\$119,765	\$275,000	First Insurance Group

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards and State Financial Assistance

For the Fiscal Year Ended June 30, 2010

Grantor Program Title	CFDA Number	Grantor Agency	(Accrued) or Deferred Revenue		Receipts	Expenditures	Amount Earned	(Accrued) or Deferred Revenue June 30, 2010
			July 1, 2009	June 30, 2010				
Federal Awards								
Federal awards as identified in the Catalog of Federal Domestic Assistance								
School Lunch Program (Non-cash Assistance)	10.555	Dept. of Agriculture	\$ -	\$ -	\$ 112,139	\$ 112,139	\$ -	\$ -
Child Nutrition Cluster:								
School Breakfast Program	10.553	"	-	271,004	271,004	271,004	-	-
School Lunch Program	10.555	"	-	818,627	818,627	818,627	-	-
ARRA - Team Nutrition Training Grant	10.574	"	-	11,600	11,600	11,600	-	-
Fresh fruit and vegetable program	10.582	"	(28,740)	28,740	-	-	-	-
Title I Grants to Local Educational Agencies Cluster:								
Title I Grants to Local Educational Agencies	84.010	Dept. of Education	-	613,415	-	615,014	-	(1,599)
ARRA - Title I Grants to Local Educational Agencies	84.388	"	-	98,028	-	98,028	-	-
ARRA - School Improvement Grants	84.388	"	-	8,929	-	8,929	-	-
English Language Acquisition Grants	84.365	"	(655)	50,237	-	49,582	-	-
Improving Teacher Quality State Grants Cluster:								
Improving Teacher Quality State Grants	84.367	"	-	141,776	-	144,035	-	(2,259)
Special Education Cluster:								
Grants to States	84.027	"	(11,550)	754,146	-	742,596	-	-
ARRA - Grants to States	84.391	"	-	370,898	-	370,898	-	-
Special Education - Preschool Grants	84.173	"	-	30,589	-	30,589	-	-
ARRA - Special Education - Preschool Grants	84.392	"	-	14,320	-	14,320	-	-
ARRA - Education Technology State Grants	84.386	"	-	15,123	-	15,123	-	-
Safe and Drug Free Schools and Communities	84.186	"	-	18,324	-	18,324	-	-
School Improvement Grants	84.388	"	-	8,929	-	8,929	-	-
ARRA - State Fiscal Stabilization Fund (SFSF)								
Education State Grants	84.394	"	-	688,450	-	697,500	-	(9,050)
ARRA - State Fiscal Stabilization Fund (SFSF)								
Race-to-the-top Incentive Grants	84.395	"	-	6,685	-	6,685	-	-
Coordinated School Health	-	"	(848)	848	-	-	-	-
Total federal awards			\$ (41,793)	\$ 4,062,809	\$ 1,213,370	\$ 2,820,553	\$ (12,908)	
State Financial Assistance								
State awards								
L.E.A.P.S.	-	Dept. of Education	\$ -	\$ 157,500	\$ 157,500	\$ -	\$ -	\$ -
Other state awards	-	"	(12,760)	12,760	-	-	-	-
State Matching - Food Service	-	Dept. of Agriculture	-	18,621	18,621	-	-	-
Total state financial assistance			\$ (12,760)	\$ 188,881	\$ 176,121	\$ -	\$ -	\$ -

This schedule was prepared using the modified accrual basis of accounting in conformity with generally accepted accounting principles.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

Vance CPA LLC

Certified Public Accountants

178 Honey Hollow Lane
Belvidere, Tennessee 37306

Member of:

American Institute of Certified Public Accountants

Georgia Society of Certified Public Accountants

Alabama Society of Certified Public Accountants

Tel. (888) 531-6408

Fax (866) 406-7422

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Director of Schools and
Board of Education
Lebanon Special School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lebanon Special School district as of and for the year ended June 30, 2010, and have issued my report thereon dated February 23, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the district's financial statements that is more than inconsequential will not be prevented or detected by District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. I did not identify any deficiencies in internal control that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of Lebanon Special School District, the Tennessee Department of Education, the Tennessee State Comptroller's Office, Federal awarding agencies and other regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

February 23, 2011


Vance CPA LLC

Vance CPA LLC

Certified Public Accountants

178 Honey Hollow Lane
Belvidere, Tennessee 37306

Member of:

American Institute of Certified Public Accountants

Georgia Society of Certified Public Accountants

Alabama Society of Certified Public Accountants

Tel. (888) 531-6408

Fax (866) 406-7422

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO A MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Director of Schools and
Board of Education
Lebanon Special School District

Compliance

I have audited the compliance of Lebanon Special School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the district's management. My responsibility is to express an opinion on the District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the District's compliance with those requirements.

In my opinion, Lebanon Special School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by entity's internal control. I did not identify any deficiencies in internal control that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, the Tennessee State Comptroller's Office, federal awarding agencies and other regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

February 23, 2011


Vance CPA LLC

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2010

PART I - SUMMARY OF AUDITOR'S RESULTS

1. An unqualified opinion was issued on the financial statements of the District.
2. The audit of the financial statements disclosed no significant deficiencies in internal control.
3. The audit disclosed no instances of noncompliance or other matters that is material to the financial statements of the District.
4. The audit of the financial statements disclosed no significant deficiencies in internal control over the District's major programs by the audit of the financial statements.
5. An unqualified opinion was issued on compliance for the District's major programs.
6. The audit disclosed no findings relevant to Section 510(a) of OMB Circular A-133.
7. The following federal awards were determined to be major programs:

The Child Nutrition Cluster:

School Breakfast Program, CFDA No. 10.553

National School Lunch Program, CFDA No. 10.555

Team Nutrition Training Grant, Recovery Act, CFDA No. 10.574

Title I Grants to Local Educational Agencies Cluster:

Title I Grants to Local Educational Agencies, CFDA No. 84.010

Title I Grants to Local Educational Agencies, Recovery Act, CFDA No. 84.389

Special Education Cluster:

Grants to States, CFDA No. 84.027

Grants to States, Recovery Act, CFDA No. 84.391

Special Education - Preschool Grants, CFDA No. 84.173

Special Education - Preschool Grants, Recovery Act, CFDA No. 84.392

8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. The District did not qualify as a low-risk auditee.

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs (Continued)

June 30, 2010

**PART II - FINDINGS AND QUESTIONED COSTS REPORTED IN ACCORDANCE
WITH GENERALLY ACCEPTED GOVERNMENT AUDITING PROCEDURES**

None

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

LEBANON SPECIAL SCHOOL DISTRICT

Disposition of Prior Year Findings

June 30, 2010

PRIOR YEAR AUDIT RECOMMENDATIONS NOT IMPLEMENTED

(REF: Comprehensive Annual Financial Report for the FYE June 30, 2009)

None

PRIOR YEAR AUDIT RECOMMENDATIONS IMPLEMENTED

(REF: Comprehensive Annual Financial Report for the FYE June 30, 2009)

<u>Finding</u>	<u>Page Number</u>	<u>Subject</u>
1	59	Preparation of Financial Statements