LEBANON SPECIAL SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

LEBANON SPECIAL SCHOOL DISTRICT
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INTRODUCTORY SECTION

LEBANON SPECIAL SCHOOL DISTRICT

Roster of District Officials

June 30, 2011

Director of Schools

Dr. Sharon Roberts

Board of Education

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

FINANCIAL SECTION

Vance CPA LLC

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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, 2011, 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 opinions.

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, 2011, 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 April 13, 2012, 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 considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8, the schedule of funding progress for the other postemployment benefits plans and pension plan (pages 44 and 45) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 combining and individual nonmajor fund statements and other schedules (pages 46 through 56) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of 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 also not a required part of the basic financial statements. The combining and individual nonmajor fund statement, other schedules and the Schedule of Expenditures of Federal Awards and State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

April 13, 2012

Vance CPA LLC

Vance CPA LLC

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Fiscal Year ending June 30, 2011

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, 2011.

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 schedules presents a summary of the financial position for the fiscal years ended June 30, 2011 and 2010 and the amount and percentage of increases and decreases in relation to the year ended June 30, 2010.

	FY 11	FY 10	Percentage Inc / (Dec)
Statement of Net Assets			
Capital assets net of accumulated depr	$30,819,068	$15,820,320	94.8
Other assets	25,560,570	37,181,517	(31.3)
Total assets	$56,379,638	$53,001,837	6.4
Long-term liabilities	$25,269,929	$26,251,610	(3.7)
Other liabilities	10,816,643	8,864,549	22.0
Total liabilities	36,086,572	35,116,159	2.8
Net assets invested in capital assets	6,656,418	(9,299,011)	171.6
Restricted net assets	8,057,055	21,134,826	(61.9)
Unrestricted net assets	5,579,593	6,049,863	(7.8)
Total net assets	$20,293,066	$17,885,678	13.5

Condensed financial information (Cont.)

	FY 11	FY 10	Percentage Inc / (Dec)
Statement of Activities			
Revenues			
Charges for services	$ 1,051,849	$ 1,019,492	3.2
Operating grants and contributions	17,062,019	15,978,842	6.8
General revenues:			
Local taxes	12,613,331	12,576,931	0.3
Other local revenues	351,376	336,013	4.6
	31,078,575	29,911,278	3.9
Expenses			
Instruction	15,692,989	15,413,207	1.8
Support Services	9,014,557	8,637,946	4.4
Operation of non-instructional svcs	2,959,076	2,838,361	4.3
Interest on long-term debt	985,309	519,758	89.6
Other debt service	7,296	44,805	(83.7)
Capital projects	11,960	2,069	100.0
	28,671,187	27,456,146	4.4
Increase (decrease) in net assets	2,407,388	2,455,132	(2.0)
Net assets, beginning	17,885,678	15,306,928	16.8
Prior period adjustments	0	123,618	100.0
Net assets, ending	$20,293,066	$17,885,678	13.5

The significant increases in capital assets net of accumulated depreciation, net assets invested in capital assets, other liabilities and interest on long-term debt resulted from construction of the new middle school.

The significant increases in other assets and restricted net assets also resulted primarily from construction of the new middle school

Capital Expenditures

Some of the more significant capital expenditures made during fiscal year 2011 were:

Construction in progress on Winfree Bryant Middle	$15,102,035
Two buses	172,812
Computer labs at Byars Dowdy Elementary, Coles Ferry Elementary and Sam Houston Elementary	110,454
Roof repair and replacement at Walter J. Baird Middle	96,350
Bleacher system and press box at Walter J. Baird Middle	95,175
Parking lot at Coles Ferry Elementary	39,247
Two Ford trucks	32,390

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 is eliminated in conversion to 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.

	Original Budget	Final Budget	Inc / (Dec)
Revenue			
Taxes	$10,187,365	$10,548,565	$ 361,200
Licenses and permits	1,000	1,000	-
State of Tennessee	13,277,349	13,325,349	48,000
Other local revenues	153,734	150,734	(3,000)
	23,619,448	24,025,648	406,200
Expenditures			
Instruction	14,268,633	14,152,133	(116,500)
Support Services	8,448,158	8,694,758	246,600
Operation of non-instructional svcs	905,157	886,657	(18,500)
	23,621,948	23,733,548	111,600
Excess (deficiency) of revenues over expenditures	(2,500)	292,100	294,600
Other financing sources (uses)	2,500	2,500	0
Net change in fund balances	-	294,600	294,600
Fund balance, beginning	-	4,511,558	4,511,558
Fund balance, ending	$ -	$ 4,806,158	$4,806,158

The original budget for taxes and State of Tennessee revenues increased significantly due to the Board's conservative estimates on the original budget. 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, 2011, the District had outstanding bonds totaling $26,140,000 which consisted entirely of refunding issues. 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, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 14,566,076
Investments	855,200
Receivables, net of allowance for uncollectibles	
Taxes	6,673,152
Due from other governments	1,146,416
Other	11,805
Inventories, at cost	24,135
Restricted assets:	
Deferred charges - debt issuance costs	196,507
Land	2,087,279
Capital assets (net of accumulated depreciation)	30,819,068
Total Assets	$ 56,379,638
LIABILITIES	
Accounts payable	$ 508,755
Accrued liabilities	404,445
Contracts payable	1,320,722
Retainage payable	724,305
Interest payable	221,315
Deferred revenue	6,657,101
Long-term liabilities due within one year	980,000
Long-term liabilities due in more than one year	25,269,929
Total Liabilities	36,086,572
NET ASSETS	
Investments in capital assets, net of related debt	6,656,418
Restricted for:	
Education	232,024
School federal projects	197,484
Cafeteria	1,377,960
Debt service	4,104,408
Capital outlay	2,145,179
Unrestricted	5,579,593
Total Net Assets	$ 20,293,066

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2011

Functions / Programs:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets: Primary Government Governmental Activities	Total
Governmental Activities:					
Instruction	$ 15,692,989	$ -	$ 17,062,019	$ 1,369,030	$ 1,369,030
Support services	9,014,557	-	-	(9,014,557)	(9,014,557)
Operation of non-instructional services	2,959,076	1,051,849	-	(1,907,227)	(1,907,227)
Interest expense on long-term debt	985,309	-	-	(985,309)	(985,309)
Other debt service	7,296	-	-	(7,296)	(7,296)
Capital projects	11,960	-	-	(11,960)	(11,960)
Total Government Activities	28,671,187	1,051,849	17,062,019	(10,557,319)	(10,557,319)
Total Primary Government	$ 28,671,187	$ 1,051,849	$ 17,062,019	(10,557,319)	(10,557,319)
General Revenues:					
Property taxes levied for general purposes				9,973,385	9,973,385
Local option sales tax				2,608,252	2,608,252
Bank excise tax				29,693	29,693
Interstate telecommunications				2,001	2,001
Other local revenues				351,376	351,376
Total general revenues				12,964,707	12,964,707
Change in net assets				2,407,388	2,407,388
Net assets - beginning of year				17,885,678	17,885,678
Net assets - end of year				$ 20,293,066	$ 20,293,066

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	Major Funds				Nonmajor Funds	
	General	School Federal Projects	Education Debt Service	Education Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 5,358,126	$ 70,419	$ 4,038,471	$ 4,380,216	$ 718,844	$ 14,566,076
Investments	-	-	-	-	855,200	855,200
Interest receivable	-	-	-	-	11,805	11,805
Due from other governments	1,049,063	31,416	65,937	-	-	1,146,416
Due from other funds	-	115,899	-	-	-	115,899
Taxes receivable	6,771,804	-	-	-	-	6,771,804
Allowance for uncollectibles	(98,652)	-	-	-	-	(98,652)
Inventories	-	-	-	-	24,135	24,135
Total assets	$ 13,080,341	$ 217,734	$ 4,104,408	$ 4,380,216	$ 1,609,984	$ 23,392,683
LIABILITIES:						
Accounts payable	$ 298,495	$ 20,250	$ -	$ 190,010	$ -	$ 508,755
Accrued liabilities	404,445	-	-	-	-	404,445
Contracts payable	-	-	-	1,320,722	-	1,320,722
Retainage payable	-	-	-	724,305	-	724,305
Due to other funds	115,899	-	-	-	-	115,899
Deferred revenue	6,657,101	-	-	-	-	6,657,101
Total liabilities	7,475,940	20,250	-	2,235,037	-	9,731,227
FUND BALANCES						
Resticted for:						
Education	-	197,484	-	-	1,609,984	1,807,468
Debt service	-	-	4,104,408	-	-	4,104,408
Capital outlay	-	-	-	2,145,179	-	2,145,179
Unassigned	5,604,401	-	-	-	-	5,604,401
Total fund balances	5,604,401	197,484	4,104,408	2,145,179	1,609,984	13,661,456
Total liabilities and fund balances	$ 13,080,341	$ 217,734	$ 4,104,408	$ 4,380,216	$ 1,609,984	$ 23,392,683

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Reconciliation of the Balance Sheet to Statement of Net Assets

June 30, 2011

Amounts reported for fund balance - total governmental funds	$ 13,661,456
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	24,060,506
Less: accumulated depreciation	(9,099,858)
Add: construction in progress	15,858,420
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Less: bonds payable	(26,140,000)
Less: accrued interest on bonds	(221,315)
Less: other post employments benefits liability	(109,929)
Add: deferred charges - debt issuance cost	196,507
Net assets of governmental activities	$ 20,293,066

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2011

	Major Funds				Nonmajor Funds	
	General	School Federal Projects	Education Debt Service	Education Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues						
Local taxes	$ 10,524,321	$ -	$ 2,089,010	$ -	$ -	$ 12,613,331
Charges for current services	1,062	-	-	-	1,050,787	1,051,849
Other local revenues	178,129	-	6,744	151,507	14,996	351,376
State of Tennessee	13,697,977	-	-	-	-	13,697,977
Federal government	-	2,249,769	-	-	1,114,273	3,364,042
Total revenue	24,401,489	2,249,769	2,095,754	151,507	2,180,056	31,078,575
Expenditures						
Instruction	14,045,779	1,539,950	-	-	-	15,585,729
Support services	8,408,692	583,547	-	-	-	8,992,239
Operation of non-instructional services	856,675	-	-	-	2,130,373	2,987,048
Debt service	-	-	1,953,805	-	-	1,953,805
Capital projects	-	-	-	15,105,721	-	15,105,721
Total expenditures	23,311,146	2,123,497	1,953,805	15,105,721	2,130,373	44,624,542
Excess (deficiency) of revenues over expenditures	1,090,343	126,272	141,949	(14,954,214)	49,683	(13,545,967)
Other financing sources and (uses)						
Transfers in	2,500	-	-	-	-	2,500
Transfers out	-	-	-	-	(2,500)	(2,500)
Total other financing sources and (uses)	2,500	-	-	-	(2,500)	-
Net change in fund balances	1,092,843	126,272	141,949	(14,954,214)	47,183	(13,545,967)
Fund balances, beginning	4,511,558	71,212	3,962,459	17,099,393	1,562,801	27,207,423
Fund balances, ending	$ 5,604,401	$ 197,484	$ 4,104,408	$ 2,145,179	$ 1,609,984	$ 13,661,456

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, 2011

Net change in fund balances - total governmental funds	$ (13,545,967)
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	596,809
Depreciation expense	(700,096)
Construction in progress	15,102,035
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.	
Amortization expense	(8,274)
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.	
Repayment of bonds payable	955,000
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	6,200
Change in other post employment benefits liability (net of prior period adjustment)	1,681
Change in net assets of governmental activities	$ 2,407,388

See Accompanying Notes to Financial Statements

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, 2011

	Budgeted Amounts		Actual	Variance - Favorable/
	Original	Final	Amounts	(Unfavorable)
Revenues				
County taxes				
Current property taxes	$ 6,286,688	$ 6,199,688	$ 6,160,313	$ (39,375)
Trustee's collections - prior	139,000	188,000	188,325	325
Trustee's collections - bankruptcy	2,800	2,800	3,642	842
Circuit/C&M - prior year	180,990	208,990	219,780	10,790
Interest & penalty	25,000	33,000	36,394	3,394
Local option sales tax	2,327,585	2,622,585	2,608,252	(14,333)
Bank excise tax	34,500	29,700	29,693	(7)
Interstate telecommunications	2,000	2,000	2,001	1
Total	8,998,563	9,286,763	9,248,400	(38,363)
Special school taxes				
Current property taxes	1,158,802	1,221,802	1,234,120	12,318
Trustee's collections - prior	25,000	35,000	35,386	386
Interest & penalty	5,000	5,000	6,415	1,415
Total	1,188,802	1,261,802	1,275,921	14,119
Total taxes	10,187,365	10,548,565	10,524,321	(24,244)
Charges for current services				
Marriage licenses	1,000	1,000	1,062	62
Total	1,000	1,000	1,062	62
Other local revenues				
Recurring items				
Investment income	120,000	120,000	133,319	13,319
E-rate funding	19,134	15,134	15,509	375
Miscellaneous refunds	3,000	13,000	18,515	5,515
Nonrecurring items				
Sale of equipment	10,000	1,000	8,246	7,246
Damages recovered from individuals	100	100	43	(58)
Contributions & gifts	1,500	1,500	2,497	997
Total	153,734	150,734	178,129	27,395
State of Tennessee				
Basic Education Program	12,224,000	12,224,000	12,598,000	374,000
Early childhood education	670,999	670,999	670,999	-
School food serv. (state matching)	18,621	18,621	18,959	338
Energy Efficient School Initiative	69,104	65,104	64,080	(1,024)
Other state education funds	2,000	6,000	5,927	(73)
Coordinated school health	90,000	90,000	90,000	-
Internet connectivity	8,900	8,900	9,509	609
Family resource center	33,300	33,300	33,300	-
Statewide student management system	7,940	7,940	-	(7,940)
Career ladder (regular)	152,485	152,485	159,092	6,607
Safe Schools - ARRA	-	13,000	13,634	634
Other state revenues	-	35,000	34,477	(523)
Total	13,277,349	13,325,349	13,697,977	372,628
Total revenue	23,619,448	24,025,648	24,401,489	375,841

(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, 2011

	Budgeted Amounts		Actual	Variance - Favorable/
	Original	Final	Amounts	(Unfavorable)
Expenditures				
Instruction				
Regular instruction program				
Teachers	$ 9,040,803	$ 8,785,803	$ 8,789,325	$ (3,522)
Career ladder program	69,000	69,000	68,000	1,000
Career ladder extended contract	35,000	37,000	37,068	(68)
Homebound teachers	1,500	2,500	2,695	(195)
Educational assistants	388,419	377,419	378,164	(745)
Other salaries & wages	228,780	230,780	230,624	156
Substitute teachers	56,000	69,000	68,540	460
Non-certified substitute teachers	78,000	72,000	71,217	783
Social security	558,640	543,640	539,939	3,701
State retirement	885,052	860,052	864,327	(4,275)
Life insurance	7,250	14,250	5,976	8,274
Employee insurance	602,744	730,744	680,352	50,392
Unemployment compensation	4,010	4,010	2,690	1,320
Employer medicare liability	134,643	127,143	127,379	(236)
Tuition	1,000	1,000	-	1,000
Other contracted services	26,400	400	300	100
Instructional supplies & materials	43,200	44,200	44,004	196
Textbooks	297,060	297,060	296,644	416
Other supplies & materials	46,000	41,000	40,168	832
Other charges	40,000	51,000	50,936	64
Regular instruction equipment	217,850	217,850	215,997	1,853
Total	12,761,351	12,575,851	12,514,345	61,506
Alternative instruction program				
Teachers	145,926	146,426	146,163	263
Career ladder program	2,000	2,000	2,000	-
Educational Assistants	16,387	16,387	15,983	404
Social security	9,048	9,548	9,517	31
State retirement	13,857	14,857	14,866	(9)
Life insurance	81	81	107	(26)
Employee insurance	6,888	13,888	11,692	2,196
Unemployment compensation	45	45	43	2
Employer medicare liability	2,516	2,516	2,226	290
Total	196,748	205,748	202,597	3,151
Special education program				
Teachers	643,112	653,112	664,573	(11,461)
Career ladder program	8,000	8,000	7,000	1,000
Career ladder extended contracts	-	3,000	2,784	216
Homebound teachers	3,000	1,000	157	844
Educational assistants	275,125	301,125	302,991	(1,866)
Speech pathologist	87,546	85,546	84,966	580
Substitute teachers	4,000	9,000	8,496	504
Non-certified substitute teachers	4,000	4,000	3,836	164
Social security	60,485	57,485	58,414	(929)
State retirement	89,011	92,011	92,953	(942)
Life insurance	1,050	2,050	1,111	939
Employee insurance	107,200	127,200	74,862	52,338

(Continued)

See Accompanying Notes to Financial Statements

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

For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance - Favorable/
	Original	Final	Amounts	(Unfavorable)
Expenditures (cont.)				
Instruction (cont.)				
Special education program (cont.)				
Unemployment compensation	$ 405	$ 405	$ 314	$ 91
Employer medicare liability	14,600	13,600	13,875	(275)
Instructional supplies	5,500	5,500	5,500	-
Other charges	2,500	2,500	2,852	(352)
Special educational equipment	5,000	5,000	4,153	847
Total	1,310,534	1,370,534	1,328,837	41,697
Total instruction	14,268,633	14,152,133	14,045,779	106,354
Support services				
Students				
Attendance				
Supervisor/director	64,780	64,780	64,780	-
Career ladder program	1,000	1,000	1,000	-
Social security	4,016	4,016	3,783	233
State retirement	5,863	5,863	5,953	(90)
Life insurance	27	27	27	-
Medical insurance	2,363	2,363	4,671	(2,308)
Unemployment compensation	15	15	12	3
Employer medicare liability	94	94	885	(791)
Communication	450	450	419	31
Travel	400	400	400	-
Other charges	200	200	216	(16)
Health services				
Medical personnel	53,612	53,612	52,213	1,399
Other salaries & wages	212,571	212,571	210,981	1,590
Social security	15,600	15,600	15,171	429
State retirement	23,100	23,100	22,573	527
Life insurance	162	162	165	(3)
Medical insurance	16,950	21,950	18,979	2,971
Unemployment compensation	78	78	96	(18)
Employer medicare liability	3,525	3,525	3,548	(23)
Postal	500	500	-	500
Travel	4,800	1,800	1,380	420
Drugs and medical supplies	5,000	5,000	4,455	545
Other supplies and materials	5,500	4,500	5,070	(570)
In-service	1,000	1,000	350	651
Other charges	9,279	12,279	7,122	5,157
Health equipment	5,000	5,000	1,593	3,407
Other student support				
Career ladder program	3,000	3,000	3,000	-
Guidance personnel	301,600	303,600	302,930	670
School resource officer	56,580	56,580	56,476	104
Social security	18,681	17,681	17,418	263
State retirement	27,050	28,050	27,687	363
Life insurance	163	163	162	1
Employee insurance	16,740	21,740	25,917	(4,177)
Unemployment compensation	90	90	71	19
Employer medicare liability	4,335	4,335	4,074	261

(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, 2011

	Budgeted Amounts		Actual	Variance - Favorable/
	Original	Final	Amounts	(Unfavorable)
Expenditures (cont.)				
Support services (cont.)				
Other student support (cont.)				
Evaluation and testing	$ 45,000	$ 45,000	$ 35,446	$ 9,554
Other supplies & materials	2,000	3,000	848	2,152
Other Charges	4,000	4,000	157	3,843
Total	915,124	927,124	900,028	27,096
Instructional staff				
Regular instruction program				
Supervisor/director	101,464	122,464	103,801	18,663
Career ladder program	7,000	7,000	7,000	-
Career ladder extended contracts	-	-	2,610	(2,610)
Librarians	197,200	249,200	248,269	931
Materials supervisor	80,914	80,914	80,914	-
Instructional computer personnel	64,914	66,914	66,575	339
Secretary(s)	37,938	37,938	37,938	-
Clerical personnel	24,388	23,388	22,551	837
Educational assistants	83,050	84,050	84,063	(13)
Social security	36,750	38,750	37,858	892
State retirement	55,000	60,000	59,652	348
Life insurance	405	1,405	394	1,011
Employee insurance	35,960	54,960	47,785	7,175
Unemployment compensation	215	215	183	32
Employer medicare liability	8,250	9,250	8,989	261
Communication	1,800	1,800	1,738	62
Travel	4,000	3,000	238	2,762
Other Contracted Services	500	500	376	124
Library books/media	20,000	19,000	17,977	1,023
Other supplies & materials	1,500	1,500	1,511	(11)
In-service	25,000	25,500	18,507	6,993
Other charges	500	500	-	500
Special educational program				
Supervisor/director	84,806	85,306	85,306	-
Career ladder program	4,000	4,000	4,000	-
Secretary(s)	38,475	38,975	38,984	(9)
Other salaries & wages	122,420	122,420	122,420	-
Social security	15,480	15,480	14,672	808
State retirement	22,695	22,695	22,784	(89)
Life insurance	108	608	108	500
Employee insurance	16,105	20,105	17,790	2,315
Unemployment compensation	60	60	46	14
Employer medicare liability	3,621	3,621	3,349	272
Maintenance and repair svc - equip	1,000	1,000	614	386
Postal charges	300	300	232	68
Travel	2,000	2,000	1,646	354
Other contracted services	2,000	2,000	2,000	-
Other supplies & materials	1,000	1,000	1,035	(35)
In-service	1,000	1,000	1,000	-
Other charges	2,500	2,500	1,672	828
Total	1,104,318	1,211,318	1,166,587	44,731

(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, 2011

	Budgeted Amounts		Actual	Variance - Favorable/
	Original	Final	Amounts	(Unfavorable)
Expenditures (cont.)				
Support services (cont.)				
General administration				
Board of education				
Audit services	$ 15,000	$ 7,000	$ 5,330	$ 1,670
Dues and memberships	9,500	9,500	8,651	849
Legal services	6,000	6,000	5,678	323
Travel	2,000	2,000	1,530	470
Other contracted services	1,000	12,000	12,741	(741)
Liability insurance	17,282	17,282	17,281	1
Premiums on corporate surety bonds	1,329	1,329	1,329	-
Trustee's commission	185,000	170,000	166,964	3,036
Workman's compensation ins	194,515	196,515	196,525	(10)
Criminal Investigation of Applicants TBI	1,300	1,300	713	587
Other charges	23,000	25,000	15,540	9,460
Office of the superintendent				
County official/administrative officer	122,135	126,235	126,206	29
Assistants	104,110	101,110	100,631	479
Carerr ladder program	1,000	1,000	1,000	-
Secretary(s)	31,164	33,164	32,597	567
Clerical personnel	-	-	65	(65)
Other salaries & wages	1,000	1,000	818	182
Social security	16,059	15,059	14,791	268
State retirement	23,430	23,430	23,521	(91)
Life insurance	110	110	121	(11)
Employee insurance	16,288	21,288	18,709	2,579
Unemployment compensation	45	45	45	-
Employer medicare liability	3,575	3,575	3,725	(150)
Communication	12,500	11,500	10,927	573
Dues and memberships	3,800	3,800	3,165	635
Postal charges	3,000	3,000	2,481	519
Travel	10,000	10,000	9,520	480
Other contracted services	10,000	10,000	9,907	93
Office supplies	300	300	299	1
In-service	3,000	2,000	1,724	276
Other charges	12,000	15,000	13,914	1,086
Administration equipment	500	500	-	500
Total	829,942	830,042	806,448	23,594
School administration				
Office of the prinicipal				
Principals	392,976	397,976	397,229	747
Career ladder program	7,000	11,000	10,181	819
Accountants/bookkeepers	132,890	133,390	133,323	67
Assistant principals	385,371	384,371	383,720	651
Secretary(s)	148,900	148,900	147,907	993
Other salaries & wages	6,150	6,150	6,038	112
Social security	66,544	64,544	63,591	953
State retirement	97,309	98,309	98,339	(30)
Life insurance	595	1,595	569	1,026
Employee insurance	40,684	88,684	77,030	11,654

(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, 2011

	Budgeted Amounts		Actual	Variance - Favorable/
	Original	Final	Amounts	(Unfavorable)
Expenditures (cont.)				
Support services (cont.)				
School administration (cont.)				
Office of the prinicipal (cont.)				
Unemployment compensation	$ 330	$ 330	$ 276	$ 54
Employer medicare liability	15,563	15,563	14,872	691
Communication	16,200	16,200	16,014	186
Other contracted services	27,000	30,000	29,780	220
In-service	500	500	1,889	(1,389)
Other charges	25,000	32,000	91,303	(59,303)
Total	1,363,012	1,429,512	1,472,061	(42,549)
Business administration				
Fiscal services				
Supervisor/director	63,301	63,801	63,801	-
Social security	3,890	3,890	3,783	107
State retirement	5,846	5,846	5,940	(94)
Life insurance	27	27	28	(1)
Employee insurance	4,556	5,556	4,601	955
Unemployment compensation	15	15	12	3
Employer medicare liability	910	910	885	25
Travel	1,500	1,500	642	858
Other contracted services	19,000	19,000	18,614	386
Data Processing Supplies	2,000	2,000	1,639	361
Office supplies	8,000	8,000	7,996	4
Other supplies and materials	300	300	49	251
In-service	500	500	300	200
Other charges	8,000	7,000	6,762	238
Administrative equipment	2,000	2,000	2,000	-
Human services (resources)/personnel				
Supervisor/director	58,301	58,801	58,801	-
Secretary(s)	34,023	34,023	34,023	-
Social security	5,700	5,200	4,908	292
State retirement	8,595	8,595	8,642	(47)
Life insurance	54	54	56	(2)
Medical insurance	9,218	8,218	6,693	1,525
Unemployment compensation	30	30	24	6
Employer medicare	1,241	1,241	1,148	93
Advertising	300	300	-	300
Travel	2,000	1,000	789	211
Other Contracted Services	2,700	2,700	2,700	-
Office supplies	500	500	-	500
In-service	1,000	1,000	720	280
Other charges	500	500	177	323
Other equipment	1,000	1,000	1,331	(331)
Total	245,007	243,507	237,064	6,443

(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, 2011

	Budgeted Amounts		Actual	Variance - Favorable/
	Original	Final	Amounts	(Unfavorable)
Expenditures (cont.)				
Support services (cont.)				
Operation and maintenance of plant				
Operation of plant				
Custodial personnel	$ 553,625	$ 538,625	$ 533,276	$ 5,349
Social security	34,325	32,325	31,438	887
State retirement	49,142	44,142	43,196	946
Life insurance	567	567	435	132
Employee insurance	63,105	45,105	36,653	8,452
Unemployment compensation	380	380	338	42
Employer medicare liability	8,028	8,028	7,352	676
Disposal fees	20,000	21,000	18,701	2,299
Custodial supplies	20,000	26,000	25,886	114
Electricity	571,000	696,000	695,762	238
Natural gas	123,000	95,000	94,234	766
Water and sewer	67,300	73,300	72,643	657
Other supplies and materials	90,000	97,000	85,910	11,090
Boiler insurance	4,255	4,255	4,254	1
Building and contents insurance	77,501	77,501	77,500	1
Other charges	20,000	20,000	475	19,525
Plant operation equipment	3,000	3,000	3,000	-
Maintenance of plant				
Supervisor/director	58,301	58,301	58,301	-
Maintenance personnel	138,950	138,950	138,681	269
Other salaries & wages	44,456	44,456	44,354	102
Social security	14,685	14,685	13,967	718
State retirement	22,501	22,501	21,845	656
Life insurance	135	635	141	494
Employee insurance	22,052	20,052	17,403	2,649
Unemployment compensation	75	75	71	4
Employer medicare liability	3,505	3,505	3,266	239
Laundry service	2,400	2,400	2,146	254
Maintenance and repair svcs - bldgs	379,271	229,271	198,027	31,244
Maintenance and repair svcs - equip	500	500	500	-
Equipment and machinery parts	60,000	48,000	45,085	2,915
Other supplies & materials	15,000	13,000	11,351	1,649
Other charges	172,146	302,146	211,220	90,926
Total	2,639,205	2,680,705	2,497,411	183,294
Student Transportation				
Transportation				
Supervisor/director	58,301	58,301	58,301	-
Mechanics	69,145	67,145	66,738	407
Bus drivers	368,959	362,959	361,207	1,752
Other salaries & wages	72,972	67,972	67,735	237
Social security	35,300	34,300	33,940	360
State retirement	53,009	51,009	49,880	1,129
Life insurance	81	581	82	500
Employee insurance	9,119	46,119	39,828	6,291
Unemployment compensation	289	289	294	(5)
Employer medicare liability	8,255	8,255	7,938	317

(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, 2011

	Budgeted Amounts		Actual	Variance - Favorable/
	Original	Final	Amounts	(Unfavorable)
Expenditures (cont.)				
Support services (cont.)				
Student Transportation (cont.)				
Transportation (cont.)				
Communication	$ 600	$ 600	$ -	$ 600
Laundry service	1,200	1,200	809	391
Maintenance and repair svcs - vehicles	1,000	1,000	500	500
Travel	1,000	1,000	1,000	-
Other contracted services	17,000	18,000	7,618	10,382
Diesel fuel	55,000	65,000	62,344	2,656
Garage supplies	3,000	3,000	2,155	845
Gasoline	12,000	16,000	16,102	(102)
Lubricants	2,000	2,500	2,499	1
Tires and tubes	12,000	12,000	10,824	1,176
Vehicle parts	45,000	51,000	46,819	4,181
Other supplies & materials	1,500	4,500	1,990	2,510
Vehicle and equipment insurance	23,928	23,928	23,928	-
In-service	1,500	1,500	1,183	317
Other charges	2,500	6,500	7,598	(1,098)
Transportation equipment	207,626	205,626	205,102	524
Total	1,062,284	1,110,284	1,076,414	33,870
Central and Other				
Data processing personnel	107,096	103,096	102,902	194
Other Salaries & Wages	46,776	41,776	41,379	397
Social security	9,601	9,601	8,623	978
State retirement	14,325	14,325	13,432	893
Life insurance	81	81	56	25
Medical insurance	16,012	12,012	10,404	1,608
Unemployment compensation	45	45	38	7
Employer medicare liability	2,180	2,180	2,017	163
Travel	8,000	7,000	4,079	2,921
Other contracted services	2,000	3,000	2,937	63
In-service	150	150	90	60
Other charges	18,000	4,000	4,000	-
Other equipment	65,000	65,000	62,723	2,277
Total	289,266	262,266	252,680	9,586
Total support services	8,448,158	8,694,758	8,408,692	286,066
Operation of non-instructional services				
Food service				
Supervisor/director	56,286	56,286	56,286	-
Other salaries & wages	15,300	13,300	12,343	957
Social security	4,340	4,340	4,155	185
State retirement	5,200	5,200	5,240	(40)
Life insurance	27	27	56	(29)
Employee insurance	5,530	530	-	530
Unemployment compensation	90	90	33	57
Employer medicare liability	1,038	1,038	972	66
Total	87,811	80,811	79,085	1,726

(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, 2011

	Budgeted Amounts		Actual	Variance - Favorable/
	Original	Final	Amounts	(Unfavorable)
Expenditures (cont.)				
Operation of non-instructional services (cont.)				
Community services				
Supervisor/director	$ 41,675	$ 41,675	$ 41,675	$ -
Clerical personnel	10,000	11,000	10,950	50
Social security	3,200	3,700	3,530	170
State retirement	3,880	5,880	5,306	574
Life insurance	27	27	28	(1)
Unemployment compensation	30	30	24	6
Employer medicare liability	735	735	826	(91)
Travel	1,000	2,000	1,639	361
Other contracted services	6,500	-	-	-
Food supplies	3,800	800	-	800
Instructional supplies & materials	2,500	500	96	404
Other supplies & materials	3,000	-	-	-
Other charges	5,000	6,000	6,000	-
Total	81,347	72,347	70,072	2,275
Operation of non-instructional services				
Early childhood education				
Teachers	387,145	386,145	385,928	217
Educational assistants	142,600	143,600	143,114	486
Other salaries & wages	14,790	14,790	14,790	-
Certified substitute teachers	3,106	3,106	2,936	170
Non-certified substitute teachers	6,000	5,500	5,376	124
Social security	33,290	30,290	29,799	491
State retirement	49,010	46,010	45,649	361
Life insurance	486	986	420	566
Employee insurance	52,000	57,000	39,216	17,784
Unemployment compensation	270	270	235	35
Employer medicare liability	7,787	7,287	6,969	318
Travel	2,300	2,300	2,325	(25)
Other contracted services	7,000	7,000	5,792	1,208
Instructional supplies & materials	575	11,575	11,673	(98)
In-service	13,400	1,400	1,131	269
Other charges	3,740	3,740	3,622	118
Other equipment	12,500	12,500	8,543	3,957
Total	735,999	733,499	707,518	25,981
Total operation of non-instructional services	905,157	886,657	856,675	29,982
Total expenditures	23,621,948	23,733,548	23,311,146	422,402
Excess (deficiency) of revenues over expenditures	(2,500)	292,100	1,090,343	798,243
Other financing sources and (uses)				
Transfers in	2,500	2,500	2,500	-
Total other financing sources and (uses)	2,500	2,500	2,500	-
Net change in fund balances	-	294,600	1,092,843	798,243
Fund balance, beginning	-	4,511,558	4,511,558	-
Fund balance, ending	$ -	$ 4,806,158	$ 5,604,401	$ 798,243

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, 2011

	Budgeted Amounts		Actual	Variance - Favorable/
	Original	Final	Amounts	(Unfavorable)
Revenues				
Federal funds received thru state				
Title 1- basic grants to local educ agencies	$ 857,996	$ 857,996	$ 792,889	$ (65,107)
Special education - grants to states	1,197,297	1,211,673	968,406	(243,267)
Special education preschool grants	40,115	40,115	37,501	(2,614)
Education for homeless children	7,358	7,358	7,359	1
Eisenhower prof dev state grants	201,397	197,212	150,212	(47,000)
Race to the top	121,000	134,390	116,105	(18,285)
Other fed thru state	80,795	80,795	177,297	96,502
Total revenue	2,505,958	2,529,539	2,249,769	(279,770)
Expenditures				
Instruction				
Regular				
Teachers	548,825	544,741	502,413	42,328
Social security	33,640	33,405	29,129	4,276
State retirement	48,776	48,441	40,581	7,860
Life insurance	333	333	216	117
Medical insurance	29,826	29,826	21,964	7,862
Unemployment compensation	180	180	95	85
Employer medicare liability	7,812	7,760	6,815	945
Other contracted services	45,459	43,459	37,377	6,082
Instructional supplies and materials	42,012	38,195	32,269	5,926
Other supplies and materials	-	1,000	-	1,000
Other charges	38,397	38,398	15,320	23,078
Regular instructional equipment	52,302	60,464	58,463	2,001
Total	847,562	846,201	744,642	101,559
Education for handicapped				
Teachers	489,818	475,765	373,154	102,611
Educational assistants	231,000	231,000	184,808	46,192
Speech Pathologist	43,500	43,500	43,110	390
Certified substitute teachers	2,000	2,000	-	2,000
Social security	46,944	46,073	34,883	11,190
State retirement	70,031	68,760	54,064	14,696
Life insurance	702	702	355	347
Medical insurance	57,500	57,500	35,719	21,781
Unemployment compensation	417	417	274	143
Employer medicare liability	10,824	10,621	8,057	2,564
Maintenance and repair services	5,000	5,000	1,568	3,432
Instructional supplies and materials	24,372	24,663	36,914	(12,251)
Other charges	2,466	2,466	2,466	-
Special education equipment	35,000	35,000	19,936	15,064
Total	1,019,573	1,003,466	795,308	208,158
Total instruction	1,867,135	1,849,667	1,539,950	309,717

(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)
School Federal Projects Fund

For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance - Favorable/
	Original	Final	Amounts	(Unfavorable)
Expenditures (cont.)				
Support services				
Students				
Other Salaries and Wages	$ 1,000	$ 1,000	$ 1,000	$ -
Social Security	62	62	62	-
State Retirement	91	91	91	-
Employer Medicare	15	15	15	-
Evaluation and testing	28,000	10,000	10,807	(807)
Travel	3,166	2,268	2,268	-
Other contracted services	27,718	30,143	28,271	1,872
Other supplies and materials	8,265	10,569	9,956	613
Other charges	17,432	14,507	12,470	2,037
Total	85,749	68,655	64,940	3,715
Instructional staff				
Regular instruction program				
Supervisor/director	86,579	84,865	85,723	(858)
Materials supervisor	3,428	2,571	3,000	(429)
Secretary(s)	21,150	21,150	21,150	-
Educational assistants	34,831	34,831	26,787	8,044
Certified substitute teachers	4,500	3,086	3,086	-
In-service training	5,000	5,000	3,343	1,657
Non-certified substitute teachers	3,000	2,150	2,150	-
Social security	7,740	7,582	7,059	523
State retirement	11,389	11,156	10,897	259
Life insurance	111	111	90	21
Medical Insurance	11,097	11,097	15,268	(4,171)
Unemployment compensation	60	60	46	14
Employer medicare liability	1,809	1,773	1,647	126
Communication	1,200	1,200	672	528
Travel	38,088	34,903	13,004	21,900
Library books/media	9,500	9,574	9,167	407
Other supplies and materials	11,440	12,051	9,204	2,847
In-service	93,423	124,240	71,047	53,194
Other charges	1,300	1,300	734	566
Total	345,645	368,701	284,074	84,627
Special education program				
Supervisor/Director	-	2,571	3,000	(429)
Other salaries and wages	67,521	67,521	66,774	747
Social security	4,186	4,346	3,442	904
State retirement	6,111	6,344	6,315	29
Life insurance	36	36	27	9
Medical insurance	5,833	5,833	5,251	582
Unemployement compensation	16	16	12	4
Employer medicare	979	1,017	887	130
Maintenance and repair services - equip	5,000	3,500	1,995	1,505
Travel	9,000	9,000	5,887	3,113
Other contracted services	57,000	75,000	85,206	(10,206)
Other supplies and materials	20,157	20,157	24,793	(4,636)
In-service	9,000	10,500	14,859	(4,359)
Other charges	7,000	7,000	5,006	1,994
Other Equipment	15,000	15,000	9,661	5,339
Total	206,839	227,841	233,115	(5,274)

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)
School Federal Projects Fund

For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance - Favorable/
	Original	Final	Amounts	(Unfavorable)
Transportation				
Bus Drivers	$ 1,737	$ 1,737	$ 1,418	$ 319
Total	1,737	1,737	1,418	319
Total support services	639,970	666,934	583,547	83,386
Total expenditures	2,507,105	2,516,601	2,123,497	393,104
Excess (deficiency) of revenues over expenditures	(1,147)	12,938	126,272	113,334
Other financing sources and (uses)				
Operating transfers in	185,930	185,930	-	(185,930)
Operating transfers out	(185,930)	(200,015)	-	200,015
Total other financing sources and (uses)	-	(14,085)	-	14,085
Net change in fund balances	(1,147)	(1,147)	126,272	127,419
Fund balance, beginning	-	71,212	71,212	-
Fund balance, ending	$ (1,147)	$ 70,065	$ 197,484	$ 127,419

See Accompanying Notes to Financial Statements

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 activities) 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. 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.

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

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.

The Education Capital Projects Fund is used to account for the accumulation of resources for, and payment of, equipping of and construction of educational facilities.

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 in 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.

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. Capital 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.

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.

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, 2011 was as follows:

Description	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not depreciated				
Land	$ 2,087,279	$ -	$ -	$ 2,087,279
Capital assets depreciated				
Buildings and improvements	19,854,545	146,694	-	20,001,239
Equipment	3,707,728	450,115	98,576	4,059,267
Total	$25,649,552	$596,809	$98,576	$26,147,785

NOTE 3 – CAPITAL ASSETS (CONT.)

Accumulated depreciation				
Buildings and improvements	$ 5,750,711	$ 383,178	$ -	$ 6,133,889
Equipment	2,747,627	316,918	98,576	2,965,969
Total	8,498,338	700,096	98,576	9,099,858
Subtotal	17,151,214	(103,287)	-	17,047,927
Construction in progress	756,385	15,102,035	-	15,858,420
Governmental capital assets - net	$17,907,599	$14,998,748	$ -	$32,906,347

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

Instruction	$592,056
Support services	41,488
Operation of non-instructional services	66,552
	$700,096

NOTE 4 – RECEIVABLES AND DEFERRED REVENUE

A summary of receivables totaling $7,831,371 as of June 30, 2011 is as follows:

	General	School Federal Projects	Education Debt Service	Cafeteria	Total
Property taxes	$6,771,804	$ -	$ -	$ -	$6,771,804
Due from other govts	1,049,063	31,416	65,936	-	1,146,415
Interest receivable	-	-	-	11,804	11,804
Other receivable	-	-	-	-	-
Less allowance	(98,650)	-	-	-	(98,650)
Total	$7,722,217	$31,416	$65,936	$11,804	$7,831,373

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 2011 property taxes of $6,673,152 which is net of an allowance for doubtful accounts of $98,650. The 2011 property taxes are presented as deferred revenue since they are not available until the next fiscal year.

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, 2011:

Outstanding, beginning	$27,095,000
Debt issued:	
General obligation	0
Debt retired	
General obligation	955,000
Outstanding, ending	$26,140,000

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2011, including interest payments of $12,881,879 on bonds carrying interest rates ranging from 2.0% to 4.1%, are as follows:

Year Ending June 30	Principal	Interest	Total
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	1,105,000	816,736	1,921,736
2017 – 2021	4,935,000	3,457,082	8,392,082
2022 – 2026	4,830,000	2,678,409	7,508,409
2027 – 2031	5,735,000	1,763,984	7,498,984
2032 – 2035	5,440,000	552,449	5,992,449
Total	$26,140,000	$12,881,879	$39,021,879

Total general long-term debt due within one year includes $980,000 of general obligation bonds noted above.

Total general long-term debt due in more than one year includes $25,160,000 general obligation bonds presented above and noncurrent post employment benefit obligation (OPEB) of $109,809 for a total of $25,269,809.

There is $4,104,408 available in the Education Debt Service fund to service general long-term debt.

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, 2011, 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, 2011, 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.

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, 2011. 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, 2011. 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, 2011. 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 commoditv 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.

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, 2011. However, it is reasonably expected that the District may enter into derivative transactions in subsequent years.

NOTE 9 – 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 – OTHER POST EMPLOYMENT HEALTHCARE PLAN (OPEB)

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 Section 8-27-302, *Tennessee Code Annotated (TCA)*, for teachers. In previous fiscal years, prior to reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010, the insurance plan structure was changed and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) 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.

NOTE 11 – OTHER POST EMPLOYMENT HEALTHCARE PLAN (OPEB) (CONT.)

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is 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 employer in the plan develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides 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. During the year ended June 30, 2010, the Lebanon Special School District made contributions totaling $110,610 for post employment benefits.

Annual OPEB Cost and Net OPEB Obligation

Annual required contribution	$111,490
Interest on the net plan obligation	5,022
Adjustment to the annual required obligation	(6,703)
Annual OPEB cost:	109,809
Amount of contribution:	(111,490)
Increase/decrease in net plan obligation	(1,681)
Net OPEB obligation—beginning of year	111,610
Net OPEB obligation—end of year	$109,929

Year End	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6/30/2009	Teacher Group	$139,827	90.20	$ 48,969
6/30/2010	Teacher Group	$212,041	70.60	$111,610
6/30/2011	Teacher Group	$109,809	101.53	$109,929

NOTE 11 – OTHER POST EMPLOYMENT HEALTHCARE PLAN (OPEB) (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)	$1,227,932
Actuarial value of plan assets	$ 0
Unfunded actuarial accrued liability (UAAL)	$1,227,932
Actuarial Value of Assets as a % of the AAL	0
Covered payroll (active plan members)	$17,450,712
UAAL as a percentage of covered payroll	7.03

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 Schedule of Funding Progress, presented above, presents multi-year 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, 2010, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a three 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. The Schedule of Funding Progress is contained in the Required Supplementary Information.

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..

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, 2011, was 9.05% 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, 2011, 2010 and 2009 were $1,242,794, $865,670, and $828,098, 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/.

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, 2011 was 9.31% 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, 2011, Lebanon Special School District's annual pension cost of $378,428 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, 2009 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 3.0 percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 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, 2009 was 6 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	$378,428	100.0%	$0.00
June 30, 2010	$355,808	100.0%	$0.00
June 30, 2008	$328,263	100.0%	$0.00

NOTE 12 – DEFINED BENEFIT PLAN (CONT.)

As of July 1, 2009, the most recent actuarial valuation date, the plan was 81.66% funded. 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 $3.2 million, and the ratio of the UAAL to the covered payroll was 40.27%. The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, 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. The Schedule of Funding Progress is contained in the Required Supplementary Information.

REQUIRED SUPPLEMENTARY INFORMATION

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Funding Progress – Other Post Employment Benefits Plan

June 30, 2011

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	$0	n/a	n/a	n/a	n/a	n/a
July 1, 2009	$0	$1,291	1,291	0	$17,073	7.56
July 1, 2010	$0	$1,228	$1,228	0	$17,451	7.03

(Dollar amounts in thousands)

Actuarial study presented July 1, 2008 information as not available. Data will be presented for three actuarial valuations when available.

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Funding Progress – Pension Plan

June 30, 2011

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((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	$3,324	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.

SUPPLEMENTARY INFORMATION

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, 2011

	Cafeteria	Extended School Projects	Total
ASSETS			
Cash and cash equivalents	$ 486,820	$ 232,024	$ 718,844
Investments	855,200	-	855,200
Interest receivable	11,805	-	11,805
Inventories	24,135	-	24,135
Total assets	$ 1,377,960	$ 232,024	$ 1,609,984
FUND BALANCES			
Resticted for education	$ 1,377,960	$ 232,024	$ 1,609,984
Total fund balances	$ 1,377,960	$ 232,024	$ 1,609,984

LEBANON SPECIAL SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2011

	Cafeteria	Extended School Projects	Total
Revenues			
Charges for current services	$ 357,497	$ 693,290	$ 1,050,787
Other local revenues	14,996	-	14,996
Federal government	1,114,273	-	1,114,273
Total revenue	1,486,766	693,290	2,180,056
Expenditures			
Operation of non-instructional services	1,394,469	735,904	2,130,373
Total expenditures	1,394,469	735,904	2,130,373
Excess (deficiency) of revenues over expenditures	92,297	(42,614)	49,683
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	92,297	(45,114)	47,183
Fund balances, beginning	1,285,663	277,138	1,562,801
Fund balances, ending	$ 1,377,960	$ 232,024	$ 1,609,984

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, 2011

	Budgeted Amounts		Actual	Variance - Favorable/
	Original	Final	Amounts	(Unfavorable)
Revenues				
Charges for current services				
Lunch payments - children	$ 280,000	$ 280,000	$ 241,940	$ (38,060)
Lunch payments - adults	45,000	45,000	41,536	(3,464)
Income from breakfast	36,000	36,000	33,039	(2,961)
Special milk sales	12,000	12,000	6,036	(5,964)
A la carte sales	55,000	55,000	34,946	(20,054)
Receipts from individual schools	125	125	-	(125)
Total	428,125	428,125	357,497	(70,628)
Other local revenues				
Recurring items				
Investment income	25,000	25,000	13,098	(11,902)
Miscellaneous refunds	-	-	1,898	1,898
Total	25,000	25,000	14,996	(10,004)
Federal funds received thru state				
USDA lunch	823,760	823,760	836,291	12,531
USDA breakfast	271,000	271,000	277,982	6,982
Total	1,094,760	1,094,760	1,114,273	19,513
Total revenue	1,547,885	1,547,885	1,486,766	(61,119)
Expenditures				
Food services				
Clerical personnel	30,420	30,420	31,987	(1,567)
Cafeteria personnel	557,500	569,094	567,527	1,567
Social security	45,000	45,000	35,462	9,538
State retirement	50,000	50,000	46,077	3,923
Life insurance	1,900	1,900	715	1,185
Medical insurance	105,000	113,846	113,453	392
Unemployment insurance	600	600	460	140
Employer medicare liability	8,500	8,500	8,293	207
Laundry service	400	400	-	400
Maintenance & repair serv. equip.	24,000	12,406	11,341	1,065
Postal charges	800	800	449	351
Transportation - other than students	15,000	15,000	10,720	4,280
Travel	1,000	1,000	917	83
Other contracted services	3,140	3,140	3,030	110
Food preparation supplies	10,000	10,000	1,180	8,820
Food supplies	600,000	590,951	500,587	90,364
Office supplies	3,000	3,000	1,622	1,378
Uniforms	500	500	-	500
Other supplies & materials	40,000	40,000	33,784	6,216
In-service	1,000	1,203	1,203	-
Other charges	15,125	15,125	3,418	11,708
Food service equipment	35,000	35,000	22,242	12,758
Total expenditures	1,547,885	1,547,885	1,394,469	153,416
Net change in fund balances	-	-	92,297	92,297
Fund balance, beginning	-	-	1,285,663	1,285,663
Fund balance, ending	$ -	$ -	$ 1,377,960	$ 1,377,960

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, 2011

	Budgeted Amounts		Actual	Variance - Favorable/
	Original	Final	Amounts	(Unfavorable)
Revenues				
Charges for current services				
Tuition - regular day students	$ 547,074	$ 549,074	$ 552,328	$ 3,254
Tuition - other	250	250	770	520
Community service fees - children	130,000	139,000	140,192	1,192
Total	677,324	688,324	693,290	4,966
Expenditures				
Community services				
Supervisor/director	55,055	57,055	56,675	380
Clerical personnel	26,944	27,944	27,985	(41)
Temporary/part-time personnel	108,000	124,000	124,294	(294)
Other salaries & wages	301,000	302,000	301,711	289
Social security	28,700	31,700	31,429	271
State retirement	25,000	33,000	32,979	21
Life insurance	525	525	384	141
Employee insurance	45,000	48,000	48,765	(765)
Unemployment compensation	500	500	465	35
Employer medicare liability	8,000	8,000	8,130	(130)
Maintenance & repair - equipment	3,500	4,000	4,365	(365)
Travel	3,000	4,100	4,052	48
Food supplies	22,000	24,500	25,264	(764)
Instructional supplies and materials	10,000	23,000	22,404	596
Refunds	200	200	182	18
In-service	5,000	1,000	-	1,000
Other charges	28,400	45,400	43,830	1,570
Other equipment	4,000	4,000	2,990	1,010
Total expenditures	674,824	738,924	735,904	3,020
Excess (deficiency) of revenues over expenditures	2,500	(50,600)	(42,614)	7,986
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	-	(53,100)	(45,114)	7,986
Fund balance, beginning	-	277,138	277,138	-
Fund balance, ending	$ -	$ 224,038	$ 232,024	$ 7,986

LEBANON SPECIAL SCHOOL DISTRICT

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2011

	Land	Buildings and Improvements	Equipment	Total
Instruction	$ 1,669,823	18,001,115	$ 3,166,228	$ 22,837,166
Support Services	417,456	2,000,124	40,593	2,458,173
Operation of non-instructional services	-	-	852,446	852,446
Total governmental capital assets	$ 2,087,279	$ 20,001,239	$ 4,059,267	$ 26,147,785

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, 2011

	Beginning Balance	Additions	Deletions	Ending Balance
Instruction	$ 22,430,940	$ 483,115	$ 76,889	$ 22,837,166
Support Services	2,439,989	19,170	986	2,458,173
Operation of non-instructional services	778,623	94,524	20,701	852,446
Total	$ 25,649,552	$ 596,809	$ 98,576	$ 26,147,785

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Changes in General Long-Term Notes and Bonds

For the Fiscal Year Ended June 30, 2011

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	$ 6,155,000	$ -	$ 385,000	$ 5,770,000
School Bond Refunding - Series 2008	4,345,000	3.0 to 3.25	2-28-08	2,940,000	-	570,000	2,370,000
School Construction	18,000,000	3.65	3/26/10	18,000,000	-	-	18,000,000
				$ 27,095,000	$ -	$ 955,000	$ 26,140,000

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Bonded Indebtedness and Interest Requirements

For the Fiscal Year Ended June 30, 2011

Fiscal Year Ending June 30,	11-1-04 Principal	2-28-08 Principal	3-26-10 Principal	Total Principal	Total Interest
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
	$ 5,770,000	$ 2,370,000	$ 18,000,000	$ 26,140,000	$ 12,881,879

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Interfund Transfers

For the Fiscal Year Ended June 30, 2011

From Fund	To Fund	Purpose	Amount
Operating transfers			
Extended School Projects	General	Operations	$ 2,500

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Salary and Official Bond of Director of Schools

For the Fiscal Year Ended June 30, 2011

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	Minimum salary - State Board of Education Salary Schedule, Local Supplement - Board of Education	$126,206	$275,000	First Insurance Group

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards and State Grants

For the Fiscal Year Ended June 30, 2011

Grantor Program Title	CFDA Number	Grantor Agency	(Accrued) or Deferred Revenue July 1, 2010	Receipts	Expenditures	Amount Earned	(Accrued) or Deferred Revenue June 30, 2011
Federal Awards							
Federal awards as identified in the Catalog of Federal Domestic Assistance							
School Lunch Program (Non-cash Assistance)	10.555	Dept. of Agriculture	$ -	$ 113,806	$ 113,806	$ -	$ -
Child Nutrition Cluster:							
School Breakfast Program	10.553	"	-	277,982	277,982	-	-
School Lunch Program	10.555	"	-	836,291	836,291	-	-
Title I Grants to Local Educational Agencies Cluster:							
Title I Grants to Local Educational Agencies	84.010	Dept. of Education	(1,599)	633,642	-	632,043	-
ARRA - Title I Grants to Local Educational Agencies	84.389	"	-	160,680	-	160,680	-
ARRA - School Improvement Grants	84.388	"	-	9,509	-	9,509	-
English Language Acquisition Grants	84.365	"	-	36,648	-	36,648	-
Improving Teacher Quality State Grants Cluster:							
Improving Teacher Quality State Grants	84.367	"	(2,259)	138,646	-	136,387	-
Special Education Cluster:							
Grants to States	84.027	"	-	604,697	-	604,697	-
ARRA - Grants to States	84.391	"	-	363,709	-	363,709	-
Special Education - Preschool Grants	84.173	"	-	26,948	-	26,948	-
ARRA - Special Education - Preschool Grants	84.392	"	-	10,553	-	10,553	-
ARRA - Education Technology State Grants	84.386	"	-	8,383	-	8,383	-
Safe and Drug Free Schools and Communities	84.186	"	-	2,800	-	2,800	-
ARRA - Education for Homeless Children and Youth	84.387	"	-	7,359	-	7,359	-
ARRA - SNAP - School Supplies	93.558	"	-	35,617	-	35,617	-
State Fiscal Stabilization Fund Cluster:							
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	"	-	1,178,171	-	1,178,171	-
ARRA - State Fiscal Stabilization Fund - Government Services	84.397	"	(9,050)	152,526	-	143,476	-
ARRA - State Fiscal Stabilization Fund - Race-to-the-top Incentive Grants	84.395	"	-	116,105	-	116,105	-
Youth Empowerment Initiative	93.931	Admin on Dev Disabilities	-	29,956	-	72,961	(43,005)
Total federal awards			$ (12,908)	$ 4,744,028	$ 1,228,079	$ 3,546,046	$ (43,005)
State Financial Assistance							
State awards							
L.E.A.P.S.	-	Dept. of Education	$ -	$ 111,644	$ 152,783	$ -	$ (41,139)
Career Ladder Extended Contracts	-	"	-	39,217	39,217	-	-
Other state awards	-	"	-	1,227	1,227	-	-
State Matching - Food Service	-	Dept. of Agriculture	-	18,959	18,959	-	-
Total state financial assistance			$ -	$ 171,047	$ 212,186	$ -	$ (41,139)

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

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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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, 2011, which collectively comprises Lebanon Special School District's basic financial statements and have issued my report thereon dated April 13, 2012. 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.

Internal Control Over Financial Reporting

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.

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or 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, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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.

April 13, 2012

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH 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 could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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 the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance 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.

April 13, 2012

Vance CPA LLC

Vance CPA LLC

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2011

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 non 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

   Title 1 Grants to Local Educational Agencies Cluster:
   - Title 1 Grants to Local Educational Agencies, CFDA No. 84.010
   - ARRA – Title 1 Grants to Local Educational Agencies, CFDA No. 84.389

   Special Education Cluster:
   - Grants to States, CFDA No. 84.027
   - ARRA – Grants to States, CFDA No. 84.391
   - Special Education – Preschool Grants, CFDA No. 84.173
   - ARRA – Special Education – Preschool Grants, CFDA No. 84.392

   State Fiscal Stabilization Fund Cluster
   - ARRA – State Fiscal Stabilization Fund – Education State Grants, CFDA No. 84.394
   - ARRA - State Fiscal Stabilization Fund – Government Services, CFDA No. 84.397
   - ARRA – State Fiscal Stabilization Fund – Race to the Top CFDA No. 84.395

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.

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

None

PART II – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

LEBANON SPECIAL SCHOOL DISTRICT

Disposition of Prior Year Findings

June 30, 2011

PRIOR YEAR AUDIT RECOMMENDATIONS NOT IMPLEMENTED
(REF: Comprehensive Annual Financial Report for the FYE June 30, 2010)

None

PRIOR YEAR AUDIT RECOMMENDATIONS IMPLEMENTED
(REF: Comprehensive Annual Financial Report for the FYE June 30, 2010)

None