

LEBANON SPECIAL SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2012

LEBANON SPECIAL SCHOOL DISTRICT

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INTRODUCTORY SECTION

LEBANON SPECIAL SCHOOL DISTRICT

Roster of District Officials

June 30, 2012

Director of Schools

Scott Benson

Board of Education

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

FINANCIAL SECTION



BELLENFANT + MILES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We 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, 2012, 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. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lebanon Special School District, as of June 30, 2012, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and the School Federal Projects Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the schedule of funding progress for other postemployment benefits plan and pension plan on pages 44 through 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. We 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lebanon Special School District's financial statements. The combining and individual nonmajor fund statement and schedules and other schedules listed in the table of contents on pages 46 through 56, and the schedule of expenditures of federal awards and state financial assistance on page 57, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was 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 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 our opinion, the combining and individual nonmajor fund statement and schedules and other schedules on pages 46 through 56, and the schedule of expenditures of federal awards and state financial assistance on page 57 are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lebanon Special School District's financial statements. The introductory section is presented for the purpose 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, we do not express an opinion or provide any assurance on it.

Bellonfant & Miles, PLLC

April 18, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year ending June 30, 2012

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, 2012.

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, 2012 and 2011 and the amount and percentage of increases and decreases in relation to the year ended June 30, 2011.

	<u>FY 12</u>	<u>FY 11</u>	<u>Percentage Inc / (Dec)</u>
<u>Statement of Net Assets</u>			
Capital assets net of accumulated depr	\$34,685,815	\$30,819,068	12.5
Other assets	<u>23,075,696</u>	<u>25,560,570</u>	(9.7)
Total assets	<u>\$57,761,511</u>	<u>\$56,379,638</u>	2.5
Long-term liabilities	\$26,551,029	\$25,269,929	5.1
Other liabilities	<u>8,671,810</u>	<u>10,816,643</u>	(19.8)
Total liabilities	<u>35,222,839</u>	<u>36,086,572</u>	(2.4)
Net assets invested in capital assets	9,121,585	6,656,418	37.0
Nonspendable	22,919	-	100.0
Restricted net assets	6,331,547	8,057,055	(21.4)
Unrestricted net assets	<u>7,062,621</u>	<u>5,579,593</u>	26.6
Total net assets	<u>\$22,538,672</u>	<u>\$20,293,066</u>	11.1

Condensed financial information (Cont.)

	<u>FY 12</u>	<u>FY 11</u>	<u>Percentage Inc / (Dec)</u>
<u>Statement of Activities</u>			
Revenues			
Charges for services	\$ 1,169,883	\$ 1,051,849	11.2
Operating grants and contributions	17,849,652	17,062,019	4.6
General revenues:			
Local taxes	12,946,489	12,613,331	2.6
Other local revenues	<u>196,554</u>	<u>351,376</u>	(44.1)
	<u>32,162,578</u>	<u>31,078,575</u>	3.5
Expenses			
Instruction	16,422,675	15,692,989	4.6
Support Services	9,172,566	9,014,557	1.8
Operation of non-instructional svcs	3,307,193	2,959,076	11.8
Interest on long-term debt	985,934	985,309	0.1
Other debt service	7,296	7,296	0.0
Capital projects	<u>21,308</u>	<u>11,960</u>	78.2
	<u>29,916,972</u>	<u>28,671,187</u>	4.3
Increase (decrease) in net assets	2,245,606	2,407,388	(6.7)
Net assets, beginning	<u>20,293,066</u>	<u>17,885,678</u>	13.5
Net assets, ending	<u>\$22,538,672</u>	<u>\$20,293,066</u>	11.1

The significant increases in capital assets net of accumulated depreciation, net assets invested in capital assets resulted from continued construction of the new middle school.

The significant decreases in other assets, other liabilities, restricted net assets and other local revenues also resulted primarily from construction of the new middle school.

Capital Expenditures

Some of the more significant capital expenditures made during fiscal year 2012 were:

Final construction on Winfree Bryant Middle	\$ 3,842,430
One bus	79,800
Computer labs at the two middle schools	90,000
Athletic field construction/improvements - middle schools	72,506

See Note 3 on pages 33-34 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.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Inc / (Dec)</u>
Revenue			
Taxes	\$10,724,417	\$10,387,917	\$(336,500)
Licenses and permits	1,000	1,000	-
State of Tennessee	13,675,480	14,151,080	475,600
Other local revenues	<u>159,600</u>	<u>141,600</u>	<u>(18,000)</u>
	24,560,497	24,681,597	121,100
Expenditures			
Instruction	14,630,843	14,322,043	(308,800)
Support Services	8,969,181	8,576,381	(392,800)
Operation of non-instructional svcs	<u>962,973</u>	<u>922,373</u>	<u>(40,600)</u>
	<u>24,562,997</u>	<u>23,820,797</u>	<u>(742,200)</u>
Excess (deficiency) of revenues over expenditures	(2,500)	860,800	863,300
Other financing sources (uses)	<u>2,500</u>	<u>12,500</u>	<u>10,000</u>
Net change in fund balances	-	873,300	873,300
Fund balance, beginning	<u>-</u>	<u>5,604,401</u>	<u>5,604,401</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ 6,477,701</u>	<u>\$6,477,701</u>

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, 2012, the District had outstanding notes and bonds totaling \$27,543,235 which consisted of a Tennessee Energy Efficient Schools note issue amounting to \$2,383,235 and \$25,160,000 in refunding bonds. See Note 5 on pages 35-36 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, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 13,172,851
Investments	405,200
Receivables, net of allowance for uncollectibles	
Taxes	6,679,658
Due from other governments	516,995
Other	2,561
Inventories, at cost	22,919
Deferred charges - debt issuance costs	188,233
Land	2,087,279
Capital assets (net of accumulated depreciation)	34,685,815
Total Assets	<u>\$ 57,761,511</u>
LIABILITIES	
Accounts payable	\$ 285,996
Accrued liabilities	390,725
Interest payable	214,951
Deferred revenue	6,679,658
Long-term liabilities due within one year	1,100,480
Long-term liabilities due in more than one year	26,551,029
Total Liabilities	<u>35,222,839</u>
NET ASSETS	
Investments in capital assets, net of related debt	9,121,585
Nonspendable	22,919
Restricted for:	
Education	329,494
School federal projects	53,249
Cafeteria	1,303,994
Debt service	4,498,724
Capital outlay	146,086
Unrestricted	7,062,621
Total Net Assets	<u>\$ 22,538,672</u>

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2012

Functions / Programs: Governmental Activities:	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Governmental Activities		Total
Instruction	\$ 16,422,675	\$ -	\$ 17,849,652	\$ 1,426,977	\$ 1,426,977	
Support services	9,172,566	-	-	(9,172,566)	(9,172,566)	
Operation of non-instructional services	3,307,193	1,169,883	-	(2,137,310)	(2,137,310)	
Interest expense on long-term debt	985,934	-	-	(985,934)	(985,934)	
Other debt service	7,296	-	-	(7,296)	(7,296)	
Capital projects	21,308	-	-	(21,308)	(21,308)	
Total Government Activities	29,916,972	1,169,883	17,849,652	(10,897,437)	(10,897,437)	
Total Primary Government	\$ 29,916,972	\$ 1,169,883	\$ 17,849,652	(10,897,437)	(10,897,437)	
General Revenues:						
Property taxes levied for general purposes				10,306,543	10,306,543	
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				196,554	196,554	
Total general revenues				13,143,043	13,143,043	
Change in net assets				2,245,606	2,245,606	
Net assets - beginning of year				20,293,066	20,293,066	
Net assets - end of year				\$ 22,538,672	\$ 22,538,672	

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	Major Funds				Nonmajor	Total
	General	School Federal Projects	Education Debt Service	Education Capital Projects	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 7,178,349	\$ 45,910	\$ 4,547,384	\$ 175,481	\$ 1,225,727	\$ 13,172,851
Investments	-	-	-	-	405,200	405,200
Interest receivable	-	-	-	-	2,561	2,561
Due from other governments	498,316	7,339	11,340	-	-	516,995
Due from other funds	60,000	-	-	-	-	60,000
Taxes receivable	6,808,289	-	-	-	-	6,808,289
Allowance for uncollectibles	(128,631)	-	-	-	-	(128,631)
Inventories	-	-	-	-	22,919	22,919
Total assets	\$ 14,416,323	\$ 53,249	\$ 4,558,724	\$ 175,481	\$ 1,656,407	\$ 20,860,184
LIABILITIES:						
Accounts payable	\$ 256,601	\$ -	\$ -	\$ 29,395	\$ -	\$ 285,996
Accrued liabilities	390,725	-	-	-	-	390,725
Due to other funds	-	-	60,000	-	-	60,000
Deferred revenue	6,679,658	-	-	-	-	6,679,658
Total liabilities	7,326,984	-	60,000	29,395	-	7,416,379
FUND BALANCES						
Nonspendable	-	-	-	-	22,919	22,919
Restricted for:						
Education	-	53,249	-	-	1,633,488	1,686,737
Debt service	-	-	4,498,724	-	-	4,498,724
Capital outlay	-	-	-	146,086	-	146,086
Unassigned	7,089,339	-	-	-	-	7,089,339
Total fund balances	7,089,339	53,249	4,498,724	146,086	1,656,407	13,443,805
Total liabilities and fund balances	\$ 14,416,323	\$ 53,249	\$ 4,558,724	\$ 175,481	\$ 1,656,407	\$ 20,860,184

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Reconciliation of the Balance Sheet to Statement of Net Assets

June 30, 2012

Amounts reported for fund balance - total governmental funds	\$ 13,443,805
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	44,871,130
Less: accumulated depreciation	(10,185,315)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Less: notes payable	(2,383,235)
Less: bonds payable	(25,160,000)
Less: accrued interest on bonds	(214,951)
Less: other post employments benefits liability	(108,274)
Add: deferred charges - debt issuance cost	188,233
Net assets of governmental activities	\$ <u>22,538,672</u>

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, 2012

	Major Funds				Nonmajor	Total
	General	School Federal Projects	Education Debt Service	Education Capital Projects	Other Governmental Funds	
Revenues						
Local taxes	\$ 10,572,757	\$ -	\$ 2,373,732	\$ -	\$ -	\$ 12,946,489
Charges for current services	867	-	-	-	1,169,016	1,169,883
Other local revenues	147,615	-	176	15,558	33,205	196,554
State of Tennessee	14,153,490	-	-	-	-	14,153,490
Federal government	-	2,478,841	-	-	1,217,321	3,696,162
Total revenue	24,874,729	2,478,841	2,373,908	15,558	2,419,542	32,162,578
Expenditures						
Instruction	14,243,110	1,502,657	-	-	-	15,745,767
Support services	8,263,218	994,503	-	-	-	9,257,721
Operation of non-instructional services	895,980	-	-	-	2,486,517	3,382,497
Debt service	-	-	1,979,592	-	-	1,979,592
Capital projects	-	-	-	4,397,885	-	4,397,885
Total expenditures	23,402,308	2,497,160	1,979,592	4,397,885	2,486,517	34,763,462
Excess (deficiency) of revenues over expenditures	1,472,421	(18,319)	394,316	(4,382,327)	(66,975)	(2,600,884)
Other financing sources and (uses)						
Proceeds from sale of notes	-	-	-	2,383,235	-	2,383,235
Transfers in	12,517	-	-	-	-	12,517
Transfers out	-	(10,017)	-	-	(2,500)	(12,517)
Total other financing sources and (uses)	12,517	(10,017)	-	2,383,235	(2,500)	2,383,235
Net change in fund balances	1,484,938	(28,336)	394,316	(1,999,092)	(69,475)	(217,649)
Fund balances, beginning	5,604,401	197,484	4,104,408	2,145,178	1,609,983	13,661,454
Prior period adjustment	-	(115,899)	-	-	115,899	-
Fund balances, ending	\$ 7,089,339	\$ 53,249	\$ 4,498,724	\$ 146,086	\$ 1,656,407	\$ 13,443,805

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

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

June 30, 2012

Net change in fund balances - total governmental funds	\$ (217,649)
 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	4,952,204
Depreciation expense	(1,085,457)
 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.	
Issuance of energy efficient note proceeds	(2,383,235)
Repayment of bonds payable	980,000
 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	6,362
Change in other post employment benefits liability	1,655
 Change in net assets of governmental activities	 \$ <u>2,245,606</u>

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, 2012

	Budgeted Amounts		Actual Amounts	Variance -
	Original	Final		Favorable/ (Unfavorable)
Revenues				
County taxes				
Current property taxes	\$ 6,365,145	\$ 6,107,145	\$ 6,179,628	\$ 72,483
Trustee's collections - prior	188,000	144,000	142,838	(1,162)
Trustee's collections - bankruptcy	3,000	2,000	1,851	(149)
Circuit/C&M - prior year	215,000	133,000	239,605	106,605
Interest & penalty	35,000	27,500	28,585	1,085
Local option sales tax	2,800,000	2,781,000	2,792,717	11,717
Bank excise tax	29,700	26,600	26,676	76
Interstate telecommunications	2,000	1,200	1,459	259
Total	9,637,845	9,222,445	9,413,359	190,914
Special school taxes				
Current property taxes	1,045,572	1,119,572	1,113,154	(6,418)
Trustee's collections - prior	35,000	40,400	40,459	59
Interest & penalty	6,000	5,500	5,785	285
Total	1,086,572	1,165,472	1,159,398	(6,074)
Total taxes	10,724,417	10,387,917	10,572,757	184,840
Charges for current services				
Marriage licenses	1,000	1,000	867	(133)
Total	1,000	1,000	867	(133)
Other local revenues				
Recurring items				
Investment income	130,000	113,000	107,891	(5,109)
E-rate funding	15,500	19,100	19,135	35
Miscellaneous refunds	7,000	7,000	13,979	6,979
Nonrecurring items				
Sale of equipment	5,000	400	431	31
Damages recovered from individuals	100	100	-	(100)
Contributions & gifts	2,000	2,000	6,179	4,179
Total	159,600	141,600	147,615	6,015
State of Tennessee				
Basic Education Program	12,678,000	13,160,000	13,160,000	-
Early childhood education	673,468	673,468	703,080	29,612
School food serv. (state matching)	18,900	18,900	18,415	(485)
Other state education funds	5,000	5,000	104,651	99,651
Career ladder (regular)	113,000	113,000	113,624	624
Career ladder - extended contract	45,000	40,500	40,500	-
Career ladder - extended contract - ARRA	-	9,600	9,684	84
Other state grants	142,112	127,112	-	(127,112)
Other state revenues	-	3,500	3,536	36
Total	13,675,480	14,151,080	14,153,490	2,410
Total revenue	24,560,497	24,681,597	24,874,729	193,132

(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, 2012

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures				
Instruction				
Regular instruction program				
Teachers	\$ 8,919,842	\$ 8,799,842	\$ 8,796,390	\$ 3,452
Career ladder program	68,000	63,000	63,000	-
Career ladder extended contract	37,000	31,500	31,465	35
Homebound teachers	2,700	3,700	3,389	311
Educational assistants	497,508	469,508	469,192	316
Other salaries & wages	308,673	295,673	295,434	239
Substitute teachers	69,000	63,300	63,272	28
Non-certified substitute teachers	72,000	67,400	67,316	84
Social security	605,489	555,489	561,094	(5,605)
State retirement	890,714	868,714	862,525	6,189
Life insurance	6,301	6,301	3,159	3,142
Employee insurance	575,468	670,468	668,455	2,013
Unemployment compensation	3,781	4,781	4,345	436
Employer medicare liability	130,070	130,070	129,476	594
Other contracted services	21,500	11,500	3,338	8,162
Instructional supplies & materials	45,000	47,000	45,253	1,747
Textbooks	178,400	118,400	68,140	50,260
Other supplies & materials	41,000	45,000	43,917	1,083
Other charges	63,000	60,000	51,255	8,745
Regular instruction equipment	234,950	234,950	253,202	(18,252)
Total	12,770,396	12,546,596	12,483,617	62,979
Alternative instruction program				
Teachers	50,281	53,281	52,467	814
Career ladder program	-	500	500	-
Educational Assistants	16,463	15,463	14,878	585
Social security	4,038	4,238	4,162	76
State retirement	6,210	6,210	5,950	260
Life insurance	48	48	50	(2)
Employee insurance	10,000	8,000	4,692	3,308
Unemployment compensation	40	40	38	2
Employer medicare liability	968	968	858	110
Total	88,048	88,748	83,595	5,153
Special education program				
Teachers	905,900	992,900	992,682	218
Career ladder program	7,000	7,000	5,000	2,000
Career ladder extended contracts	2,800	2,800	2,100	700
Homebound teachers	1,000	2,500	2,486	14
Educational assistants	312,019	255,019	254,591	428
Speech pathologist	166,701	88,701	88,120	581
Substitute teachers	9,000	6,600	6,555	45
Non-certified substitute teachers	4,000	9,000	8,759	241
Social security	84,058	75,558	74,573	985
State retirement	127,108	118,308	117,531	777
Life insurance	1,200	1,200	993	207
Employee insurance	120,500	95,500	93,022	2,478

(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, 2012

	Budgeted Amounts		Actual Amounts	Variance -
	Original	Final		Favorable/ (Unfavorable)
Expenditures (cont.)				
Instruction (cont.)				
Special education program (cont.)				
Unemployment compensation	\$ 385	\$ 885	\$ 771	\$ 114
Employer medicare liability	18,228	18,228	17,451	777
Maintenance and repair services - equip	2,000	2,000	1,443	557
Instructional supplies	5,500	5,500	5,046	454
Other charges	2,500	2,500	2,471	29
Special educational equipment	2,500	2,500	2,304	196
Total	1,772,399	1,686,699	1,675,898	10,801
Total instruction	14,630,843	14,322,043	14,243,110	78,933
Support services				
Students				
Attendance				
Supervisor/director	65,962	65,962	65,962	-
Career ladder program	1,000	1,000	1,000	-
Social security	3,901	3,901	3,853	48
State retirement	5,967	6,067	6,024	43
Life insurance	50	50	27	23
Medical insurance	2,590	5,090	4,596	494
Unemployment compensation	20	20	19	1
Employer medicare liability	908	908	901	7
Communication	450	550	530	20
Travel	400	400	400	-
Other charges	200	200	-	200
Health services				
Medical personnel	1,315	15	-	15
Other salaries & wages	243,307	243,307	243,153	154
Social security	13,971	14,571	14,450	121
State retirement	23,206	21,006	20,795	211
Life insurance	121	121	133	(12)
Medical insurance	11,266	17,166	16,941	225
Unemployment compensation	101	101	134	(33)
Employer medicare liability	3,437	3,437	3,379	58
Postal	500	-	-	-
Travel	4,800	3,300	3,285	15
Drugs and medical supplies	6,000	4,000	3,165	835
Other supplies and materials	8,350	7,350	7,616	(266)
In-service	1,000	1,000	536	464
Other charges	11,128	10,628	9,515	1,113
Health equipment	5,000	-	-	-
Other student support				
Career ladder program	1,000	1,000	1,000	-
Guidance personnel	246,292	242,292	242,106	186
School resource officer	113,044	113,244	113,160	84
Social security	15,858	14,358	13,865	493
State retirement	23,194	21,294	21,051	243
Life insurance	138	138	133	5
Employee insurance	11,329	26,329	24,752	1,577
Unemployment compensation	101	201	113	88
Employer medicare liability	3,675	3,675	3,347	328

(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, 2012

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services (cont.)				
Other student support (cont.)				
Evaluation and testing	\$ 45,000	\$ 45,000	\$ 43,194	\$ 1,806
Other supplies & materials	1,000	1,000	698	302
Other Charges	23,000	23,000	22,625	375
Total	898,581	901,681	892,458	9,223
Instructional staff				
Regular instruction program				
Supervisor/director	106,676	107,376	107,303	73
Career ladder program	7,000	7,000	7,000	-
Career ladder extended contracts	2,700	1,200	1,155	45
Librarians	242,176	244,876	244,875	1
Materials supervisor	84,550	84,750	84,730	20
Secretary(s)	41,599	41,899	41,873	26
Clerical personnel	22,301	26,501	26,491	10
Educational assistants	54,000	39,500	39,337	163
Social security	33,588	32,288	31,933	355
State retirement	53,126	50,326	49,912	414
Life insurance	356	356	282	74
Employee insurance	35,000	36,100	35,639	461
Unemployment compensation	301	301	193	108
Employer medicare liability	7,753	7,753	7,468	285
Communication	1,800	1,800	1,280	520
Travel	2,000	600	91	509
Other Contracted Services	500	500	-	500
Library books/media	20,000	20,000	18,090	1,910
Other supplies & materials	1,500	1,500	1,017	483
In-service	25,000	24,000	23,955	45
Other charges	500	500	473	27
Special educational program				
Supervisor/director	87,924	88,524	88,504	20
Career ladder program	4,000	6,000	6,000	-
Secretary(s)	40,032	40,032	39,946	86
Other salaries & wages	124,654	124,654	124,654	-
Social security	15,109	15,109	14,756	353
State retirement	23,327	23,627	23,412	215
Life insurance	98	98	106	(8)
Employee insurance	17,000	18,000	17,634	366
Unemployment compensation	100	100	64	36
Employer medicare liability	3,521	3,521	3,451	70
Maintenance and repair sve - equip	1,000	1,000	442	558
Postal charges	300	300	276	24
Travel	2,000	2,000	2,000	-
Other contracted services	2,000	2,000	1,581	419
Other supplies & materials	1,000	1,000	1,007	(7)
In-service	1,000	1,000	1,034	(34)
Other charges	2,500	2,500	2,507	(7)
Total	1,067,991	1,059,091	1,050,861	8,230

(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, 2012

	Budgeted Amounts		Actual Amounts	Variance -
	Original	Final		Favorable/ (Unfavorable)
Expenditures (cont.)				
Support services (cont.)				
General administration				
Board of education				
Audit services	\$ 7,000	\$ 5,500	\$ 5,500	\$ -
Dues and memberships	9,000	9,000	8,441	559
Legal services	6,000	6,000	5,400	600
Travel	2,000	3,000	2,795	205
Other contracted services	11,000	11,000	8,449	2,551
Liability insurance	20,447	20,447	20,447	-
Premiums on corporate surety bonds	1,573	1,573	1,573	-
Trustee's commission	170,000	191,000	184,376	6,624
Workman's compensation ins	212,725	212,725	212,725	-
Criminal Investigation of Applicants T13	1,000	1,000	-	1,000
Other charges	25,000	25,500	25,125	375
Office of the superintendent				
County official/administrative officer	130,170	138,470	138,415	55
Assistants	95,992	48,592	48,496	96
Career ladder program	1,000	1,000	1,000	-
Secretary(s)	32,117	32,117	32,117	-
Clerical personnel	4,000	4,000	4,001	(1)
Other salaries & wages	1,000	-	-	-
Social security	15,385	12,885	12,375	510
State retirement	24,003	20,303	20,135	168
Life insurance	100	100	91	9
Employee insurance	12,000	16,000	15,539	461
Unemployment compensation	60	60	45	15
Employer medicare liability	3,830	3,430	3,207	223
Communication	11,500	10,500	9,674	826
Dues and memberships	3,500	3,500	2,939	561
Postal charges	3,000	3,000	2,368	632
Travel	10,000	11,300	10,863	437
Other contracted services	10,000	10,100	10,100	-
Office supplies	300	300	121	179
In-service	2,000	2,600	2,420	180
Other charges	15,000	16,000	15,962	38
Administration equipment	500	500	-	500
Total	841,202	821,502	804,699	16,803
School administration				
Office of the principal				
Principals	404,206	415,206	415,151	55
Career ladder program	11,000	11,800	11,759	41
Accountants/bookkeepers	167,390	167,390	167,235	155
Assistant principals	484,510	426,710	426,706	4
Secretary(s)	156,350	156,750	156,714	36
Other salaries & wages	7,380	7,380	7,017	363
Social security	73,311	68,811	68,251	560
State retirement	112,243	104,443	103,729	714
Life insurance	576	576	575	1
Employee insurance	56,800	82,800	81,712	1,088

(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, 2012

	Budgeted Amounts		Actual Amounts	Variance -
	Original	Final		Favorable/ (Unfavorable)
Expenditures (cont.)				
Support services (cont.)				
School administration (cont.)				
Office of the principal (cont.)				
Unemployment compensation	\$ 481	\$ 581	\$ 503	\$ 78
Employer medicare liability	16,962	15,962	15,962	-
Communication	16,200	15,400	14,869	531
Other contracted services	27,000	37,000	36,349	651
In-service	300	300	-	300
Other charges	30,000	48,500	46,717	1,783
Total	1,564,709	1,559,609	1,553,249	6,360
Business administration				
Fiscal services				
Supervisor/director	67,423	67,423	67,423	-
Social security	4,008	4,008	3,997	11
State retirement	6,277	6,277	6,241	36
Life insurance	24	24	27	(3)
Employee insurance	4,650	4,850	4,697	153
Unemployment compensation	19	19	16	3
Employer medicare liability	927	927	935	(8)
Travel	1,500	1,500	1,500	-
Other contracted services	19,000	19,000	18,879	121
Data Processing Supplies	2,000	2,000	1,170	830
Office supplies	8,200	8,200	7,504	696
Other supplies and materials	200	200	-	200
In-service	500	500	473	27
Other charges	7,000	7,000	1,925	5,075
Administrative equipment	2,000	2,000	476	1,524
Human services (resources)/personnel				
Supervisor/director	61,642	61,642	61,642	-
Secretary(s)	38,233	38,233	38,233	-
Social security	5,592	5,592	5,356	236
State retirement	9,298	9,298	9,244	54
Life insurance	50	50	54	(4)
Medical insurance	8,500	7,800	6,959	841
Unemployment compensation	40	40	34	6
Employer medicare	1,248	1,248	1,253	(5)
Advertising	300	-	-	-
Travel	1,200	1,200	1,200	-
Other Contracted Services	3,000	3,000	3,000	-
Office supplies	500	500	192	308
In-service	1,000	1,000	915	85
Other charges	500	500	220	280
Other equipment	1,500	1,500	145	1,355
Total	256,331	255,531	243,710	11,821

(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, 2012

	Budgeted Amounts		Actual Amounts	Variance -
	Original	Final		Favorable/ (Unfavorable)
Expenditures (cont.)				
Support services (cont.)				
Operation and maintenance of plant				
Operation of plant				
Custodial personnel	\$ 549,850	\$ 507,850	\$ 505,114	\$ 2,736
Social security	32,092	29,892	29,524	368
State retirement	51,191	40,191	39,513	678
Life insurance	525	525	300	225
Employee insurance	91,000	38,000	35,726	2,274
Unemployment compensation	405	405	468	(63)
Employer medicare liability	7,573	7,573	6,905	668
Disposal fees	25,200	25,200	21,306	3,894
Custodial supplies	31,200	31,200	25,975	5,225
Electricity	835,200	790,200	784,859	5,341
Natural gas	114,000	84,000	77,099	6,901
Water and sewer	100,000	100,000	98,301	1,699
Other supplies and materials	116,400	116,400	110,387	6,013
Boiler insurance	5,033	5,033	5,033	-
Building and contents insurance	91,696	91,696	91,696	-
Other charges	20,000	20,000	-	20,000
Plant operation equipment	15,000	15,000	15,000	-
Maintenance of plant				
Supervisor/director	59,882	59,882	59,882	-
Maintenance personnel	141,509	141,509	141,509	-
Other salaries & wages	67,139	67,139	67,110	29
Social security	15,650	15,650	15,686	(36)
State retirement	24,272	24,272	24,191	81
Life insurance	150	150	135	15
Employee insurance	29,200	21,200	18,707	2,493
Unemployment compensation	130	130	120	10
Employer medicare liability	3,793	3,793	3,669	124
Laundry service	2,400	2,400	2,632	(232)
Maintenance and repair svcs - bldgs	185,000	125,000	42,055	82,945
Maintenance and repair svcs - equip	500	500	-	500
Equipment and machinery parts	60,000	65,000	60,238	4,762
Other supplies & materials	15,000	15,000	14,947	53
Other charges	175,000	100,000	67,302	32,698
Maintenance equipment	32,000	32,000	31,000	1,000
Total	2,897,990	2,576,790	2,396,389	180,401
Student Transportation				
Transportation				
Supervisor/director	61,642	61,642	61,642	-
Mechanics	72,994	72,994	72,994	-
Bus drivers	368,220	371,520	371,835	(315)
Other salaries & wages	69,108	60,508	60,505	3
Social security	34,618	34,618	34,272	346
State retirement	53,249	50,649	50,298	351
Life insurance	100	100	81	19
Employee insurance	13,200	40,400	39,477	923
Unemployment compensation	600	600	505	95
Employer medicare liability	8,182	8,182	8,012	170

(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, 2012

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services (cont.)				
Student Transportation (cont.)				
Transportation (cont.)				
Laundry service	\$ 1,000	\$ 1,100	\$ 1,120	\$ (20)
Maintenance and repair svcs - vehicles	1,500	1,500	-	1,500
Travel	1,200	1,200	375	825
Other contracted services	22,000	17,000	1,342	15,658
Diesel fuel	73,000	96,000	83,273	12,727
Garage supplies	3,000	3,000	2,346	654
Gasoline	17,000	25,000	19,874	5,126
Lubricants	5,000	5,500	5,424	76
Tires and tubes	12,000	12,000	10,219	1,781
Vehicle parts	53,000	53,000	26,614	26,386
Other supplies & materials	1,900	6,900	3,543	3,357
Vehicle and equipment insurance	28,311	28,311	28,311	-
In-service	1,200	1,700	1,581	119
Other charges	7,500	7,500	1,416	6,084
Transportation equipment	184,000	184,000	184,000	-
Total	1,093,524	1,144,924	1,069,059	75,865
Central and Other				
Data processing personnel	104,963	104,963	104,963	-
Other Salaries & Wages	47,712	47,712	47,712	-
Social security	89,065	9,565	9,236	329
State retirement	14,215	14,215	14,131	84
Life insurance	75	75	54	21
Medical insurance	10,500	10,900	10,637	263
Unemployment compensation	60	60	55	5
Employer medicare liability	2,113	2,113	2,159	(46)
Travel	8,000	5,000	1,840	3,160
Other contracted services	3,000	3,000	2,885	115
In-service	150	150	-	150
Other charges	4,000	4,500	4,121	379
Other equipment	65,000	55,000	55,000	-
Total	348,853	257,253	252,793	4,460
Total support services	8,969,181	8,576,381	8,263,218	313,163
Operation of non-instructional services				
Food service				
Supervisor/director	57,412	57,412	57,412	-
Other salaries & wages	22,000	13,300	13,296	4
Social security	4,300	4,300	4,276	24
State retirement	5,345	5,345	5,307	38
Life insurance	24	24	27	(3)
Employee insurance	4,700	-	-	-
Unemployment compensation	140	140	53	87
Employer medicare liability	1,150	1,150	1,000	150
Total	95,071	81,671	81,371	300

(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, 2012

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Operation of non-instructional services (cont.)				
Community services				
Supervisor/director	\$ 46,998	\$ 48,898	\$ 48,825	\$ 73
Clerical personnel	17,095	10,795	10,764	31
Social security	3,773	3,973	3,859	114
State retirement	5,907	6,107	5,981	126
Life insurance	50	50	27	23
Employee insurance	4,600	-	-	-
Unemployment compensation	40	40	36	4
Employer medicare liability	905	905	902	3
Travel	1,000	1,000	1,000	-
Other contracted services	12,826	7,826	-	7,826
Food supplies	7,856	2,856	-	2,856
Instructional supplies & materials	1,000	1,000	38	962
Other supplies & materials	3,000	3,000	2,456	544
Other charges	5,200	5,200	891	4,309
Total	110,250	91,650	74,779	16,871
Operation of non-instructional services				
Early childhood education				
Teachers	397,200	392,600	392,589	11
Educational assistants	147,380	148,380	148,336	44
Other salaries & wages	15,086	17,886	17,855	31
Certified substitute teachers	3,000	2,200	2,102	98
Non-certified substitute teachers	5,500	4,300	4,249	51
Social security	32,100	31,500	31,283	217
State retirement	51,075	50,375	50,031	344
Life insurance	430	430	440	(10)
Employee insurance	52,000	41,000	38,931	2,069
Unemployment compensation	360	360	393	(33)
Employer medicare liability	7,996	7,496	7,316	180
Travel	3,000	3,000	495	2,505
Other contracted services	6,000	6,000	4,278	1,722
Instructional supplies & materials	13,525	13,525	13,519	6
In-service	5,000	2,000	1,456	544
Other charges	5,000	5,000	4,669	331
Other equipment	13,000	23,000	21,888	1,112
Total	757,652	749,052	739,830	9,222
Total operation of non-instructional services	962,973	922,373	895,980	26,393
Total expenditures	24,562,997	23,820,797	23,402,308	418,489
Excess (deficiency) of revenues over expenditures	(2,500)	860,800	1,472,421	611,621
Other financing sources and (uses)				
Transfers in	2,500	12,500	12,517	17
Total other financing sources and (uses)	2,500	12,500	12,517	17
Net change in fund balances	-	873,300	1,484,938	611,638
Fund balance, beginning	-	5,604,401	5,604,401	-
Fund balance, ending	\$ -	\$ 6,477,701	\$ 7,089,339	\$ 611,638

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, 2012

	Budgeted Amounts		Actual Amounts	Variance -
	Original	Final		Favorable/ (Unfavorable)
Revenues				
Federal funds received thru state				
Title I- basic grants to local educ agencies	\$ 670,191	\$ 612,077	\$ 666,693	\$ 54,616
Special education - grants to states	923,551	922,443	759,598	(162,845)
Special education preschool grants	29,848	29,848	30,773	925
Eisenhower prof dev state grants	128,493	127,496	119,154	(8,342)
Race to the top	145,500	145,500	106,505	(38,995)
Other fed thru state	694,494	879,628	796,118	(83,510)
Total revenue	<u>2,592,077</u>	<u>2,716,992</u>	<u>2,478,841</u>	<u>(238,151)</u>
Expenditures				
Instruction				
Regular				
Teachers	729,953	772,838	703,441	69,397
Educational assistants	-	13,241	13,241	-
Other salaries & wages	-	11,400	-	11,400
Social security	44,686	54,979	40,872	14,107
State retirement	61,191	61,453	59,189	2,264
Life insurance	336	351	324	27
Medical insurance	31,518	31,653	31,417	236
Unemployment compensation	223	221	250	(29)
Employer medicare liability	10,448	11,393	9,559	1,834
Other contracted services	85,000	86,200	77,746	8,454
Instructional supplies and materials	26,200	29,892	26,451	3,441
Other supplies and materials	3,000	6,000	4,317	1,683
Other charges	15,950	12,177	9,840	2,337
Regular instructional equipment	68,000	45,397	38,304	7,093
Total	<u>1,076,505</u>	<u>1,137,196</u>	<u>1,014,951</u>	<u>122,245</u>
Education for handicapped				
Teachers	176,889	171,889	56,824	115,065
Educational assistants	223,000	223,000	219,834	3,166
Speech Pathologist	44,500	44,500	44,467	33
Certified substitute teachers	2,000	2,000	-	2,000
Social security	22,222	22,222	18,224	3,998
State retirement	32,755	32,755	27,773	4,982
Life insurance	704	704	361	343
Medical insurance	58,000	58,000	41,581	16,419
Unemployment compensation	312	312	303	9
Employer medicare liability	5,253	5,253	4,252	1,001
Instructional supplies and materials	26,778	26,778	40,090	(13,312)
Special education equipment	40,000	26,391	33,997	(7,606)
Total	<u>632,413</u>	<u>613,804</u>	<u>487,706</u>	<u>126,098</u>
Total instruction	<u>1,708,918</u>	<u>1,751,000</u>	<u>1,502,657</u>	<u>248,343</u>

(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, 2012

	Budgeted Amounts		Actual Amounts	Variance -
	Original	Final		Favorable/ (Unfavorable)
Expenditures (cont.)				
Support services				
Students				
Medical personnel	\$ 52,567	\$ 53,487	\$ 53,487	\$ -
Social security	2,817	2,807	2,807	-
State retirement	4,894	4,980	4,980	-
Life insurance	24	27	27	-
Medical insurance	7,260	7,735	7,735	-
Unemployment compensation	19	17	17	-
Employer medicare liability	658	656	656	-
Students				
Guidance personnel	44,467	44,245	44,245	-
Social Security	2,249	2,603	2,603	-
State Retirement	4,024	4,004	4,004	-
Life insurance	24	27	27	-
Medical insurance	6,692	6,691	6,691	-
Unemployment compensation	19	19	19	-
Employer Medicare	526	609	609	-
Evaluation and testing	29,000	20,000	13,477	6,523
Other contracted services	13,375	15,136	13,945	1,191
Other supplies and materials	1,500	1,500	1,079	421
Other charges	26,583	26,683	22,555	4,128
Total	196,698	191,226	178,963	12,263
Instructional staff				
Regular instruction program				
Supervisor/director	83,192	155,192	155,192	-
Librarians	51,824	51,824	51,824	-
Secretary(s)	18,084	18,084	18,084	-
Certified substitute teachers	5,000	5,000	4,313	687
In-service training	8,000	8,000	5,514	2,486
Non-certified substitute teachers	3,000	6,500	5,490	1,010
Social security	9,477	13,350	13,373	(23)
State retirement	13,878	20,581	20,394	187
Life insurance	98	128	128	-
Medical Insurance	6,800	13,383	12,835	548
Unemployment compensation	51	63	63	-
Employer medicare liability	2,184	3,090	3,097	(7)
Communication	1,200	1,200	592	608
Travel	33,379	29,489	8,763	20,726
Other supplies and materials	6,518	8,428	3,551	4,877
In-service	85,565	61,293	31,147	30,146
Other charges	1,000	1,000	428	572
Total	329,250	396,605	334,788	61,817

(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, 2012

	Budgeted Amounts		Actual Amounts	Variance -
	Original	Final		Favorable/ (Unfavorable)
Expenditures (cont.)				
Special education program				
Other salaries and wages	\$ 68,000	\$ 68,000	\$ 67,788	\$ 212
Social security	4,100	4,100	3,687	413
State retirement	6,250	6,250	6,135	115
Life insurance	40	40	27	13
Medical insurance	5,500	5,500	4,957	543
Unemployment compensation	20	20	19	1
Employer medicare	975	975	862	113
Maintenance and repair services - equip	10,000	10,000	4,586	5,414
Travel	9,000	9,000	4,553	4,447
Other contracted services	45,000	78,160	77,936	224
Other supplies and materials	22,068	18,256	16,649	1,607
in-service	9,000	6,153	6,201	(48)
Other charges	2,000	2,000	2,738	(738)
Total	181,953	208,454	196,138	12,316
Office of the principal				
Principals	78,702	78,896	78,896	-
Assistant principals	70,238	66,971	66,971	-
Social security	9,235	9,047	9,047	-
State retirement	13,480	13,246	13,246	-
Life insurance	48	54	54	-
Unemployment compensation	38	19	19	-
Employer medicare	2,159	2,116	2,116	-
Total expenditures	173,900	170,349	170,349	-
Transportation				
Bus Drivers	19,666	17,666	-	17,666
Other salaries & wages	11,785	11,785	28	11,757
In-service	230	230	369	(139)
Social security	1,646	1,646	1,568	78
State retirement	2,470	2,470	1,912	558
Unemployment compensation	28	28	3,427	(3,399)
Employer medicare	385	385	10,607	(10,222)
Diesel fuel	5,000	5,000	16,554	(11,554)
Transportation equipment	84,698	84,698	79,800	4,898
Total	125,908	123,908	114,265	9,643
Total support services	1,007,710	1,090,542	994,503	96,039
Total expenditures	2,716,628	2,841,542	2,497,160	344,383
Excess (deficiency) of revenues over expenditures	(124,551)	(124,551)	(18,319)	106,232
Other financing sources and (uses)				
Operating transfers in	147,813	147,813	-	(147,813)
Operating transfers out	(147,813)	(147,813)	(10,017)	137,796
Total other financing sources and (uses)	-	-	(10,017)	(10,017)
Net change in fund balances	(124,551)	(124,551)	(28,336)	96,215
Fund balance, beginning	-	-	197,484	197,484
Prior period adjustment	-	-	(115,899)	(115,899)
Fund balance, ending	\$ (124,551)	\$ (124,551)	\$ 53,249	\$ 177,800

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

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. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities.

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.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2012

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.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2012

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

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

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

Cash, Cash Equivalents and Investments

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

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

Inventories

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

Receivables and Payables

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

All trade receivables and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance account is equal to approximately 1.9 percent of the gross receivable.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2012

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	25-60 years
Equipment	5-10 years
Furniture and fixtures	7-10 years

Appropriations

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

Compensated Absences

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

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2012

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.

Net Assets and Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2012

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

Net Assets and Fund Equity (Cont.)

These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board of Aldermen, the Town's highest level of decision-making authority.

Assigned Fund Balance – includes amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town's Budget Committee is authorized to make assignments.

Unassigned Fund Balance – is represented by the residual classification of the General fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General fund.

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. 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.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2012

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

Risk Financing (Cont.)

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, 2012 was as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Capital assets not depreciated</u>				
Land	\$ 2,087,279	\$ -	\$ -	\$ 2,087,279
<u>Capital assets depreciated</u>				
Buildings and improvements	20,001,239	20,243,271	-	40,244,510
Equipment	4,059,267	567,353	-	4,626,620
Total	\$26,147,785	\$20,810,624	\$ -	\$46,958,409
<u>Accumulated depreciation</u>				
Buildings and improvements	\$ 6,133,889	\$ 684,042	\$ -	\$ 6,817,931
Equipment	2,965,969	401,415	-	3,367,384
Total	9,099,858	1,085,457	-	10,185,315
Subtotal	17,047,927	19,725,167	-	36,773,094
Construction in progress	15,858,420	-	15,858,420	-
Governmental capital assets - net	\$32,906,347	\$19,725,167	\$15,858,420	\$36,773,094

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 3 – CAPITAL ASSETS (CONT.)

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

Instruction	\$ 928,743
Support services	72,418
Operation of non-instructional services	<u>84,296</u>
	<u>\$1,085,457</u>

NOTE 4 – RECEIVABLES AND DEFERRED REVENUE

A summary of receivables totaling \$7,199,214 as of June 30, 2012 is as follows:

	<u>General</u>	<u>School Federal Projects</u>	<u>Education Debt Service</u>	<u>Cafeteria</u>	<u>Total</u>
Property taxes	\$6,808,289	\$ -	\$ -	\$ -	\$6,808,289
Due from other govts	498,316	7,339	11,340	-	516,995
Interest receivable	-	-	-	2,561	2,561
Other receivable	-	-	-	-	-
Less allowance	<u>(128,631)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(128,631)</u>
Total	<u>\$7,177,974</u>	<u>\$ 7,339</u>	<u>\$11,340</u>	<u>\$2,561</u>	<u>\$7,199,214</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not earned. The government-wide financial statements report estimated net realizable 2012 property taxes of \$6,679,658 which is net of an allowance for doubtful accounts of \$128,631. The 2012 property taxes are presented as deferred revenue since they are not available until the next fiscal year.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2012

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, 2012:

Outstanding, beginning	\$26,140,000
Debt issued:	
General obligation	2,383,235
Debt retired	
General obligation	<u>980,000</u>
Outstanding, ending	<u>\$27,543,235</u>

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2012, including interest payments of \$11,930,665 on bonds carrying interest rates ranging from 2.0% to 4.1%, are as follows:

<u>Year</u>	<u>Bonds</u>		<u>Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>Ending</u>						
2013	\$ 1,005,000	\$ 920,432	\$ 95,480	\$ -	\$ 1,100,480	\$ 920,432
2014	1,040,000	887,856	229,152	-	1,269,152	887,856
2015	1,070,000	853,717	229,152	-	1,299,152	853,717
2016	1,105,000	816,736	229,152	-	1,334,152	816,736
2017	1,170,000	775,489	229,152	-	1,399,152	775,489
2018-2022	4,670,000	3,277,386	1,145,760	-	5,815,760	3,277,386
2023-2027	4,990,000	2,517,776	821,192	-	5,811,192	2,517,776
2028-2032	5,950,000	1,545,581	-	-	5,950,000	1,545,581
2033-2035	<u>4,160,000</u>	<u>335,692</u>	<u>-</u>	<u>-</u>	<u>4,160,000</u>	<u>335,692</u>
Total	<u>\$25,160,000</u>	<u>\$11,930,665</u>	<u>\$2,979,040</u>	<u>\$ -</u>	<u>\$28,139,040</u>	<u>\$11,930,665</u>

Total general long-term debt due within one year includes \$1,005,000 of general obligation bonds and \$95,480 of general obligation notes noted above.

Total general long-term debt due in more than one year includes \$24,155,000 general obligation bonds and \$2,287,755 of general obligation notes presented above and noncurrent post employment benefit obligation (OPEB) of \$108,274 for a total of \$26,551,029.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 5 – LONG-TERM DEBT (CONT.)

See that the current portion of the note obligation amounting to \$95,480 and the long-term portion of the same note obligation amounting to \$2,287,755 totals \$2,383,235 and differs from the principal requirements above (\$2,979,040) by \$595,805. As of June 30, 2012 the District had drawn only \$2,383,235 from the total loan funds available of \$2,979,040. The remaining \$595,805 will be presented on the FY13 annual financial report as debt issued and then total debt will agree with the Statement of Net Assets.

There is \$4,498,724 available in the Education Debt Service fund to service general long-term debt.

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).

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2012

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, 2012. Unencumbered appropriations lapse at the end of each fiscal year.

NOTE 8 – ACCOUNTING CHANGES

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2012. GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. The District elected to early implement provisions of this statement in the financial statements of the prior year as was allowed.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

The District's School Federal Projects Fund and Extended School Projects Fund were restated (\$115,899) and \$115,899 respectively from the prior year to correct an error in the posting of an interfund receivable as of June 30, 2011.

NOTE 10 – ON BEHALF PAYMENTS

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the District. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2012, were unavailable. The District has not recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 11 – POST EMPLOYMENT HEALTHCARE PLAN

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

Annual required contribution	\$ 147,469
Interest on the net plan obligation	4,947
Adjustment to the annual required obligation	(<u>6,602</u>)
Annual OPEB cost:	145,814
Amount of contribution:	(147,469)
Increase/decrease in net plan obligation	(1,655)
Net OPEB obligation—beginning of year	<u>109,929</u>
Net OPEB obligation—end of year	<u>\$ 108,274</u>

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 11 – POST EMPLOYMENT HEALTHCARE PLAN (CONT.)

<u>Year End</u>	<u>Plan</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation at Year End</u>
6/30/2010	Teacher Group	\$212,041	70.60%	\$111,610
6/30/2011	Teacher Group	109,809	101.53%	109,929
6/30/2012	Teacher Group	145,814	101.14%	108,274

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows (dollars in thousands):

Actuarial valuation date	July 1, 2011
Actuarial accrued liability (AAL)	\$1,429,474
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$1,429,474
Actuarial Value of Assets as a % of the AAL	0
Covered payroll (active plan members)	\$18,243,237
UAAL as a percentage of covered payroll	7.84%

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

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

Actuarial Methods and Assumptions

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

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 11 – POST EMPLOYMENT HEALTHCARE PLAN (CONT.)

In the July 1, 2011, actuarial valuation for the Local Education Plan, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 5 percent for fiscal year 2012 through 2021. Both rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with June 30, 2008.

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.

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. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent. The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2012

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, 2012, 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, 2012, 2011 and 2010 were \$1,279,493, \$1,242,794 and \$865,670 respectively, equal to the required contributions for each year.

Plan Description

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

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

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

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2012

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, 2012 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, 2012, Lebanon Special School District's annual pension cost of \$392,285 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 ten-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, 2012.

Trend Information

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
June 30, 2012	\$392,285	100.0%	\$0.00
June 30, 2011	355,808	100.0%	0.00
June 30, 2010	378,428	100.0%	0.00

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 12 – DEFINED BENEFIT PLAN (CONT.)

As of July 1, 2011, the most recent actuarial valuation date, the plan was 93.98% funded. The actuarial accrued liability for benefits was \$8.37 million, and the actuarial value of assets was \$7.87 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.50 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.55 million, and the ratio of the UAAL to the covered payroll was 14.20%. 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.

NOTE 13 – SUBSEQUENT EVENTS

The District has been notified by Wilson County officials of a significant overpayment of taxes paid by the County to the District over the past ten years. Discussions are ongoing and resolution has not been reached.

REQUIRED SUPPLEMENTARY INFORMATION

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Funding Progress -- Other Post Employment Benefits Plan

June 30, 2012

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	\$0	\$1,291	\$1,291	0	\$17,073	7.56
July 1, 2010	0	1,228	1,228	0	17,451	7.03
July 1, 2011	0	1,429	1,429	0	18,243	7.84

(Dollar amounts in thousands)

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Funding Progress -- Pension Plan

June 30, 2012

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, 2011	\$7,870	\$8,375	\$504	93.98	\$3,549	14.20
July 1, 2009	5,800	6,136	336	94.53	3,234	10.39
July 1, 2007	5,013	5,432	419	92.29	3,324	12.61

(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.

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, 2012

	Cafeteria	Extended School Projects	Total
ASSETS			
Cash and cash equivalents	\$ 896,233	\$ 329,494	\$ 1,225,727
Investments	405,200	-	405,200
Interest receivable	2,561	-	2,561
Inventories	22,919	-	22,919
Total assets	<u>\$ 1,326,913</u>	<u>\$ 329,494</u>	<u>\$ 1,656,407</u>
FUND BALANCES			
Nonspendable	\$ 22,919	\$ -	\$ 22,919
Restricted for education	1,303,994	329,494	1,633,488
	<u>1,326,913</u>	<u>329,494</u>	<u>1,656,407</u>
Total fund balances	<u>\$ 1,326,913</u>	<u>\$ 329,494</u>	<u>\$ 1,656,407</u>

LEBANON SPECIAL SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2012

	Cafeteria	Extended School Projects	Total
Revenues			
Charges for current services	\$ 361,893	\$ 807,123	\$ 1,169,016
Other local revenues	33,205	-	33,205
Federal government	1,217,321	-	1,217,321
Total revenue	1,612,419	807,123	2,419,542
Expenditures			
Operation of non-instructional services	1,663,465	823,052	2,486,517
Total expenditures	1,663,465	823,052	2,486,517
Excess (deficiency) of revenues over expenditures	(51,046)	(15,929)	(66,975)
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	(51,046)	(18,429)	(69,475)
Fund balances, beginning	1,377,959	232,024	1,609,983
Prior period adjustment	-	115,899	115,899
Fund balances, ending	\$ 1,326,913	\$ 329,494	\$ 1,656,407

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, 2012

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Charges for current services				
Lunch payments - children	\$ 280,000	\$ 280,000	\$ 256,934	\$ (23,066)
Lunch payments - adults	45,000	45,000	41,863	(3,137)
Income from breakfast	36,000	36,000	29,555	(6,445)
Special milk sales	12,000	12,000	5,707	(6,293)
A la carte sales	55,000	55,000	27,834	(27,166)
Receipts from individual schools	125	125	-	(125)
Total	428,125	428,125	361,893	(66,232)
Other local revenues				
Recurring items				
Investment income	25,000	25,000	29,470	4,470
Miscellaneous refunds	-	-	3,735	3,735
Total	25,000	25,000	33,205	8,205
Federal funds received thru state				
USDA lunch	940,000	940,000	935,093	(4,907)
USDA breakfast	324,327	324,327	282,228	(42,099)
Total	1,264,327	1,264,327	1,217,321	(47,006)
Total revenue	1,717,452	1,717,452	1,612,419	(105,033)
Expenditures				
Food services				
Clerical personnel	32,627	33,020	33,020	-
Cafeteria personnel	699,000	677,923	672,429	5,494
Social security	44,000	44,000	41,563	2,437
State retirement	56,000	56,000	52,606	3,394
Life insurance	1,000	1,000	930	70
Medical insurance	126,000	126,000	121,281	4,719
Unemployment insurance	700	881	881	-
Employer medicare liability	11,000	11,000	9,720	1,280
Laundry service	-	-	-	-
Maintenance & repair serv. equip.	22,000	22,000	19,835	2,165
Postal charges	500	500	500	-
Transportation - other than students	13,000	12,426	7,152	5,274
Travel	1,000	1,000	675	325
Other contracted services	3,500	3,500	2,250	1,250
Food preparation supplies	17,000	17,000	11,862	5,138
Food supplies	590,000	611,077	612,292	(1,215)
Office supplies	3,000	3,000	1,930	1,070
Uniforms	1,000	1,000	721	279
Other supplies & materials	40,000	40,000	39,021	979
In-service	1,000	1,000	435	565
Other charges	15,125	15,125	4,350	10,775
Food service equipment	40,000	40,000	30,012	9,988
Total expenditures	1,717,452	1,717,452	1,663,465	53,987
Net change in fund balances	-	-	(51,046)	(51,046)
Fund balance, beginning	-	-	1,377,959	1,377,959
Fund balance, ending	\$ -	\$ -	\$ 1,326,913	\$ 1,326,913

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, 2012

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Charges for current services				
Tuition - regular day students	\$ 600,000	\$ 680,000	\$ 664,542	\$ (15,458)
Tuition - other	250	1,650	1,730	80
Community service fees - children	140,000	140,000	140,851	851
Total	<u>740,250</u>	<u>821,650</u>	<u>807,123</u>	<u>(14,527)</u>
Expenditures				
Community services				
Supervisor/director	55,055	56,055	56,055	-
Clerical personnel	66,944	50,944	50,528	416
Temporary/part-time personnel	125,000	121,022	121,022	-
Other salaries & wages	258,276	373,276	373,107	169
Social security	40,000	36,400	36,349	51
State retirement	40,200	29,700	29,629	71
Life insurance	525	326	326	-
Employee insurance	53,000	46,200	46,058	142
Unemployment compensation	500	860	860	-
Employer medicare liability	8,500	8,501	8,501	-
Maintenance & repair - equipment	8,500	7,730	7,730	-
Travel	3,000	6,000	5,791	209
Food supplies	24,000	25,638	25,638	-
Instructional supplies and materials	17,000	17,000	15,711	1,289
Refunds	250	808	808	-
In-service	5,000	4,812	4,812	-
Other charges	28,000	38,000	37,407	593
Other equipment	4,000	2,720	2,720	-
Total expenditures	<u>737,750</u>	<u>825,992</u>	<u>823,052</u>	<u>2,940</u>
Excess (deficiency) of revenues over expenditures	<u>2,500</u>	<u>(4,342)</u>	<u>(15,929)</u>	<u>(11,587)</u>
Other uses:				
Operating transfers	2,500	2,500	2,500	-
Total expenditures and other uses	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Net change in fund balances	-	(6,842)	(18,429)	(11,587)
Fund balance, beginning	-	232,024	232,024	-
Prior period adjustment	-	115,899	115,899	-
Fund balance, ending	<u>\$ -</u>	<u>\$ 341,081</u>	<u>\$ 329,494</u>	<u>\$ (11,587)</u>

LEBANON SPECIAL SCHOOL DISTRICT

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2012

	Land	Buildings and Improvements	Equipment	Total
Instruction	\$ 1,669,823	36,220,059	\$ 3,608,763	\$ 41,498,645
Support Services	417,456	4,024,451	46,267	4,488,174
Operation of non-instructional services	-	-	971,590	971,590
Total governmental capital assets	\$ 2,087,279	\$ 40,244,510	\$ 4,626,620	\$ 46,958,409

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, 2012

	Beginning Balance	Additions	Deletions	Ending Balance
Instruction	\$ 22,837,166	\$ 18,661,479	\$ -	\$ 41,498,645
Support Services	2,458,173	2,030,001	-	4,488,174
Operation of non-instructional services	852,446	119,144	-	971,590
Total	<u>\$ 26,147,785</u>	<u>\$ 20,810,624</u>	<u>\$ -</u>	<u>\$ 46,958,409</u>

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Changes in General Long-Term
Notes and Bonds

For the Fiscal Year Ended June 30, 2012

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
Notes payable							
Payable through Education Debt Service Fund							
Tennessee Energy Efficient Schools Initiative	2,383,235	0.00	3/14/12	\$ -	2,383,235	\$ -	\$ 2,383,235
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	\$ 5,770,000	\$ -	\$ 395,000	\$ 5,375,000
School Bond Refunding - Series 2008	4,345,000	3.0 to 3.25	2-28-08	2,370,000	-	585,000	1,785,000
School Construction	18,000,000	3.65	3/26/10	18,000,000	-	-	18,000,000
				\$ 26,140,000	\$ -	\$ 980,000	\$ 25,160,000

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Indebtedness and Interest Requirements

For the Fiscal Year Ended June 30, 2012

Fiscal Year Ending June 30,	Bond Issues			Note Issue		Principal	Interest	Total
	11-1-04 Principal	2-28-08 Principal	3/26/2010 Principal	Energy Loan				
2013	\$ 485,000	\$ 520,000	\$ -	95,480	\$ -	1,100,480	\$ 920,432	\$ 2,020,912
2014	490,000	550,000	-	229,152	-	1,269,152	887,856	2,157,008
2015	490,000	580,000	-	229,152	-	1,299,152	853,717	2,152,869
2016	970,000	135,000	-	229,152	-	1,334,152	816,736	2,150,888
2017	1,170,000	-	-	229,152	-	1,399,152	775,489	2,174,641
2018	1,220,000	-	-	229,152	-	1,449,152	728,689	2,177,841
2019	550,000	-	270,000	229,152	-	1,049,152	679,889	1,729,041
2020	-	-	850,000	229,152	-	1,079,152	649,353	1,728,505
2021	-	-	875,000	229,152	-	1,104,152	623,662	1,727,814
2022	-	-	905,000	229,152	-	1,134,152	595,793	1,729,945
2023	-	-	935,000	229,152	-	1,164,152	566,969	1,731,121
2024	-	-	965,000	229,152	-	1,194,152	537,189	1,731,341
2025	-	-	1,000,000	229,152	-	1,229,152	506,454	1,735,606
2026	-	-	1,025,000	133,736	-	1,158,736	472,004	1,630,740
2027	-	-	1,065,000	-	-	1,065,000	435,160	1,500,160
2028	-	-	1,105,000	-	-	1,105,000	396,187	1,501,187
2029	-	-	1,145,000	-	-	1,145,000	355,031	1,500,031
2030	-	-	1,185,000	-	-	1,185,000	311,641	1,496,641
2031	-	-	1,235,000	-	-	1,235,000	265,965	1,500,965
2032	-	-	1,280,000	-	-	1,280,000	216,757	1,496,757
2033	-	-	1,335,000	-	-	1,335,000	165,755	1,500,755
2034	-	-	1,385,000	-	-	1,385,000	112,561	1,497,561
2035	-	-	1,440,000	-	-	1,440,000	57,376	1,497,376
	\$ 5,375,000	\$ 1,785,000	\$ 18,000,000	\$ 2,979,040	\$ -	\$ 28,139,040	\$ 11,930,665	\$ 39,969,705

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Interfund Transfers

For the Fiscal Year Ended June 30, 2012

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Operating transfers</u>			
School Federal Projects	General	Operations	\$ <u>10,017</u>
Extended School Projects	General	Operations	\$ <u>2,500</u>

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Salary and Official Bond of Director of Schools

For the Fiscal Year Ended June 30, 2012

<u>Official</u>	<u>Authorization for Salary</u>	<u>Salary Paid During Period</u>	<u>Bond</u>	<u>Surety</u>
Director of Schools	Minimum salary - State Board of Education Salary Schedule, Local Supplement - Board of Education	\$138,415	\$275,000	First Insurance Group

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards and State Financial Assistance (1)

For the Fiscal Year Ended June 30, 2012

Federal/Pass-through Agency/State Grantor Program Title	CFDA Number	Grantor Agency	Pass-through Entity Identifying Number	Expenditures
<u>Federal Awards</u>				
Federal awards as identified in the Catalog of Federal Domestic Assistance				
Child Nutrition Cluster:				
School Breakfast Program	10.553	"	N/A	\$ 282,227
School Lunch Program	10.555	"	N/A	935,094
Title I Grants to Local Educational Agencies	84.010	Dept. of Education	N/A	666,693
Improving Teacher Quality State Grants	84.367	"	N/A	118,402
Teacher Incentive Fund	84.374	"		97,451
Special Education Cluster:				
Grants to States	84.027	"	N/A	759,598
Special Education - Preschool Grants	84.173	"	N/A	30,773
Education Technology State Grants, Recovery Act	84.386	"	N/A	752
English Language Acquisition Grants	84.365	"	N/A	41,758
Safe and Drug Free Schools and Communities	84.186	"	N/A	11,963
State Fiscal Stabilization Fund Cluster:				
ARRA - State Fiscal Stabilization Fund - Government Service	84.397	"	N/A	29,742
ARRA - State Fiscal Stabilization Fund - Race-to-the-top				
Incentive Grants	84.395	"	N/A	106,505
Education Jobs Fund	84.410	"	N/A	658,957
Total federal awards				\$ <u>3,739,915</u>
<u>State Financial Assistance</u>				
State awards				
Coordinated School Health	N/A	State Dept. of Education	(1)	\$ 69,942
Early Childhood Education	N/A	"	(1)	673,468
Family Resource Centers	N/A	"	(1)	29,612
Safe Schools Act	N/A	"	(1)	2,943
ConnecTenn	N/A	"	(1)	11,345
Student Ticket Subsidy	N/A	State Arts Commission	(1)	1,200
Total state financial assistance				\$ <u>788,510</u>

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

(2) Information not available

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



BELLENFANT + MILES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

We 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, 2012, which collectively comprise Lebanon Special School District's basic financial statements and have issued our report thereon dated April 18, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Lebanon Special School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Lebanon Special School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lebanon Special School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lebanon Special School 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.

Our consideration of 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 internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lebanon Special School District's financial statements are free of material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 management of Lebanon Special School District, the Board of Education, Tennessee Department of Education, 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.

Bellonfant & Mills, PLLC

April 18, 2013



BELLENFANT + MILES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON 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

We have audited Lebanon Special School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lebanon Special School District's major federal programs for the year ended June 30, 2012. Lebanon Special School District's major federal programs are identified in the summary of auditors' 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 Lebanon Special School District's management. Our responsibility is to express an opinion on Lebanon Special School District's compliance based on our audit.

We conducted our 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we 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 Lebanon Special School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lebanon Special School District's compliance with those requirements.

In our 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, 2012.

Internal Control Over Compliance

Management of Lebanon Special School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lebanon Special School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on 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, we do not express an opinion on the effectiveness of Lebanon Special School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Education, 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.

Bellamy & Miles, PLLC

April 18, 2013

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2012

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Type of auditors' report issued on compliance for major programs:	Unqualified	
Internal Control over major programs:		
Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Any audit findings disclosed that are required to be reported in accordance with A-133, Section 501(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of Major Programs:

The Child Nutrition Cluster:

- CFDA No. 10.553 - School Breakfast Program
- CFDA No. 10.555 - School Lunch Program

Special Education Cluster:

- CFDA No. 84.027 - Grants to States
- CFDA No. 84.173 - Special Education - Preschool Grants

State Fiscal Stabilization Fund Cluster:

- CFDA No. 84.397 - ARRA - State Fiscal Stabilization Fund - Government Services
- CFDA No. 84.395 - ARRA - State Fiscal Stabilization Fund - Race to the Top Incentive Grant

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

CFDA No. 84.410 - Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

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

No matters were reported.

PART III - FEDERAL AWARD FINDINGS - REQUIRED TO BE REPORTED IN ACCORDANCE WITH A-133, SECTION 501(A)

No matters were reported.

LEBANON SPECIAL SCHOOL DISTRICT

Disposition of Prior Year Findings

For the Fiscal Year Ended June 30, 2012

There were no audit findings reported for the fiscal year ended June 30, 2011.