

LEBANON SPECIAL SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

LEBANON SPECIAL SCHOOL DISTRICT

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INTRODUCTORY SECTION

LEBANON SPECIAL SCHOOL DISTRICT

Roster of District Officials

June 30, 2013

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lebanon Special School District, as of June 30, 2013, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lebanon Special School District's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and other schedules listed in the table of contents on pages 46 through 56, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance on page 58 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the financial schedules have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2014, on our consideration of the Lebanon Special School 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* in considering the Lebanon Special School District's internal control over financial reporting and compliance.

Bellonfant & Miles, PLLC

March 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year ending June 30, 2013

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, 2013.

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, 2013 and 2012 and the amount and percentage of increases and decreases in relation to the year ended June 30, 2012.

	<u>FY 13</u>	<u>FY 12</u>	<u>Percentage Inc / (Dec)</u>
<u>Statement of Net Assets</u>			
Capital assets net of accumulated depr	\$36,764,822	\$34,685,815	6.0
Other assets	<u>23,298,322</u>	<u>23,075,696</u>	1.0
Total assets	<u>\$60,063,144</u>	<u>\$57,761,511</u>	4.0
Long-term liabilities	\$27,970,273	\$26,551,029	5.3
Other liabilities	<u>2,951,988</u>	<u>8,671,810</u>	(66.0)
Total liabilities	<u>30,922,261</u>	<u>35,222,839</u>	(12.2)
Deferred inflows - property taxes	<u>7,103,978</u>	_____ -	100.0
Net assets invested in capital assets	9,726,262	9,121,585	6.6
Nonspendable	-	22,919	(100.0)
Restricted net assets	5,035,969	6,331,547	(20.5)
Unrestricted net assets	<u>7,274,674</u>	<u>7,062,621</u>	3.0
Total net assets	<u>\$22,036,905</u>	<u>\$22,538,672</u>	(2.2)

Condensed financial information (Cont.)

	<u>FY 13</u>	<u>FY 12</u>	<u>Percentage Inc / (Dec)</u>
<u>Statement of Activities</u>			
Revenues			
Charges for services	\$ 1,118,162	\$ 1,169,883	(4.4)
Operating grants and contributions	18,387,418	17,849,652	3.0
General revenues:			
Local taxes	13,217,255	12,946,489	2.1
State funds	26,156	-	100.0
Other local revenues	<u>150,874</u>	<u>196,554</u>	(23.2)
	<u>32,899,865</u>	<u>32,162,578</u>	2.3
Expenses			
Instruction	16,550,883	16,422,675	0.8
Support Services	9,401,056	9,172,566	2.5
Operation of non-instructional svcs	4,159,238	3,307,193	25.8
Interest on long-term debt	950,403	985,934	(3.6)
Other debt service	7,296	7,296	0.0
Capital projects	<u>8,274</u>	<u>21,308</u>	(61.2)
	<u>31,077,150</u>	<u>29,916,972</u>	3.9
Increase (decrease) in net assets	1,822,715	2,245,606	(18.8)
Net assets, beginning	22,538,672	20,293,066	11.1
Prior period adjustment	<u>(2,324,482)</u>	-	100.0
Net assets, ending	<u>\$22,036,905</u>	<u>\$22,538,672</u>	(2.2)

Significant increases: 1) deferred inflows of resources is a new account type resulting from the adoption of GASB Statement 63 as discussed in Note 1; 2) operation of non-instructional services experienced a 25.8% growth due primarily to increased operating costs of the schools' cafeterias; and 3) the prior period adjustment is discussed in Note 7.

Significant decreases: 1) other liabilities decrease primarily to the reclassification of deferred property taxes to the new deferred inflows of resources account type; 2) nonspendable net assets was eliminated for FY13 as the account was improperly used in the prior year; and 3) restricted net assets decreased by 20.5% due primarily to the prior period adjustment's effect on the education debt service fund balance as discussed in Note 7.

Capital Expenditures

Some of the more significant capital expenditures made during fiscal year 2013 were:

Final construction/equipping of Winfree Bryant Middle	\$ 595,123
Purchase of 4 buses	179,351
Byars Dowdy roof replacement	157,461
Replacement of windows at Byars Dowdy and Sam Houston	51,758

See Note 3 on pages 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	\$10,465,228	\$11,074,928	\$ 609,700
Licenses and permits	1,000	900	(100)
State funds	13,982,479	14,414,033	431,554
Federal funds	682,834	682,834	-
Other local revenues	<u>96,213</u>	<u>115,813</u>	<u>19,600</u>
	25,227,754	26,288,508	1,060,754
Expenditures			
Instruction	15,396,754	15,592,016	195,262
Support Services	8,859,157	9,136,657	277,500
Operation of non-instructional svcs	<u>960,343</u>	<u>934,743</u>	<u>(25,600)</u>
	25,216,254	25,663,416	447,162
Excess (deficiency) of revenues over expenditures	11,500	625,092	613,592
Other financing sources (uses)	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Net change in fund balances	14,000	627,592	613,592
Fund balance, beginning	-	7,089,399	7,089,399
Prior period adjustment	-	(1,166,000)	(1,166,000)
Fund balance, ending	<u>\$ 14,000</u>	<u>\$ 6,550,991</u>	<u>\$6,536,991</u>

The original budget for taxes and State of Tennessee revenues increased significantly due to the Board's conservative estimates on the original budget. Medical insurance and transportation cost accounted for sizeable increases in instruction and operation of non-instructional services expense categories respectively.

Debt Administration

As of June 30, 2013, the District had outstanding notes and bonds totaling \$27,038,560 which consisted of a Tennessee Energy Efficient Schools note issue amounting to \$2,883,560 and \$24,155,000 in refunding bonds. As discussed in Note 7, an agreement was reached by the District with Wilson County to repay long-term debt amounting to \$2,324,482 in equal installments over a ten year period beginning with the year ended June 30, 2013. The fund balances of the General Fund and Education Debt Service Fund were decreased by \$1,046,017 and \$1,278,465 respectively. 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 Position

June 30, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 13,904,926
Investments	650,000
Receivables, net of allowance for uncollectibles	
Taxes	7,103,978
Due from other governments	1,428,449
Other	11,465
Inventories, at cost	19,545
Deferred charges - debt issuance costs	179,959
Capital assets (net of accumulated depreciation)	36,764,822
Total Assets	<u>\$ 60,063,144</u>
LIABILITIES	
Accounts payable	\$ 180,822
Accrued liabilities	1,060,898
Interest payable	208,628
Long-term liabilities due within one year	1,501,640
Long-term liabilities due in more than one year	27,970,273
Total Liabilities	<u>30,922,261</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - property taxes	7,103,978
Total Deferred Inflows of Resources	<u>7,103,978</u>
NET POSITION	
Net investments in capital assets	9,726,262
Restricted for:	
Extended school projects	326,865
School federal projects	58,817
Cafeteria	1,328,710
Debt service	3,264,699
Capital outlay	56,878
Unrestricted	7,274,674
Total Net Position	<u>\$ 22,036,905</u>

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2013

	Program Revenues		Net (Expense) Revenue and Change in Net Position	
	Charges for Services	Operating Grants and Contributions	Primary Governmental Activities	Total
Functions / Programs:				
Governmental Activities:				
Instruction	\$ 16,550,883	\$ 18,387,418	\$ 1,836,535	\$ 1,836,535
Support services	9,401,056	-	(9,401,056)	(9,401,056)
Operation of non-instructional services	4,159,238	-	(3,041,076)	(3,041,076)
Interest expense on long-term debt	950,403	-	(950,403)	(950,403)
Other debt service	7,296	-	(7,296)	(7,296)
Capital projects	8,274	-	(8,274)	(8,274)
Total Government Activities	31,077,150	18,387,418	(11,571,570)	(11,571,570)
Total Primary Government	\$ 31,077,150	\$ 18,387,418	\$ (11,571,570)	\$ (11,571,570)
General Revenues:				
Property taxes			3,222,862	3,222,862
County taxes			9,994,393	9,994,393
State funds			26,156	26,156
Other local revenues			150,874	150,874
Total general revenues			13,394,285	13,394,285
Change in net position			1,822,715	1,822,715
Net position - beginning of year			22,538,672	22,538,672
Prior period adjustment			(2,324,482)	(2,324,482)
Net position - end of year			\$ 22,036,905	\$ 22,036,905

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

**Balance Sheet
Governmental Funds**

June 30, 2013

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	School Federal Projects	Education Debt Service	Other Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 8,290,556	\$ 47,610	\$ 4,535,317	\$ 1,031,443	\$ 13,904,926
Investments	-	-	-	650,000	650,000
Accounts receivable	-	-	-	-	-
Interest receivable	-	-	-	11,465	11,465
Due from other governments	1,405,657	14,945	7,847	-	1,428,449
Due from other funds	-	-	-	-	-
Taxes receivable	7,236,682	-	-	-	7,236,682
Allowance for uncollectibles	(132,704)	-	-	-	(132,704)
Inventories	-	-	-	19,545	19,545
Total assets	\$ 16,800,191	\$ 62,555	\$ 4,543,164	\$ 1,712,453	\$ 23,118,363
LIABILITIES					
Accounts payable	\$ 177,084	\$ 3,738	\$ -	\$ -	\$ 180,822
Accrued liabilities	1,060,898	-	-	-	1,060,898
Contracts payable	-	-	-	-	-
Retainage payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Other long-term liabilities	1,046,017	-	1,278,465	-	2,324,482
Total liabilities	2,283,999	3,738	1,278,465	-	3,566,202
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - property taxes	7,103,978	-	-	-	7,103,978
Total deferred inflows of resources	7,103,978	-	-	-	7,103,978
FUND BALANCES					
Nonspendable:					
Inventory	-	-	-	19,545	19,545
Restricted:					
Education	-	58,817	-	-	58,817
Debt service	-	-	3,264,699	-	3,264,699
Capital outlay	-	-	-	1,692,908	1,692,908
Unassigned	7,412,214	-	-	-	7,412,214
Total fund balances	7,412,214	58,817	3,264,699	1,712,453	12,448,183
Total liabilities, deferred inflows of resources and fund balances	\$ 16,800,191	\$ 62,555	\$ 4,543,164	\$ 1,712,453	\$ 23,118,363

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Reconciliation of the Balance Sheet to Statement of Net Position

June 30, 2013

Amounts reported for fund balance - total governmental funds	\$ 12,448,183
Amounts reported for governmental activities in the Statement of Net Position 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	45,978,690
Less: accumulated depreciation	(11,301,147)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Less: notes payable	(2,883,560)
Less: bonds payable	(24,155,000)
Less: accrued interest on bonds	(208,628)
Less: other post employments benefits liability	(108,871)
Add: deferred charges - debt issuance cost	179,959
Net position of governmental activities	\$ <u>22,036,905</u>

LEBANON SPECIAL SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2013

	Major Funds			Nonmajor	Total Governmental Funds
	General	School Federal Projects	Education Debt Service	Other Governmental Funds	
Revenues					
Property taxes	\$ 1,143,239	\$ -	\$ 2,079,623	\$ -	\$ 3,222,862
Intergovernmental					
County taxes	9,994,393	-	-	-	9,994,393
State funds	14,414,722	-	-	-	14,414,722
Federal funds	682,834	1,894,419	-	1,421,599	3,998,852
Charges for current services	1,038	-	-	1,117,124	1,118,162
Other revenues	108,485	-	29,319	13,070	150,874
Total revenue	<u>26,344,711</u>	<u>1,894,419</u>	<u>2,108,942</u>	<u>2,551,793</u>	<u>32,899,865</u>
Expenditures					
Instruction	15,273,058	1,288,023	-	-	16,561,081
Support services	8,813,140	600,828	-	-	9,413,968
Operation of non-instructional services	892,181	-	-	3,235,138	4,127,319
Debt service	-	-	2,064,502	-	2,064,502
Capital projects	-	-	-	-	-
Total expenditures	<u>24,978,379</u>	<u>1,888,851</u>	<u>2,064,502</u>	<u>3,235,138</u>	<u>32,166,870</u>
Excess (deficiency) of revenues over expenditures	<u>1,366,332</u>	<u>5,568</u>	<u>44,440</u>	<u>(683,345)</u>	<u>732,995</u>
Other financing sources and (uses)					
Proceeds from sale of notes	-	-	-	595,805	595,805
Transfers in	2,500	-	-	-	2,500
Transfers out	-	-	-	(2,500)	(2,500)
Total other financing sources and (uses)	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>593,305</u>	<u>595,805</u>
Net change in fund balances	1,368,832	5,568	44,440	(90,040)	1,328,800
Fund balances, beginning	7,089,399	53,249	4,498,724	1,802,493	13,443,865
Prior period adjustment	(1,046,017)	-	(1,278,465)	-	(2,324,482)
Fund balances, ending	<u>\$ 7,412,214</u>	<u>\$ 58,817</u>	<u>\$ 3,264,699</u>	<u>\$ 1,712,453</u>	<u>\$ 12,448,183</u>

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, 2013

Net change in fund balances - total governmental funds \$ 1,328,800

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 1,107,620
Depreciation expense (1,115,832)

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 (595,805)
Repayment of notes payable 95,480
Repayment of bonds payable 1,005,000

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 6,323
Change in other post employment benefits liability (597)

Change in net position of governmental activities \$ 1,822,715

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, 2013

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Special school district taxes				
Current property taxes	\$ 1,140,992	\$ 1,126,992	\$ 1,127,645	\$ 653
Trustee's collections - prior	40,500	13,400	11,884	(1,516)
Interest & penalty	5,500	3,700	3,710	10
Total special school district taxes	1,186,992	1,144,092	1,143,239	(853)
Intergovernmental				
County taxes				
Current property taxes	6,203,694	6,706,194	6,705,261	(933)
Trustee's collections - prior	144,000	93,000	88,339	(4,661)
Trustee's collections - bankruptcy	-	1,300	1,394	94
Circuit/C&M - prior year	111,708	110,608	119,877	9,269
Interest & penalty	27,500	22,400	22,555	155
Local option sales tax	2,789,334	2,997,334	3,056,967	59,633
Other county local option taxes	2,000	-	-	-
Total county taxes	9,278,236	9,930,836	9,994,393	63,557
State funds				
Basic Education Program	13,634,000	14,089,554	14,089,554	-
School food serv. (state matching)	18,500	19,600	19,634	34
Other state education funds	149,312	148,912	150,704	1,792
Career ladder (regular)	111,167	104,167	103,074	(1,093)
Career ladder - extended contract	40,500	25,600	25,600	-
Bank excise tax	27,000	24,200	24,246	46
Interstate telecommunications	2,000	2,000	1,910	(90)
Total state funds	13,982,479	14,414,033	14,414,722	689
Federal funds				
Early childhood education	682,834	682,834	682,834	-
Total federal funds	682,834	682,834	682,834	-
Total intergovernmental	23,943,549	25,027,703	25,091,949	64,246
Charges for current services				
Marriage licenses	1,000	900	1,038	138
Total charges for current services	1,000	900	1,038	138
Other revenues				
Interest earnings	59,000	38,800	42,789	3,989
E-rate funding	19,000	-	-	-
Miscellaneous refunds	12,600	21,700	21,787	87
Sale of equipment	1,000	2,600	2,688	88
Damages recovered from individuals	100	400	436	36
Contributions & gifts	4,513	40,513	40,785	272
Other revenue	-	11,800	-	(11,800)
Total other revenues	96,213	115,813	108,485	(7,328)
Total revenue	25,227,754	26,288,508	26,344,711	56,203

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures				
Instruction				
Regular instruction program				
Teachers	\$ 9,375,260	\$ 9,360,260	\$ 9,359,766	\$ 494
Career ladder program	62,000	59,500	59,500	-
Career ladder extended contract	31,000	18,762	18,762	-
Homebound teachers	3,400	500	455	45
Educational assistants	499,267	537,467	537,463	4
Other salaries & wages	310,900	320,800	320,761	39
Substitute teachers	64,000	44,500	44,412	88
Non-certified substitute teachers	68,000	117,200	117,121	79
Social security	597,853	585,853	581,540	4,313
State retirement	914,629	907,629	906,615	1,014
Life insurance	5,850	10,050	9,979	71
Medical insurance	566,090	730,090	729,286	804
Unemployment compensation	8,900	5,900	5,755	145
Employer medicare liability	136,847	136,847	136,087	760
Other contracted services	4,000	4,000	-	4,000
Instructional supplies & materials	47,000	47,000	35,229	11,771
Textbooks	399,176	399,176	262,901	136,275
Other supplies & materials	45,000	45,000	45,000	-
Other charges	60,000	60,000	30,000	30,000
Regular instruction equipment	310,339	310,339	291,012	19,327
Total	13,509,511	13,700,873	13,491,644	209,229
Alternative instruction program				
Teachers	54,247	54,047	54,046	1
Career ladder program	15,600	1,000	1,000	-
Educational Assistants	-	18,400	18,390	10
Social security	4,300	4,300	3,979	321
State retirement	6,206	6,506	6,450	56
Life insurance	51	51	72	(21)
Medical insurance	5,371	5,371	5,320	51
Unemployment compensation	42	42	49	(7)
Employer medicare liability	992	992	931	61
Total	86,809	90,709	90,237	472
Special education program				
Teachers	1,010,700	1,010,700	977,805	32,895
Career ladder program	5,000	5,000	5,000	-
Career ladder extended contracts	2,000	2,000	-	2,000
Homebound teachers	2,500	2,500	840	1,660
Educational assistants	262,900	262,900	269,508	(6,608)
Speech pathologist	138,942	138,942	89,006	49,936
Substitute teachers	9,000	9,000	4,457	4,543
Non-certified substitute teachers	5,000	5,000	6,280	(1,280)
Social security	84,046	84,046	74,181	9,865
State retirement	126,660	126,660	116,329	10,331
Life insurance	1,000	1,000	1,370	(370)
Medical insurance	119,295	119,295	119,411	(116)

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Instruction (cont.)				
Special education program (cont.)				
Unemployment compensation	\$ 1,400	\$ 1,400	\$ 941	\$ 459
Employer medicare liability	19,991	19,991	17,349	2,642
Maintenance and repair services - equip	1,500	1,500	1,500	-
Instructional supplies	5,500	5,500	5,331	169
Other charges	2,500	2,500	290	2,210
Special educational equipment	2,500	2,500	1,579	921
Total	1,800,434	1,800,434	1,691,177	109,257
Total instruction	15,396,754	15,592,016	15,273,058	318,958
Support services				
Students				
Attendance				
Supervisor/director	67,688	67,688	67,688	-
Career ladder program	1,000	1,000	1,000	-
Social security	3,950	3,950	3,954	(4)
State retirement	6,011	6,111	6,099	12
Life insurance	27	127	66	61
Medical insurance	2,827	5,027	4,972	55
Unemployment compensation	35	35	25	10
Employer medicare liability	951	951	925	26
Communication	550	550	517	33
Travel	400	400	400	-
Other charges	200	200	45	155
Health services				
Medical personnel	55,233	55,233	54,691	542
Other salaries & wages	252,374	258,874	258,841	33
Social security	17,072	18,272	18,013	259
State retirement	27,963	26,663	26,641	22
Life insurance	162	362	308	54
Medical insurance	5,179	23,079	23,029	50
Unemployment compensation	208	308	241	67
Employer medicare liability	4,260	4,260	4,213	47
Postal	500	500	-	500
Travel	4,800	4,800	3,253	1,547
Drugs and medical supplies	5,000	5,000	1,268	3,732
Other supplies and materials	5,500	5,500	4,629	871
In-service	1,000	1,000	386	614
Other charges	7,712	7,712	3,347	4,365
Health equipment	4,000	4,000	1,143	2,857
Other student support				
Career ladder program	1,000	1,000	1,000	-
Guidance personnel	291,900	310,200	310,158	42
School resource officer	115,423	115,423	113,160	2,263
Social security	15,159	18,459	18,198	261
State retirement	26,009	26,709	26,619	90
Life insurance	162	462	416	46
Medical insurance	995	11,395	11,391	4

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services (cont.)				
Other student support (cont.)				
Unemployment compensation	\$ 210	\$ 210	\$ 172	\$ 38
Employer medicare liability	3,947	4,347	4,256	91
Evaluation and testing	35,000	32,000	22,050	9,950
Other supplies & materials	1,000	1,000	-	1,000
Other Charges	23,000	20,000	6,020	13,980
Total	988,407	1,042,807	999,134	43,673
Instructional staff				
Regular instruction program				
Supervisor/director	109,477	120,777	120,424	353
Career ladder program	7,000	6,000	6,000	-
Career ladder extended contracts	1,200	-	-	-
Librarians	284,719	284,719	284,674	45
Materials supervisor	88,906	88,906	88,906	-
Secretary(s)	42,751	42,751	42,751	-
Clerical personnel	27,411	27,411	27,410	1
Educational assistants	41,400	29,400	29,279	121
Social security	34,380	34,880	34,806	74
State retirement	53,769	53,469	53,470	(1)
Life insurance	432	632	583	49
Medical insurance	27,332	43,632	43,615	17
Unemployment compensation	408	408	287	121
Employer medicare liability	8,342	8,342	8,140	202
Communication	1,500	1,500	1,082	418
Travel	2,000	2,000	396	1,604
Other Contracted Services	500	500	-	500
Library books/media	20,000	20,000	18,000	2,000
Other supplies & materials	2,000	2,000	1,575	425
In-service	25,000	25,000	11,826	13,174
Other charges	500	500	29	471
Special educational program				
Supervisor/director	92,871	92,871	92,871	-
Career ladder program	3,000	3,000	3,000	-
Secretary(s)	42,008	42,008	42,008	-
Other salaries & wages	127,924	127,924	127,924	-
Social security	16,079	16,079	15,166	913
State retirement	23,693	23,693	23,692	1
Life insurance	108	308	258	50
Medical insurance	19,182	19,382	19,304	78
Unemployment compensation	120	120	95	25
Employer medicare liability	3,604	3,604	3,547	57
Maintenance and repair svc - equip	1,000	1,000	66	934
Postal charges	400	400	325	75
Travel	2,000	2,000	2,000	-
Other contracted services	12,000	12,000	12,000	-
Other supplies & materials	1,000	1,000	810	190
In-service	1,000	1,000	1,000	-
Other charges	2,500	2,500	1,797	703
Total	1,127,516	1,141,716	1,119,116	22,600

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services (cont.)				
General administration				
Board of education				
Audit services	\$ 5,500	\$ 8,500	\$ 8,500	\$ -
Dues and memberships	9,000	9,000	17,566	(8,566)
Legal services	6,000	6,000	5,400	600
Travel	3,000	6,000	5,434	566
Other contracted services	11,000	13,500	12,308	1,192
Liability insurance	27,642	27,642	21,777	5,865
Premiums on corporate surety bonds	1,675	1,675	1,675	-
Trustee's commission	190,000	190,000	182,648	7,352
Workman's compensation ins	254,390	254,390	254,390	-
Criminal Investigation of Applicants TBI	1,000	1,000	413	587
Other charges	26,000	29,500	25,444	4,056
Office of the superintendent				
County official/administrative officer	120,000	122,500	122,500	-
Assistants	83,518	85,218	85,204	14
Career ladder program	-	1,000	1,000	-
Secretary(s)	33,384	33,384	33,384	-
Clerical personnel	4,200	2,100	2,027	73
Other salaries & wages	-	800	757	43
Social security	13,848	14,748	14,525	223
State retirement	21,110	21,810	21,752	58
Life insurance	81	281	207	74
Medical insurance	8,902	18,002	17,913	89
Unemployment compensation	93	93	80	13
Employer medicare liability	3,395	3,595	3,487	108
Communication	10,500	7,500	4,741	2,759
Dues and memberships	3,500	3,500	2,267	1,233
Postal charges	3,000	3,000	1,866	1,134
Travel	7,500	7,500	2,937	4,563
Other contracted services	10,100	10,100	10,077	23
Office supplies	200	200	142	58
In-service	1,500	1,500	1,500	-
Other charges	16,000	16,000	15,478	522
Administration equipment	500	500	-	500
Total	876,538	900,538	877,399	23,139
School administration				
Office of the principal				
Principals	461,998	496,398	496,345	53
Career ladder program	11,800	7,000	7,000	-
Accountants/bookkeepers	173,080	164,480	164,418	62
Assistant principals	497,085	499,485	499,481	4
Secretary(s)	162,025	158,025	158,021	4
Other salaries & wages	7,560	8,960	8,928	32
Social security	75,440	78,840	78,598	242
State retirement	117,364	118,964	118,946	18
Life insurance	675	1,375	1,303	72
Medical insurance	58,765	97,565	97,486	79

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services (cont.)				
School administration (cont.)				
Office of the principal (cont.)				
Unemployment compensation	\$ 775	\$ 775	\$ 623	\$ 152
Employer medicare liability	17,046	18,546	18,382	164
Communication	15,500	15,500	7,090	8,410
Other contracted services	72,000	52,000	42,087	9,913
In-service	300	300	-	300
Other charges	50,000	50,000	29,198	20,802
Total	1,721,413	1,768,213	1,727,906	40,307
Business administration				
Fiscal services				
Supervisor/director	69,110	69,110	69,110	-
Social security	4,100	4,200	4,104	96
State retirement	6,255	6,355	6,282	73
Life insurance	27	127	68	59
Medical insurance	5,088	5,088	5,076	12
Unemployment compensation	31	31	32	(1)
Employer medicare liability	1,002	1,002	960	42
Travel	2,000	2,000	1,328	672
Other contracted services	19,000	21,000	19,452	1,548
Data Processing Supplies	2,000	2,000	1,425	575
Office supplies	8,200	10,200	7,992	2,208
Other supplies and materials	200	200	47	153
In-service	500	500	500	-
Other charges	7,000	7,000	7,058	(58)
Administrative equipment	2,000	2,000	-	2,000
Human services (resources)/personnel				
Supervisor/director	62,658	62,658	62,658	-
Secretary(s)	39,189	39,189	39,189	-
Social security	5,488	5,888	5,601	287
State retirement	9,217	9,317	9,258	59
Life insurance	54	154	100	54
Medical insurance	5,178	7,578	7,503	75
Unemployment compensation	62	62	60	2
Employer medicare	1,289	1,489	1,310	179
Travel	1,500	1,500	1,500	-
Other Contracted Services	3,000	3,000	2,145	855
Office supplies	500	500	-	500
In-service	1,000	1,000	882	118
Other charges	500	500	500	-
Other equipment	2,000	2,000	-	2,000
Total	258,148	265,648	254,140	11,508

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services (cont.)				
Operation and maintenance of plant				
Operation of plant				
Supervisor/director	\$ 36,372	\$ 35,272	\$ 35,206	\$ 66
Custodial personnel	489,772	492,872	492,818	54
Social security	32,492	29,292	28,954	338
State retirement	45,795	40,595	41,065	(470)
Life insurance	460	560	509	51
Medical insurance	41,450	37,850	39,419	(1,569)
Unemployment compensation	650	650	667	(17)
Employer medicare liability	7,426	7,026	6,771	255
Maintenance and repair svcs - bldgs	-	80,000	86,960	(6,960)
Disposal fees	25,000	25,000	23,722	1,278
Custodial supplies	27,000	31,000	25,063	5,937
Electricity	792,000	752,000	693,372	58,628
Natural gas	85,000	85,000	67,459	17,541
Water and sewer	100,000	100,000	90,614	9,386
Other supplies and materials	100,000	100,000	85,645	14,355
Boiler insurance	5,360	5,360	5,360	-
Building and contents insurance	97,666	97,666	97,666	-
Other charges	15,000	19,000	6,348	12,652
Plant operation equipment	10,000	10,000	-	10,000
Maintenance of plant				
Supervisor/director	62,658	62,658	62,658	-
Maintenance personnel	145,377	145,377	145,377	-
Other salaries & wages	75,665	74,165	74,068	97
Social security	17,089	17,089	16,467	622
State retirement	25,788	25,188	25,123	65
Life insurance	160	360	277	83
Medical insurance	23,108	20,808	20,720	88
Unemployment compensation	155	255	197	58
Employer medicare liability	4,013	4,113	3,851	262
Laundry service	2,700	2,700	2,328	372
Maintenance and repair svcs - bldgs	80,000	50,000	50,079	(79)
Maintenance and repair svcs - equip	500	500	469	31
Equipment and machinery parts	62,000	62,000	55,656	6,344
Other supplies & materials	15,000	15,000	12,085	2,915
Other charges	80,000	80,000	84,850	(4,850)
Maintenance equipment	10,000	10,000	-	10,000
Total	2,515,656	2,519,356	2,381,823	137,533
Student Transportation				
Transportation				
Supervisor/director	62,928	62,928	62,928	-
Mechanics	77,959	77,959	77,959	-
Bus drivers	376,483	409,383	409,351	32
Clerical personnel	9,072	9,472	9,421	51
Other salaries & wages	61,109	67,809	67,773	36
Social security	36,428	38,328	37,918	410

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services (cont.)				
Student Transportation (cont.)				
Transportation (cont.)				
State retirement	\$ 53,404	\$ 55,404	\$ 55,387	\$ 17
Life insurance	81	281	214	67
Medical insurance	16,031	46,131	46,087	44
Unemployment compensation	775	775	761	14
Employer medicare liability	8,519	9,319	9,080	239
Laundry service	1,500	1,500	1,021	479
Maintenance and repair svcs - vehicles	1,500	1,500	110	1,390
Travel	1,200	1,200	1,200	-
Other contracted services	2,000	2,000	1,031	969
Diesel fuel	99,000	99,000	88,661	10,339
Garage supplies	3,000	3,000	2,988	12
Gasoline	20,000	20,000	20,000	-
Lubricants	5,000	10,000	8,835	1,165
Tires and tubes	12,000	12,000	11,379	621
Vehicle parts	35,000	50,000	44,653	5,347
Other supplies & materials	4,000	6,000	1,339	4,661
Vehicle and equipment insurance	30,155	30,155	30,155	-
In-service	1,600	1,600	1,330	270
Other charges	2,000	12,000	4,002	7,998
Transportation equipment	178,787	178,787	178,787	-
Total	1,099,531	1,206,531	1,172,370	34,161
Central and Other				
Data processing personnel	109,015	109,115	109,106	9
Other Salaries & Wages	49,908	49,908	49,908	-
Social security	9,455	9,755	9,466	289
State retirement	14,450	14,450	14,454	(4)
Life insurance	54	154	156	(2)
Medical insurance	10,149	11,749	11,680	69
Unemployment compensation	62	162	93	69
Employer medicare liability	2,205	2,405	2,214	191
Travel	4,000	4,000	2,288	1,712
Other contracted services	3,000	3,000	1,035	1,965
In-service	150	150	139	11
Other charges	4,500	7,000	4,386	2,614
Other equipment	65,000	80,000	76,327	3,673
Total	271,948	291,848	281,252	10,596
Total support services	8,859,157	9,136,657	8,813,140	323,517
Operation of non-instructional services				
Food service				
Supervisor/director	58,560	58,560	58,560	-
Other salaries & wages	16,050	16,050	13,339	2,711
Social security	4,625	5,425	5,295	130
State retirement	5,325	5,325	5,323	2
Life insurance	27	127	70	57
Unemployment compensation	62	62	48	14
Employer medicare liability	1,081	1,081	1,020	61
Total	85,730	86,630	83,655	2,975

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Operation of non-instructional services (cont.)				
Community services				
Supervisor/director	\$ 50,395	\$ 50,395	\$ 50,395	\$ -
Clerical personnel	12,500	12,500	12,269	231
Social security	3,899	4,299	4,064	235
State retirement	5,800	6,200	6,151	49
Life insurance	54	54	50	4
Medical insurance	4,397	97	-	97
Unemployment compensation	62	62	54	8
Employer medicare liability	920	1,020	950	70
Travel	1,200	1,200	1,158	42
Other contracted services	11,000	11,000	(6,199)	17,199
Food supplies	8,200	8,200	(2,560)	10,760
Instructional supplies & materials	1,000	1,000	1,000	-
Other supplies & materials	2,000	2,000	1,525	475
Other charges	5,000	5,000	4,887	113
Total	106,427	103,027	73,744	29,283
Operation of non-instructional services				
Early childhood education				
Teachers	407,720	392,120	392,071	49
Educational assistants	153,500	153,000	152,905	95
Other salaries & wages	18,120	16,320	16,288	32
Certified substitute teachers	2,200	1,000	906	94
Non-certified substitute teachers	4,300	3,800	3,760	40
Social security	33,920	32,420	31,943	477
State retirement	51,806	48,206	48,186	20
Life insurance	442	442	552	(110)
Medical insurance	47,470	41,470	41,226	244
Unemployment compensation	558	558	500	58
Employer medicare liability	7,900	7,500	7,259	241
Travel	3,000	3,000	309	2,691
Instructional supplies & materials	8,937	12,937	11,304	1,633
In-service	4,000	4,000	3,993	7
Other charges	6,313	10,313	10,468	(155)
Other equipment	18,000	18,000	13,112	4,888
Total	768,186	745,086	734,782	10,304
Total operation of non-instructional services	960,343	934,743	892,181	42,562
Total expenditures	25,216,254	25,663,416	24,978,379	685,037
Excess (deficiency) of revenues over expenditures	11,500	625,092	1,366,332	741,240
Other financing sources and (uses)				
Transfers in	2,500	2,500	2,500	-
Total other financing sources and (uses)	2,500	2,500	2,500	-
Net change in fund balances	14,000	627,592	1,368,832	741,240
Fund balance, beginning	-	7,089,399	7,089,399	-
Prior period adjustment	-	(1,166,000)	(1,046,017)	119,983
Fund balance, ending	\$ 14,000	\$ 6,550,991	\$ 7,412,214	\$ 861,223

(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
School Federal Projects Fund

For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Intergovernmental				
Federal funds				
Title 1- basic grants to local educ agencies	\$ 651,984	\$ 665,057	\$ 644,702	\$ (20,355)
Special education - grants to states	894,317	894,317	753,393	(140,924)
Special education preschool grants	29,483	29,483	33,613	4,130
English language acquisition grants Title III	51,825	59,416	38,318	(21,098)
Eisenhower prof dev state grants	172,860	185,711	156,953	(28,758)
Race to the top	165,194	200,194	134,744	(65,450)
Other fed thru state	170,144	170,144	132,696	(37,448)
Total revenue	<u>2,135,807</u>	<u>2,204,322</u>	<u>1,894,419</u>	<u>(309,903)</u>
Expenditures				
Instruction				
Regular				
Teachers	558,298	569,880	518,621	51,259
Educational assistants	-	8,045	-	8,045
Other salaries & wages	11,400	11,400	-	11,400
Certified substitute teachers	-	1,300	-	1,300
Non-certified substitute teachers	-	1,300	-	1,300
Social security	35,816	37,395	29,734	7,661
State retirement	47,328	48,702	41,439	7,263
Life insurance	216	189	187	2
Medical insurance	23,773	27,446	28,329	(883)
Unemployment compensation	128	200	289	(89)
Employer medicare liability	8,415	9,155	6,992	2,163
Other contracted services	48,010	36,010	31,881	4,129
Instructional supplies and materials	40,110	79,213	64,542	14,671
Other supplies and materials	4,000	-	-	-
Other charges	13,653	10,703	-	10,703
Regular instructional equipment	33,384	34,384	23,252	11,132
Total	<u>824,531</u>	<u>875,322</u>	<u>745,266</u>	<u>130,056</u>
Education for handicapped				
Teachers	212,270	160,820	74,631	86,189
Educational assistants	208,750	207,000	220,997	(13,997)
Speech Pathologist	46,057	46,057	46,318	(261)
Certified substitute teachers	2,000	2,000	274	1,726
Social security	29,929	26,591	18,827	7,764
State retirement	43,396	38,378	26,777	11,601
Life insurance	754	754	420	334
Medical insurance	60,780	60,780	50,978	9,802
Unemployment compensation	312	312	450	(138)
Employer medicare liability	6,975	6,218	4,403	1,815
Other contracted services	1,875	1,875	1,875	-
Instructional supplies and materials	35,053	56,884	50,502	6,382
Other charges	300	300	-	300
Special education equipment	45,390	45,390	46,305	(915)
Total	<u>693,841</u>	<u>653,359</u>	<u>542,757</u>	<u>110,602</u>
Total instruction	<u>1,518,372</u>	<u>1,528,681</u>	<u>1,288,023</u>	<u>240,658</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, 2013

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services				
Students				
Evaluation and testing	\$ 30,000	\$ 30,000	\$ 30,040	\$ (40)
Other contracted services	16,500	17,000	16,006	994
Other supplies and materials	1,500	1,500	710	790
In service/staff development	3,996	-	-	-
Other charges	29,610	23,577	22,712	865
Total	81,606	72,077	69,468	2,609
Instructional staff				
Regular instruction program				
Supervisor/director	159,253	159,253	155,468	3,785
Secretary(s)	18,276	18,276	18,276	-
Certified substitute teachers	5,000	8,000	1,820	6,180
In-service training	8,000	8,000	4,972	3,028
Non-certified substitute teachers	3,000	5,000	2,767	2,233
Social security	10,419	10,419	9,613	806
State retirement	13,118	13,118	15,467	(2,349)
Life insurance	79	79	63	16
Medical Insurance	14,161	14,161	13,173	988
Unemployment compensation	42	42	42	-
Employer medicare liability	2,436	2,436	2,275	161
Communication	4,200	4,700	4,193	507
Travel	14,500	21,207	12,517	8,690
Other supplies and materials	2,900	3,200	2,379	821
In-service	39,699	90,735	70,374	20,361
Other charges	-	-	49	(49)
Total	295,083	358,626	313,448	45,178
Special education program				
Other salaries and wages	57,246	57,246	56,166	1,080
Social security	3,549	3,549	3,254	295
State retirement	5,083	5,083	4,988	95
Life insurance	35	35	27	8
Medical insurance	1,043	1,043	2,822	(1,779)
Unemployment compensation	20	20	25	(5)
Employer medicare	5,885	5,885	761	5,124
Maintenance and repair services - equip	2,000	2,000	2,000	-
Postal charges	450	450	450	-
Travel	14,500	14,500	7,650	6,850
Other contracted services	110,599	110,599	82,462	28,137
Other supplies and materials	24,930	24,699	25,700	(1,001)
In-service	11,500	11,454	11,442	12
Other charges	3,905	3,878	3,878	-
Total	240,745	240,441	201,625	38,816

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Transportation				
Bus drivers	\$ -	\$ 3,500	\$ 2,997	\$ 503
Social security	-	217	186	31
State retirement	-	337	272	65
Employer medicare	-	50	49	1
Diesel fuel	-	2,600	1,964	636
Tires and Tubes	-	-	9,414	(9,414)
Other Supplies and Materials	-	-	1,405	(1,405)
Total	-	6,704	16,287	(9,583)
Total support services	617,434	677,848	600,828	77,020
Total expenditures	2,135,806	2,206,529	1,888,851	317,678
Excess (deficiency) of revenues over expenditures	1	(2,207)	5,568	7,775
Other financing sources and (uses)				
Operating transfers in	216,499	197,241	-	(197,241)
Operating transfers out	(216,500)	(195,034)	-	195,034
Total other financing sources and (uses)	(1)	2,207	-	(2,207)
Net change in fund balances	-	-	5,568	5,568
Fund balance, beginning	-	-	53,249	53,249
Fund balance, ending	\$ -	\$ -	\$ 58,817	\$ 58,817

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

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 position 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, 2013

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.

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.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2013

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

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

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, 2013

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, 2013

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 Position

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting reporting purposes into the following three net position groups:

- a. Net invested in capital assets – 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 – Consists of net position 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 – All other net position that does not meet the definition of restricted or net invested in capital assets.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2013

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

Fund Balances

Governmental Accounting Standards Board No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* establishes standards for fund balance classifications for state and local governments and requires that resources be classified for accounting reporting purposes into the following fund balances:

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 Directors, the District's highest level of decision-making authority.

Assigned Fund Balance – includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The District'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.

Net Position Flow Assumption

The District would typically use restricted resources first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

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.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2013

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

Taxes Receivable (Cont.)

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Risk Financing

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

NOTE 2 – DEPOSITS

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

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 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	40,244,510	867,470	-	41,111,980
Equipment	<u>4,626,620</u>	<u>240,090</u>	-	<u>4,866,710</u>
Total	<u>\$46,958,409</u>	<u>\$ 1,107,560</u>	\$ -	<u>\$48,065,969</u>
<u>Accumulated depreciation</u>				
Buildings and improvements	\$ 6,817,931	\$ 723,747	\$ -	\$ 7,541,678
Equipment	<u>3,367,384</u>	<u>392,085</u>	-	<u>3,759,469</u>
Total	<u>10,185,315</u>	<u>1,115,832</u>	-	<u>11,301,147</u>
Governmental capital assets - net	<u>\$36,773,094</u>	<u>\$ (8,272)</u>	<u>\$ -</u>	<u>\$36,764,822</u>

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

Instruction	\$ 957,198
Support services	76,296
Operation of non-instructional services	<u>82,338</u>
	<u>\$1,115,832</u>

NOTE 4 – RECEIVABLES

A summary of receivables totaling \$8,543,891 as of June 30, 2013 is as follows:

	<u>General</u>	<u>School Federal Projects</u>	<u>Education Debt Service</u>	<u>Cafeteria</u>	<u>Total</u>
Property taxes	\$7,236,682	\$ -	\$ -	\$ -	\$7,236,682
Due from other govts	1,405,657	14,945	7,847	-	1,428,449
Interest receivable	-	-	-	11,465	11,465
Other receivable	-	-	-	-	-
Less allowance	(132,704)	-	-	-	(132,704)
Total	<u>\$8,509,635</u>	<u>\$ 14,945</u>	<u>\$ 7,847</u>	<u>\$11,465</u>	<u>\$8,543,892</u>

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE 4 – RECEIVABLES (CONT.)

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 2013 property taxes of \$7,103,978 which is net of an allowance for doubtful accounts of \$132,704. The 2013 property taxes are presented as deferred inflows of resources.

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, 2013:

Outstanding, beginning	\$27,543,235
Debt issued:	
General obligation	595,805
Debt retired	
General obligation	<u>1,100,480</u>
Outstanding, ending	<u>\$27,038,560</u>

The annual requirements to amortize all general obligation bonds including interest payments of \$11,010,233 on bonds carrying interest rates ranging from 2.0% to 4.1%, and the zero percent interest rate note outstanding as of June 30, 2013, 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>						
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	1,220,000	728,689	229,152	-	1,449,152	728,689
2019-2023	4,385,000	3,115,666	1,145,760	-	5,530,760	3,115,666
2024-2028	5,160,000	2,346,994	592,040	-	5,752,040	2,346,994
2029-2033	6,180,000	1,315,419	-	-	6,180,000	1,315,419
2034-2035	<u>2,825,000</u>	<u>169,937</u>	-	-	<u>2,825,000</u>	<u>169,937</u>
Total	<u>\$24,155,000</u>	<u>\$11,010,233</u>	<u>\$2,883,560</u>	<u>\$ -</u>	<u>\$27,038,560</u>	<u>\$11,010,233</u>

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE 5 – LONG-TERM DEBT (CONT.)

Total general long-term debt due within one year includes \$1,040,000 of general obligation bonds, \$229,152 of general obligation notes noted above and \$232,488 of other long-term debt resulting from overpayment of property taxes as discussed in Note 9.

Total general long-term debt due in more than one year includes \$23,115,000 general obligation bonds, \$2,654,408 of general obligation notes, the noncurrent post-employment benefit obligation (OPEB) of \$108,871 and \$2,091,994 of other long-term debt from overpayment of property taxes as discussed in Note 9.

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, 2013

NOTE 6 – 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, 2013. Unencumbered appropriations lapse at the end of each fiscal year.

NOTE 7 – PRIOR PERIOD ADJUSTMENT

As discussed above in Note 1, the Wilson County Trustee levies and collects property taxes for the District. During the year ended June 30, 2012 officials of Wilson County discovered a pattern over a period of the prior ten years of overpayment, in error, of property tax payments to the District by the Trustee's office. District officials concurred with the overpayment after its review of Wilson County's calculation that was finalized in during the year ended June 30, 2013. No fault for the overpayment was placed on the District by Wilson County. The overpayment of property taxes amounting to \$2,224,482 was allocated by the Board in a 45:55 split between the General and Education Debt Service Funds. An agreement was reached by the District with Wilson County to repay the long-term debt in equal installments over a ten year period beginning with the year ended June 30, 2013. The fund balances of the General Fund and Education Debt Service Fund were decreased by \$1,046,017 and \$1,278,465 respectively.

NOTE 8 – 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, 2013, 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, 2013

NOTE 9 – 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	\$130,463
Interest on the net plan obligation	4,872
Adjustment to the annual required obligation	(6,502)
Annual OPEB cost:	128,833
Amount of contribution:	(128,236)
Increase/decrease in net plan obligation	597
Net OPEB obligation—beginning of year	<u>108,274</u>
Net OPEB obligation—end of year	<u>\$108,871</u>

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE 9 – 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>
6/30/2011	Teacher Group	\$109,809	101.53%	\$109,929
6/30/2012	Teacher Group	145,814	101.14%	108,274
6/30/2012	Teacher Group	128,833	99.54%	108,871

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012, was as follows (dollars in thousands):

Actuarial valuation date	July 1, 2012
Actuarial accrued liability (AAL)	\$1,401,469
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$1,401,469
Actuarial Value of Assets as a % of the AAL	0
Covered payroll (active plan members)	\$18,880,514
UAAL as a percentage of covered payroll	7.42%

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, 2013

NOTE 9 – POST EMPLOYMENT HEALTHCARE PLAN (CONT.)

Actuarial Methods and Assumptions (Cont.)

In the July 1, 2012, 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 a level annual healthcare cost trend rate of 5 percent. Both rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over a 30 year period.

NOTE 10 – 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, 2013

NOTE 10 – 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 8.88% 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, 2013, 2012 and 2011 were \$1,290,098, \$1,279,493, and \$1,242,794 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, 2013

NOTE 10 – 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, 2013 was 9.09% 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, 2013, Lebanon Special School District's annual pension cost of \$399,450 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, 2011 actuarial valuation using the frozen entry age actuarial cost method.

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, 2011 was 3 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$395,450	100.0%	\$0.00
June 30, 2012	392,285	100.0%	0.00
June 30, 2011	378,428	100.0%	0.00

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE 10 – 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.

REQUIRED SUPPLEMENTARY INFORMATION

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Funding Progress – Other Post Employment Benefits Plan

June 30, 2013

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, 2013

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.

The Education Capital Projects Fund accounts for the purchase and/or construction of significant capital assets. Revenue primarily consists of debt issues which are repaid from the Education Debt Service Fund.

LEBANON SPECIAL SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

	Cafeteria	Extended School Projects	Education Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 647,700	\$ 326,865	\$ 56,878	\$ 1,031,443
Investments	650,000	-	-	650,000
Interest receivable	11,465	-	-	11,465
Inventories	19,545	-	-	19,545
Total assets	<u>\$ 1,328,710</u>	<u>\$ 326,865</u>	<u>\$ 56,878</u>	<u>\$ 1,712,453</u>
FUND BALANCES				
Nonspendable	\$ 19,545	\$ -	\$ -	\$ 19,545
Restricted for education	1,309,165	326,865	56,878	1,692,908
	<u>1,328,710</u>	<u>326,865</u>	<u>56,878</u>	<u>1,712,453</u>
Total fund balances	<u>\$ 1,328,710</u>	<u>\$ 326,865</u>	<u>\$ 56,878</u>	<u>\$ 1,712,453</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, 2013

	Cafeteria	Extended School Projects	Education Capital Projects	Total
Revenues				
Intergovernmental	\$ 1,421,599	\$ -	\$ -	\$ 1,421,599
Charges for current services	332,542	784,582	-	1,117,124
Other revenues	12,181	-	889	13,070
Total revenue	<u>1,766,322</u>	<u>784,582</u>	<u>889</u>	<u>2,551,793</u>
Expenditures				
Operation of non-instructional services	1,764,525	784,711	685,902	3,235,138
Total expenditures	<u>1,764,525</u>	<u>784,711</u>	<u>685,902</u>	<u>3,235,138</u>
Excess (deficiency) of revenues over expenditures	1,797	(129)	(685,013)	(683,345)
Other financing sources and (uses)				
Proceeds from sale of notes	-	-	595,805	595,805
Transfers in	-	-	-	-
Transfers out	-	(2,500)	-	(2,500)
Total other financing sources and (uses)	<u>-</u>	<u>(2,500)</u>	<u>595,805</u>	<u>593,305</u>
Net change in fund balances	1,797	(2,629)	(89,208)	(90,040)
Fund balances, beginning	1,326,913	329,494	146,086	1,802,493
Fund balances, ending	<u>\$ 1,328,710</u>	<u>\$ 326,865</u>	<u>\$ 56,878</u>	<u>\$ 1,712,453</u>

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, 2013

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Charges for current services				
Lunch payments - children	\$ 280,000	\$ 280,000	\$ 230,174	\$ (49,826)
Lunch payments - adults	45,000	45,000	41,315	(3,685)
Income from breakfast	36,000	36,000	27,216	(8,784)
Special milk sales	10,000	10,000	5,795	(4,205)
A la carte sales	30,000	30,000	28,042	(1,958)
Receipts from individual schools	125	125	-	(125)
Total	401,125	401,125	332,542	(68,583)
Other local revenues				
Recurring items				
Investment income	38,000	38,000	9,264	(28,736)
Miscellaneous refunds	2,000	2,000	2,917	917
Total	40,000	40,000	12,181	(27,819)
Federal funds received thru state				
USDA lunch	1,086,169	1,086,169	993,574	(92,595)
USDA Commodities	87,000	87,000	106,186	19,186
USDA breakfast	300,000	300,000	321,839	21,839
Total	1,473,169	1,473,169	1,421,599	(51,570)
Total revenue	1,914,294	1,914,294	1,766,322	(147,972)
Expenditures				
Food services				
Clerical personnel	33,889	33,889	33,889	-
Cafeteria personnel	690,000	690,000	670,933	19,067
Social security	45,000	45,000	40,127	4,873
State retirement	54,000	54,000	48,363	5,637
Life insurance	1,000	1,000	520	480
Medical insurance	129,000	129,000	121,448	7,552
Unemployment insurance	1,200	1,200	1,204	(4)
Employer medicare liability	10,500	10,500	9,603	897
Maintenance & repair serv. equip.	23,000	23,000	16,142	6,858
Postal charges	700	700	371	329
Transportation - other than students	10,000	10,000	7,159	2,841
Travel	1,000	1,000	734	266
Other contracted services	2,780	2,780	2,780	-
Food preparation supplies	6,000	6,000	3,947	2,053
Food supplies	733,300	733,300	640,289	93,011
Office supplies	2,000	2,000	1,634	366
Uniforms	800	800	236	564
USDA Commodities	87,000	87,000	106,186	(19,186)
Other supplies & materials	41,000	41,000	40,309	691
In-service	1,000	1,000	559	441
Other charges	6,125	6,125	2,677	3,448
Food service equipment	35,000	35,000	15,415	19,585
Total expenditures	1,914,294	1,914,294	1,764,525	149,769
Net change in fund balances	-	-	1,797	1,797
Fund balance, beginning	-	-	1,326,913	1,326,913
Fund balance, ending	\$ -	\$ -	\$ 1,328,710	\$ 1,328,710

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, 2013

	Budgeted Amounts		Actual Amounts	Variance -
	Original	Final		Favorable/ (Unfavorable)
Revenues				
Charges for current services				
Tuition - regular day students	\$ 625,000	\$ 621,600	\$ 637,375	\$ 15,775
Tuition - other	250	650	670	20
Community service fees - children	140,000	144,800	146,537	1,737
Total	<u>765,250</u>	<u>767,050</u>	<u>784,582</u>	<u>17,532</u>
Expenditures				
Community services				
Supervisor/director	55,055	57,955	57,955	-
Clerical personnel	66,944	73,744	73,677	67
Temporary/part-time personnel	125,000	96,600	96,594	6
Other salaries & wages	292,476	345,576	343,613	1,963
Social security	40,000	34,500	34,562	(62)
State retirement	32,000	26,800	26,837	(37)
Life insurance	525	325	292	33
Employee insurance	53,000	54,000	53,833	167
Unemployment compensation	1,000	1,100	1,046	54
Employer medicare liability	8,500	8,100	8,083	17
Maintenance & repair - equipment	6,500	7,700	11,091	(3,391)
Travel	5,000	7,000	4,405	2,595
Food supplies	24,000	21,000	19,880	1,120
Instructional supplies and materials	17,250	20,250	19,165	1,085
Refunds	1,000	-	-	-
In-service	5,000	3,100	3,000	100
Other charges	26,000	29,000	28,134	866
Other equipment	3,500	3,500	2,544	956
Total expenditures	<u>762,750</u>	<u>790,250</u>	<u>784,711</u>	<u>5,539</u>
Excess (deficiency) of revenues over expenditures	<u>2,500</u>	<u>(23,200)</u>	<u>(129)</u>	<u>23,071</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	-	(25,700)	(2,629)	23,071
Fund balance, beginning	-	329,494	329,494	-
Fund balance, ending	<u>\$ -</u>	<u>\$ 303,794</u>	<u>\$ 326,865</u>	<u>\$ 23,071</u>

LEBANON SPECIAL SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Other local revenues				
Recurring items				
Interest earned	\$ 4,000	\$ 857	\$ 889	\$ 32
Total revenue	4,000	857	889	32
Expenditures				
Education capital projects				
Other contracted services	600	-	-	-
Building improvements	758,689	737,648	680,802	56,846
Other capital outlay	10,000	5,100	5,100	-
Total	769,289	742,748	685,902	56,846
Excess (deficiency) of revenues over expenditures	(765,289)	(741,891)	(685,013)	56,878
Other financing sources and (uses)				
Proceeds from sale of notes	595,808	595,805	595,805	-
Total other financing sources and (uses)	595,808	595,805	595,805	-
Net change in fund balances	(169,481)	(146,086)	(89,208)	56,878
Fund balance, beginning	-	-	146,086	146,086
Fund balance, ending	\$ (169,481)	\$ (146,086)	\$ 56,878	\$ 202,964

LEBANON SPECIAL SCHOOL DISTRICT

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2013

	Land	Buildings and Improvements	Equipment	Total
Instruction	\$ 1,669,823	37,000,782	\$ 3,796,033	\$ 42,466,638
Support Services	417,456	4,111,198	48,668	4,577,322
Operation of non-instructional services	-	-	1,022,009	1,022,009
Total governmental capital assets	\$ 2,087,279	\$ 41,111,980	\$ 4,866,710	\$ 48,065,969

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, 2013

	Beginning Balance	Additions	Deletions	Ending Balance
Instruction	\$ 41,498,645	\$ 967,993	\$ -	\$ 42,466,638
Support Services	4,488,174	89,148	-	4,577,322
Operation of non-instructional services	971,590	50,419	-	1,022,009
Total	\$ 46,958,409	\$ 1,107,560	\$ -	\$ 48,065,969

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Changes in General Long-Term
Notes and Bonds

For the Fiscal Year Ended June 30, 2013

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	03-14-12	\$ 2,383,235	\$ 595,805	\$ 95,480	\$ 2,883,560
General bonded debt							
Payable through Education Debt Service Fund							
School Bond Refunding - Series 2004	6,465,000	2.0 to 4.1	11-01-04	\$ 5,375,000	\$ -	\$ 485,000	\$ 4,890,000
School Bond Refunding - Series 2008	4,345,000	3.0 to 3.25	02-28-08	1,785,000	-	520,000	1,265,000
School Construction	18,000,000	3.65	03-26-10	18,000,000	-	-	18,000,000
				\$ 25,160,000	\$ -	\$ 1,005,000	\$ 24,155,000

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Indebtedness and Interest Requirements

For the Fiscal Year Ended June 30, 2013

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				
2014	\$ 490,000	\$ 550,000	\$ -	229,152	\$	1,269,152	\$ 887,856	\$
2015	490,000	580,000	-	229,152		1,299,152	853,717	
2016	970,000	135,000	-	229,152		1,334,152	816,736	
2017	1,170,000	-	-	229,152		1,399,152	775,489	
2018	1,220,000	-	-	229,152		1,449,152	728,689	
2019	550,000	-	270,000	229,152		1,049,152	679,889	
2020	-	-	850,000	229,152		1,079,152	649,353	
2021	-	-	875,000	229,152		1,104,152	623,662	
2022	-	-	905,000	229,152		1,134,152	595,793	
2023	-	-	935,000	229,152		1,164,152	566,969	
2024	-	-	965,000	229,152		1,194,152	537,189	
2025	-	-	1,000,000	229,152		1,229,152	506,454	
2026	-	-	1,025,000	133,736		1,158,736	472,004	
2027	-	-	1,065,000	-		1,065,000	435,160	
2028	-	-	1,105,000	-		1,105,000	396,187	
2029	-	-	1,145,000	-		1,145,000	355,031	
2030	-	-	1,185,000	-		1,185,000	311,641	
2031	-	-	1,235,000	-		1,235,000	265,965	
2032	-	-	1,280,000	-		1,280,000	216,757	
2033	-	-	1,335,000	-		1,335,000	165,755	
2034	-	-	1,385,000	-		1,385,000	112,561	
2035	-	-	1,440,000	-		1,440,000	57,376	
	\$ 4,890,000	\$ 1,265,000	\$ 18,000,000	\$ 2,883,560	\$	\$ 27,038,560	\$ 11,010,233	\$

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Interfund Transfers

For the Fiscal Year Ended June 30, 2013

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Operating transfers</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, 2013

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	Minimum salary - State Board of Education Salary Schedule, Local Supplement - Board of Education	\$122,500	\$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, 2013

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	\$ 321,839
School Lunch Program	10.555	"	N/A	993,574
Title I Grants to Local Educational Agencies	84.010	Dept. of Education	N/A	644,702
Improving Teacher Quality State Grants	84.367	"	N/A	156,952
Teacher Incentive Fund	84.374	"	N/A	132,696
Special Education Cluster:				
Grants to States	84.027	"	N/A	753,393
Special Education - Preschool Grants	84.173	"	N/A	33,613
English Language Acquisition Grants	84.365		N/A	38,318
State Fiscal Stabilization Fund Cluster:				
ARRA - State Fiscal Stabilization Fund - Race-to-the-top Incentive Grants	84.395	"	N/A	134,744
Total federal awards				<u>\$ 3,209,831</u>
<u>State Financial Assistance</u>				
State awards				
Early Childhood Education	N/A	State Dept. of Education	(1)	\$ 682,834
Coordinated School Health	N/A	"	(1)	90,000
Family Resource Centers	N/A	"	(1)	29,612
Safe Schools Act	N/A	"	(1)	15,500
ConnecTenn	N/A	"	(1)	11,249
Other state grants	N/A	"	(1)	3,743
Student Ticket Subsidy	N/A	State Arts Commission	(1)	600
Total state financial assistance				<u>\$ 833,538</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

INDEPENDENT AUDITOR'S 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

Board of Education

Lebanon Special School District

We have audited, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise Lebanon Special School District's basic financial statements, and have issued our report thereon dated March 27, 2014

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lebanon Special School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Lebanon Special School District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lebanon Special School District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 27, 2014

Bellenfant & Miles, PLLC



BELLENFANT + MILES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

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, 2013. Lebanon Special School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lebanon Special School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Lebanon Special School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Lebanon Special School District, complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of Lebanon Special School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lebanon Special School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bellonfant & Miles, PLLC

March 27, 2014

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2013

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ Yes	<u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No

Federal Awards

Type of auditors' report issued on compliance for major programs:	Unqualified	
Internal Control over major programs:		
Material weaknesses identified?	_____ Yes	<u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	<u> X </u> None Reported
Any audit findings disclosed that are required to be reported in accordance with A-133, Section 501(a)?	_____ Yes	<u> X </u> 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. 84.395 - 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 X 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, 2013

There were no audit findings reported for the fiscal year ended June 30, 2012.