

LEBANON SPECIAL SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

LEBANON SPECIAL SCHOOL DISTRICT

Table of Contents

INTRODUCTORY SECTION

Roster of District Officials.....	1
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FINANCIAL SECTION

Independent Auditor's Report.....	2-3
-----------------------------------	-----

Management's Discussion and Analysis.....	4-8
---	-----

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position.....	9
--------------------------------	---

Statement of Activities.....	10
------------------------------	----

Fund Financial Statements:

Balance Sheet – Governmental Funds.....	11
---	----

Reconciliation of Balance Sheet to Statement of Net Position.....	12
---	----

Statement of Revenues, Expenditures and Changes in Fund

Balances – Governmental Funds.....	13
------------------------------------	----

Reconciliation of the Statement of Revenues, Expenditures and Changes

In Fund Balances – Governmental Funds to the Statement of Activities.....	14
---	----

Statement of Revenues, Expenditures and Changes in Fund

Balance – Budget (GAAP Basis) and Actual – General Fund.....	15-23
--	-------

Statement of Revenues, Expenditures and Changes in Fund Balance –

Budget (GAAP Basis) and Actual – School Federal Projects Fund.....	24-26
--	-------

Notes to Financial Statements.....	27-43
------------------------------------	-------

Required Supplementary Information

Schedule of Funding Progress – Other Postemployment Benefits Plan.....	44
--	----

Schedule of Funding Progress – Pension Plan.....	45
--	----

Supplementary Information

Combining and Individual Nonmajor Fund Statement and Schedules:

Description of Nonmajor Governmental Funds.....	46
---	----

Combining Balance Sheet – Nonmajor Governmental Funds.....	47
--	----

Combining Statement of Revenues, Expenditures and Changes in

Fund Balances – Nonmajor Governmental Funds.....	48
--	----

Schedule of Revenues, Expenditures and Changes in Fund Balance –

Budget (GAAP Basis) and Actual

Central Cafeteria Fund.....	49
-----------------------------	----

Extended School Projects Fund.....	50
------------------------------------	----

Education Capital Projects Fund.....	51
--------------------------------------	----

Capital Assets Used in the Operation of Governmental Funds:

Schedule by Function and Activity.....	52
--	----

Schedule of Changes by Function and Activity.....	53
---	----

Schedule of Changes in General Long-Term Notes, Bonds and Other Debt.....	54
---	----

LEBANON SPECIAL SCHOOL DISTRICT

Table of Contents (Continued)

FINANCIAL SECTION (CONTINUED)

Schedule of Indebtedness and Interest Requirements	55
Schedule of Interfund Transfers	56
Schedule of Expenditures of Federal Awards and State Financial Assistance	57

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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 <i>Government Auditing Standards</i>	58
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	59-60
Schedule of Findings and Questioned Costs	61
Disposition of Prior Year Findings	62

INTRODUCTORY SECTION

LEBANON SPECIAL SCHOOL DISTRICT

Roster of District Officials

June 30, 2014

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 AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2014, 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, 2014, and the respective changes in financial position 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 other schedules listed in the table of contents on pages 46 through 55, 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 57 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 and 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 January 14, 2015, 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 Lebanon Special School District's internal control over financial reporting and compliance.

Bellonfant & Miles, PLLC

January 14, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year ending June 30, 2014

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, 2014.

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, 2014 and 2013 and the amount and percentage of increases and decreases in relation to the year ended June 30, 2013.

	<u>FY 14</u>	<u>FY 13</u>	<u>Percentage Inc / (Dec)</u>
<u>Statement of Net Assets</u>			
Capital assets net of accumulated depr	\$36,522,823	\$36,764,822	(0.7)
Other assets	<u>24,783,748</u>	<u>23,298,322</u>	6.4
Total assets	<u>\$61,306,571</u>	<u>\$60,063,144</u>	2.1
Long-term liabilities	\$26,530,108	\$27,970,273	(5.1)
Other liabilities	<u>4,287,251</u>	<u>2,951,988</u>	45.2
Total liabilities	<u>30,817,359</u>	<u>30,922,261</u>	(0.3)
Deferred inflows - property taxes	<u>7,047,456</u>	<u>7,103,978</u>	(0.8)
Net assets invested in capital assets	10,704,214	9,726,262	10.1
Restricted net assets	4,648,892	5,035,969	(7.7)
Unrestricted net assets	<u>8,088,650</u>	<u>7,274,674</u>	11.2
Total net assets	<u>\$23,441,756</u>	<u>\$22,036,905</u>	6.4

Condensed financial information (Cont.)

	<u>FY 14</u>	<u>FY 13</u>	<u>Percentage Inc / (Dec)</u>
<u>Statement of Activities</u>			
Revenues			
Charges for services	\$ 1,040,690	\$ 1,118,162	(6.9)
Operating grants and contributions	18,956,310	18,387,418	3.1
General revenues:			
Local taxes	14,137,276	13,217,255	7.0
State funds	36,912	26,156	41.1
Other local revenues	<u>194,578</u>	<u>150,874</u>	29.0
	<u>34,365,766</u>	<u>32,899,865</u>	4.5
Expenses			
Instruction	17,728,539	16,550,883	7.1
Support Services	9,768,087	9,401,056	3.9
Operation of non-instructional svcs	4,222,564	4,159,238	1.5
Interest on long-term debt	1,054,460	950,403	10.9
Other debt service	7,296	7,296	0.0
Capital projects	<u>0</u>	<u>8,274</u>	(100.0)
	<u>32,780,946</u>	<u>31,077,150</u>	5.5
Increase (decrease) in net assets	1,584,820	1,822,715	(13.1)
Net assets, beginning	22,036,905	22,538,672	(2.2)
Prior period adjustment	<u>(179,969)</u>	<u>(2,324,482)</u>	(92.3)
Net assets, ending	<u>\$23,441,756</u>	<u>\$22,036,905</u>	6.4

Significant increase: other liabilities include significant additional overpaid FY14 property taxes due to continued errors made by officials of Wilson County. Significant decrease: the prior period adjustment is discussed in Note 7.

Capital Expenditures

Some of the more significant capital expenditures made during fiscal year 2014 were:

Upgrade the data cabling at various schools	\$ 347,390
Replacement of windows at Byars Dowdy and Sam Houston	161,195
Purchase of 2 new vehicles	43,694

See Note 3 on page 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	\$ 1,167,657	\$ 1,467,657	\$ 300,000
Intergovernmental	9,865,090	10,879,090	1,014,000
State funds	14,830,957	14,844,933	13,976
Federal funds	682,834	682,834	-
Charges for current services	900	900	-
Other local revenues	<u>63,000</u>	<u>135,800</u>	<u>72,800</u>
	26,610,438	28,011,214	1,400,776
Expenditures			
Instruction	16,294,770	16,471,070	176,300
Support Services	9,339,756	9,594,909	255,153
Operation of non-instructional svcs	<u>978,412</u>	<u>968,312</u>	<u>(10,100)</u>
	<u>26,612,938</u>	<u>27,034,291</u>	<u>421,353</u>
Excess (deficiency) of revenues over expenditures	(2,500)	976,923	979,423
Other financing sources (uses)	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Net change in fund balances	-	979,423	979,423
Fund balance, beginning	<u>-</u>	<u>7,412,214</u>	<u>7,412,214</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ 8,391,637</u>	<u>\$8,391,637</u>

The original budget for taxes and intergovernmental 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, 2014, the District had outstanding notes and bonds totaling \$27,656,401 which consisted of a Tennessee Energy Efficient Schools note issue amounting to \$2,654,408; \$22,910,000 in refunding bonds and \$2,091,993 in other debt comprised of an agreement reached by the District and Wilson County to repay overpaid taxes from Wilson County to the Board. See Note 5 on pages 35-37 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, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 15,707,409
Investments	875,000
Receivables, net of allowance for uncollectibles	
Taxes	7,047,456
Due from other governments	1,121,635
Other	10,902
Inventories, at cost	21,346
Capital assets (net of accumulated depreciation)	36,522,823
Total Assets	<u>\$ 61,306,571</u>
 LIABILITIES	
Accounts payable	\$ 354,364
Accrued liabilities	1,672,734
Contracts payable	251,391
Retainage payable	28,601
Due to other governments	241,744
Interest payable	236,776
Long-term liabilities due within one year	1,501,641
Long-term liabilities due in more than one year	26,530,108
Total Liabilities	<u>30,817,359</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - property taxes	7,047,456
Total Deferred Inflows of Resources	<u>7,047,456</u>
 NET POSITION	
Net investments in capital assets	10,704,214
Restricted for:	
Extended school projects	304,534
School federal projects	50,000
Cafeteria	1,351,124
Debt service	1,959,488
Capital outlay	983,746
Unrestricted	8,088,650
Total Net Position	<u>\$ 23,441,756</u>

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2014

	Program Revenues		Net (Expense) Revenue and Change in Net Position	
	Expenses	Charges for Services	Operating	Primary Government
			Grants and Contributions	Governmental Activities
Total				
Functions / Programs:				
Governmental Activities:				
Instruction	\$ 17,728,539	\$ -	\$ 18,956,310	\$ 1,227,771
Support services	9,768,087	-	-	(9,768,087)
Operation of non-instructional services	4,222,564	1,040,690	-	(3,181,874)
Interest expense on long-term debt	1,054,460	-	-	(1,054,460)
Other debt service	7,296	-	-	(7,296)
Total Government Activities	<u>32,780,946</u>	<u>1,040,690</u>	<u>18,956,310</u>	<u>(12,783,946)</u>
Total Primary Government	<u>\$ 32,780,946</u>	<u>\$ 1,040,690</u>	<u>\$ 18,956,310</u>	<u>(12,783,946)</u>
General Revenues:				
Property taxes			4,129,222	4,129,222
County taxes			10,008,054	10,008,054
State funds			36,912	36,912
Other local revenues			194,578	194,578
Total general revenues			<u>14,368,766</u>	<u>14,368,766</u>
Change in net position			1,584,820	1,584,820
Net position - beginning of year			22,036,905	22,036,905
Prior period adjustment - accounting change - see Note			(179,969)	(179,969)
Net position - end of year			<u>\$ 23,441,756</u>	<u>\$ 23,441,756</u>

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

**Balance Sheet
Governmental Funds**

June 30, 2014

	Major Funds			Nonmajor	Total
	General	School	Education	Other	
		Federal Projects	Debt Service	Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 10,350,649	\$ 11,966	\$ 3,332,646	\$ 2,012,148	\$ 15,707,409
Investments	-	-	-	875,000	875,000
Interest receivable	-	-	-	10,902	10,902
Due from other governments	1,064,419	38,034	19,182	-	1,121,635
Taxes receivable	7,180,853	-	-	-	7,180,853
Allowance for uncollectibles	(133,397)	-	-	-	(133,397)
Inventories	-	-	-	21,346	21,346
Total assets	\$ 18,462,524	\$ 50,000	\$ 3,351,828	\$ 2,919,396	\$ 24,783,748
LIABILITIES					
Accounts payable	\$ 354,364	\$ -	\$ -	\$ -	\$ 354,364
Accrued liabilities	1,672,734	-	-	-	1,672,734
Contracts payable	-	-	-	251,391	251,391
Retainage payable	-	-	-	28,601	28,601
Due to other governments	-	-	241,744	-	241,744
Other long-term liabilities	941,397	-	1,150,596	-	2,091,993
Total liabilities	2,968,495	-	1,392,340	279,992	4,640,827
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - property taxes	7,047,456	-	-	-	7,047,456
Total deferred inflows of resources	7,047,456	-	-	-	7,047,456
FUND BALANCES					
Nonspendable:					
Inventory	-	-	-	21,346	21,346
Restricted:					
Education	-	50,000	-	304,534	354,534
Debt service	-	-	1,959,488	-	1,959,488
Non-instructional services	-	-	-	1,329,778	1,329,778
Committed:					
Capital projects	-	-	-	983,746	983,746
Unassigned:	8,446,573	-	-	-	8,446,573
Total fund balances	8,446,573	50,000	1,959,488	2,639,404	13,095,465
Total liabilities, deferred inflows of resources and fund balances	\$ 18,462,524	\$ 50,000	\$ 3,351,828	\$ 2,919,396	\$ 24,783,748

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Reconciliation of the Balance Sheet to Statement of Net Position

June 30, 2014

Amounts reported for fund balance - total governmental funds	\$ 13,095,465
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	46,567,680
Less: accumulated depreciation	(12,132,136)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Less: notes payable	(2,654,408)
Less: bonds payable	(22,910,000)
Less: accrued interest on bonds	(236,776)
Less: other post employments benefits liability	(121,147)
Less: other deferred revenue - premium on debt	(254,201)
Net position of governmental activities	\$ <u>23,441,756</u>

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2014

	Major Funds			Nonmajor	Total
	General	School Federal Projects	Education Debt Service	Other Governmental Funds	
Revenues					
Property taxes	\$ 1,514,722	\$ -	\$ 2,614,500	\$ -	\$ 4,129,222
Intergovernmental					
County taxes	10,008,054	-	-	-	10,008,054
State funds	15,097,458	-	-	-	15,097,458
Federal funds	682,834	1,754,257	-	1,458,673	3,895,764
Charges for current services	2,432	-	-	1,038,258	1,040,690
Other revenues	133,024	-	15,701	27,696	176,421
Total revenue	27,438,524	1,754,257	2,630,201	2,524,627	34,347,609
Expenditures					
Instruction	16,297,872	1,194,647	-	-	17,492,519
Support services	9,171,002	568,427	-	-	9,739,429
Operation of non-instructional services	937,791	-	-	3,295,176	4,232,967
Debt service	-	-	6,702,770	-	6,702,770
Total expenditures	26,406,665	1,763,074	6,702,770	3,295,176	38,167,685
Excess (deficiency) of revenues over expenditures	1,031,859	(8,817)	(4,072,569)	(770,549)	(3,820,076)
Other financing sources and (uses)					
Bond proceeds	-	-	4,195,000	-	4,195,000
Bond issue premium	-	-	272,358	-	272,358
Transfers in	2,500	-	-	1,700,000	1,702,500
Transfers out	-	-	(1,700,000)	(2,500)	(1,702,500)
Total other financing sources and (uses)	2,500	-	2,767,358	1,697,500	4,467,358
Net change in fund balances	1,034,359	(8,817)	(1,305,211)	926,951	647,282
Fund balances, beginning	7,412,214	58,817	3,264,699	1,712,453	12,448,183
Fund balances, ending	\$ 8,446,573	\$ 50,000	\$ 1,959,488	\$ 2,639,404	\$ 13,095,464

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, 2014

Net change in fund balances - total governmental funds	\$	647,282
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Add: cost of assets acquired		588,990
Less: depreciation expense		(830,989)
<p>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. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
Less: issuance of refunding bonds		(4,195,000)
Add: repayment of notes payable		229,152
Add: repayment of bonds payable		5,440,000
Less: other deferred revenue - premium on debt		(254,201)
<p>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</p>		
Change in accrued interest payable		(28,138)
Change in other post employment benefits liability		(12,276)
Change in net position of governmental activities	\$	<u>1,584,820</u>

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Special school district taxes				
Current property taxes	\$ 1,150,557	\$ 1,450,557	\$ 1,486,280	\$ 35,723
Trustee's collections - prior	13,400	13,400	28,319	14,919
Interest & penalty	3,700	3,700	123	(3,577)
Total special school district taxes	1,167,657	1,467,657	1,514,722	47,065
Intergovernmental				
County taxes				
Current property taxes	6,706,000	7,306,000	6,396,108	(909,892)
Trustee's collections - prior	93,000	193,000	195,639	2,639
Trustee's collections - bankruptcy	1,300	300	182	(118)
Circuit/C&M - prior year	110,600	85,600	85,940	340
Interest & penalty	22,400	22,400	31,193	8,793
Local option sales tax	2,931,790	3,271,790	3,298,992	27,202
Total county taxes	9,865,090	10,879,090	10,008,054	(871,036)
State funds				
Basic Education Program	14,339,000	14,339,000	14,574,000	235,000
School food serv. (state matching)	19,600	20,400	20,486	86
Other state education funds	196,706	195,506	198,447	2,941
Coordinated school health	-	-	90,000	90,000
Family resource centers	-	-	29,612	29,612
Career ladder (regular)	104,240	92,840	92,933	93
Career ladder - extended contract	25,600	20,200	20,245	45
Mixed drink tax	-	-	20,047	20,047
Other state grants	-	14,776	14,776	-
Bank excise tax	24,200	24,200	34,039	9,839
Interstate telecommunications	2,000	2,000	2,873	873
Other state revenues	119,611	136,011	-	(136,011)
Total state funds	14,830,957	14,844,933	15,097,458	252,525
Federal funds				
Early childhood education	682,834	682,834	682,834	-
Total federal funds	682,834	682,834	682,834	-
Total intergovernmental	25,378,881	26,406,857	25,788,346	(618,511)
Charges for current services				
Marriage licenses	900	900	2,432	1,532
Total charges for current services	900	900	2,432	1,532
Other revenues				
Interest earnings	43,000	45,100	45,610	510
E-rate funding	-	8,100	8,106	6
Miscellaneous refunds	13,000	25,000	25,066	66
Sale of equipment	2,600	300	350	50
Damages recovered from individuals	400	200	199	(1)
Contributions & gifts	4,000	2,100	2,116	16
Other revenue	-	55,000	51,577	(3,423)
Total other revenues	63,000	135,800	133,024	(2,776)
Total revenue	26,610,438	28,011,214	27,438,524	(572,690)

(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, 2014

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures				
Instruction				
Regular instruction program				
Teachers	\$ 9,892,960	\$ 9,673,960	\$ 9,673,960	\$ -
Career ladder program	60,000	53,000	53,000	-
Career ladder extended contract	20,000	14,200	14,175	25
Homebound teachers	500	2,800	2,728	72
Educational assistants	547,212	532,212	532,041	171
Other salaries & wages	320,550	305,550	305,487	63
Substitute teachers	64,000	64,000	63,683	317
Non-certified substitute teachers	68,000	75,000	74,830	170
Social security	602,080	601,080	609,690	(8,610)
State retirement	932,748	929,748	928,428	1,320
Life insurance	10,122	6,322	6,270	52
Medical insurance	758,900	811,900	793,460	18,440
Unemployment compensation	8,250	10,250	10,397	(147)
Employer medicare liability	140,863	140,863	140,819	44
Other contracted services	2,000	6,000	5,659	341
Instructional supplies & materials	47,000	37,000	28,927	8,073
Textbooks	300,828	300,828	250,371	50,457
Other supplies & materials	45,000	50,000	47,893	2,107
Other charges	65,000	106,000	105,874	126
Regular instruction equipment	501,370	846,370	805,357	41,013
Total	14,387,383	14,567,083	14,453,049	114,034
Alternative instruction program				
Teachers	55,720	55,520	55,459	61
Career ladder program	1,000	1,000	1,000	-
Educational Assistants	38,000	34,100	34,011	89
Social security	5,811	5,811	4,865	946
State retirement	8,519	8,519	8,003	516
Life insurance	63	63	81	(18)
Medical insurance	6,200	6,900	6,753	147
Unemployment compensation	126	126	126	-
Employer medicare liability	1,358	1,358	1,138	220
Total	116,797	113,397	111,436	1,961
Special education program				
Teachers	999,207	999,207	990,277	8,930
Career ladder program	5,000	5,000	5,000	-
Career ladder extended contracts	2,000	2,000	-	2,000
Homebound teachers	1,500	1,500	2,487	(987)
Educational assistants	275,200	275,200	261,651	13,549
Speech pathologist	142,755	142,755	130,127	12,628
Substitute teachers	9,000	9,000	4,970	4,030
Non-certified substitute teachers	5,000	5,000	7,365	(2,365)
Social security	75,665	75,665	76,590	(925)
State retirement	118,657	118,657	120,667	(2,010)
Life insurance	1,000	1,000	1,047	(47)
Medical insurance	124,067	124,067	104,663	19,404

(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, 2014

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Instruction (cont.)				
Special education program (cont.)				
Unemployment compensation	\$ 1,341	\$ 1,341	\$ 1,664	\$ (323)
Employer medicare liability	17,698	17,698	17,907	(209)
Maintenance and repair services - equip	1,500	1,500	130	1,370
Instructional supplies	6,000	6,000	4,673	1,327
Other charges	2,500	2,500	1,669	831
Special educational equipment	2,500	2,500	2,500	-
Total	1,790,590	1,790,590	1,733,387	57,203
Total instruction	16,294,770	16,471,070	16,297,872	173,198
Support services				
Students				
Attendance				
Supervisor/director	68,712	68,712	68,712	-
Career ladder program	1,000	1,000	1,000	-
Social security	4,059	4,059	4,032	27
State retirement	6,190	6,190	6,190	-
Life insurance	69	69	27	42
Medical insurance	2,997	5,297	5,186	111
Unemployment compensation	42	42	42	-
Employer medicare liability	964	964	943	21
Communication	550	550	499	51
Travel	400	400	400	-
Other charges	100	100	100	-
Health services				
Medical personnel	56,058	80,058	79,585	473
Other salaries & wages	260,083	226,083	225,870	213
Social security	18,374	18,374	17,942	432
State retirement	27,170	24,170	24,152	18
Life insurance	310	310	153	157
Medical insurance	25,000	24,000	23,058	942
Unemployment compensation	360	360	346	14
Employer medicare liability	4,302	4,302	4,196	106
Postal	500	500	500	-
Travel	4,800	3,800	2,837	963
Drugs and medical supplies	5,000	4,000	3,268	732
Other supplies and materials	5,500	7,000	6,708	292
In-service	1,000	1,000	596	404
Other charges	9,034	7,034	4,700	2,334
Health equipment	4,000	2,000	64	1,936
Other student support				
Career ladder program	1,000	1,000	1,000	-
Guidance personnel	314,809	305,909	305,907	2
School resource officer	120,000	113,200	113,160	40
Social security	18,568	18,568	17,823	745
State retirement	27,153	27,253	27,253	-
Life insurance	416	416	162	254
Medical insurance	11,960	11,960	11,546	414

(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, 2014

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services (cont.)				
Other student support (cont.)				
Unemployment compensation	\$ 250	\$ 250	\$ 252	\$ (2)
Employer medicare liability	4,342	4,342	4,168	174
Evaluation and testing	45,000	45,000	45,000	-
Other supplies & materials	6,500	6,500	5,344	1,156
Other Charges	10,000	10,000	7,920	2,080
Total	1,066,572	1,034,772	1,020,641	14,131
Instructional staff				
Regular instruction program				
Supervisor/director	117,943	117,043	117,007	36
Career ladder program	6,000	6,000	6,000	-
Librarians	294,500	293,100	293,025	75
Materials supervisor	90,239	90,239	90,239	-
Secretary(s)	43,395	43,395	43,395	-
Clerical personnel	27,372	27,772	27,732	40
Educational assistants	29,895	16,995	16,909	86
Social security	35,858	35,858	34,549	1,309
State retirement	55,097	55,097	52,959	2,138
Life insurance	584	584	285	299
Medical insurance	44,407	45,507	44,408	1,099
Unemployment compensation	402	402	406	(4)
Employer medicare liability	8,394	8,394	8,080	314
Travel	2,000	2,000	32	1,968
Other Contracted Services	500	500	-	500
Library books/media	20,000	20,000	18,169	1,831
Other supplies & materials	2,000	2,000	1,357	643
In-service	25,000	25,100	12,197	12,903
Other charges	500	-	-	-
Special educational program				
Supervisor/director	94,264	94,264	94,264	-
Career ladder program	3,000	3,000	3,000	-
Secretary(s)	42,858	42,858	42,862	(4)
Other salaries & wages	129,900	129,900	129,860	40
Social security	15,470	15,470	15,469	1
State retirement	24,165	24,165	24,065	100
Life insurance	260	260	106	154
Medical insurance	20,150	20,150	20,245	(95)
Unemployment compensation	160	160	160	-
Employer medicare liability	3,617	3,617	3,618	(1)
Maintenance and repair svc - equip	1,000	1,000	-	1,000
Postal charges	450	450	9	441
Travel	2,000	2,000	1,372	628
Other contracted services	6,000	6,000	6,000	-
Other supplies & materials	1,000	1,000	1,000	-
In-service	1,000	1,000	1,000	-
Other charges	2,500	2,500	2,425	75
Total	1,151,880	1,137,780	1,112,204	25,576

(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, 2014

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services (cont.)				
General administration				
Board of education				
Audit services	\$ 8,500	\$ 8,500	\$ 8,500	\$ -
Dues and memberships	9,000	3,000	2,445	555
Legal services	8,000	8,000	6,088	1,912
Travel	6,000	7,500	7,357	143
Other contracted services	13,500	13,500	10,362	3,138
Liability insurance	23,761	23,761	23,761	-
Premiums on corporate surety bonds	1,828	1,828	1,828	-
Trustee's commission	190,000	215,000	193,862	21,138
Workman's compensation ins	295,165	295,165	283,642	11,523
Criminal investigation of Applicants TBI	1,000	1,000	623	377
Other charges	26,000	28,100	26,541	1,559
Office of the superintendent				
County official/administrative officer	126,875	130,428	130,428	-
Assistants	87,878	87,878	87,878	-
Career ladder program	1,000	1,000	1,000	-
Secretary(s)	34,831	35,131	35,125	6
Clerical personnel	1,200	-	-	-
Social security	14,825	14,825	14,699	126
State retirement	22,077	22,677	22,640	37
Life insurance	207	207	81	126
Medical insurance	18,630	18,930	18,479	451
Unemployment compensation	168	168	46	122
Employer medicare liability	3,557	3,557	3,613	(56)
Communication	6,000	6,000	5,955	45
Dues and memberships	3,500	1,500	812	688
Postal charges	3,000	3,000	2,422	578
Travel	5,000	6,600	6,527	73
Other contracted services	12,000	12,500	12,402	98
Office supplies	200	200	80	120
In-service	2,000	2,800	2,757	43
Other charges	16,000	17,000	17,000	-
Administration equipment	500	500	-	500
Total	942,202	970,255	926,953	43,302
School administration				
Office of the principal				
Principals	522,835	513,635	513,547	88
Career ladder program	7,000	7,000	7,000	-
Accountants/bookkeepers	167,780	168,680	168,638	42
Assistant principals	508,588	507,588	507,588	-
Secretary(s)	161,200	160,800	160,757	43
Other salaries & wages	7,680	6,780	6,760	20
Social security	81,170	81,170	80,737	433
State retirement	122,324	122,324	121,850	474
Life insurance	1,310	1,310	680	630
Medical insurance	102,360	104,860	102,455	2,405

(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, 2014

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services (cont.)				
School administration (cont.)				
Office of the principal (cont.)				
Unemployment compensation	\$ 1,250	\$ 1,250	\$ 1,090	\$ 160
Employer medicare liability	18,751	18,951	18,882	69
Communication	8,500	8,500	7,150	1,350
Other contracted services	50,000	22,000	21,105	895
Administration Equipment	11,685	11,685	11,366	319
In-service	300	300	200	100
Other charges	35,000	66,000	65,936	64
Total	1,807,733	1,802,833	1,795,741	7,092
Business administration				
Fiscal services				
Supervisor/director	70,147	70,147	70,147	-
Social security	4,168	4,168	4,123	45
State retirement	6,380	6,380	6,376	4
Life insurance	68	68	27	41
Medical insurance	5,380	5,380	5,295	85
Unemployment compensation	42	42	35	7
Employer medicare liability	975	975	964	11
Travel	2,000	2,000	967	1,033
Other contracted services	21,000	18,400	18,323	77
Data Processing Supplies	2,000	2,000	1,527	473
Office supplies	10,000	15,100	12,084	3,016
Other supplies and materials	200	200	80	120
In-service	500	500	445	55
Other charges	8,000	10,600	9,479	1,121
Administrative equipment	22,000	6,500	6,470	30
Human services (resources)/personnel				
Supervisor/director	63,598	63,598	63,598	-
Secretary(s)	40,811	40,811	40,811	-
Social security	5,716	5,716	5,922	(206)
State retirement	9,398	9,398	9,491	(93)
Life insurance	102	102	54	48
Medical insurance	7,952	7,952	7,881	71
Unemployment compensation	84	84	74	10
Employer medicare	1,335	1,335	1,385	(50)
Travel	2,000	2,000	1,000	1,000
Other Contracted Services	2,500	2,500	1,912	588
Office supplies	500	500	500	-
In-service	1,000	1,000	1,100	(100)
Other charges	500	500	500	-
Other equipment	3,853	3,853	3,853	-
Total	292,209	281,809	274,423	7,386

(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, 2014

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services (cont.)				
Operation and maintenance of plant				
Operation of plant				
Supervisor/director	\$ 37,609	\$ 37,609	\$ 37,609	\$ -
Custodial personnel	505,138	508,738	507,036	1,702
Social security	29,540	31,840	31,538	302
State retirement	41,700	45,300	45,025	275
Life insurance	445	445	326	119
Medical insurance	43,900	40,900	41,903	(1,003)
Unemployment compensation	882	1,082	991	91
Employer medicare liability	6,879	7,479	7,376	103
Disposal fees	25,000	25,000	22,972	2,028
Custodial supplies	30,000	30,000	19,890	10,110
Electricity	725,000	605,000	574,717	30,283
Natural gas	70,000	90,000	89,452	548
Water and sewer	95,000	75,000	64,104	10,896
Other supplies and materials	90,000	90,000	74,850	15,150
Boiler insurance	5,849	5,849	5,849	-
Building and contents insurance	106,561	106,561	106,560	1
Other charges	20,000	20,000	304	19,696
Plant operation equipment	5,000	-	-	-
Maintenance of plant				
Supervisor/director	63,598	63,598	63,598	-
Maintenance personnel	147,774	147,774	147,774	-
Other salaries & wages	76,721	73,321	73,230	91
Social security	17,560	16,660	16,562	98
State retirement	25,509	25,509	25,349	160
Life insurance	150	150	138	12
Medical insurance	24,264	22,264	21,483	781
Unemployment compensation	201	201	260	(59)
Employer medicare liability	3,925	3,925	3,873	52
Laundry service	2,500	2,500	1,684	816
Maintenance and repair svcs - bldgs	265,500	265,500	235,800	29,700
Maintenance and repair svcs - equip	500	500	-	500
Equipment and machinery parts	62,000	62,000	53,942	8,058
Other supplies & materials	15,000	15,000	10,147	4,853
Other charges	80,000	80,000	38,704	41,296
Maintenance equipment	7,000	10,400	10,400	-
Total	2,630,705	2,510,105	2,333,446	176,659
Student Transportation				
Transportation				
Supervisor/director	63,872	57,272	57,239	33
Mechanics	80,575	83,075	83,013	62
Bus drivers	415,900	419,700	419,649	51
Clerical personnel	9,565	21,865	21,777	88
Other salaries & wages	68,800	86,400	86,387	13
Social security	38,677	41,577	41,547	30

(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, 2014

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services (cont.)				
Student Transportation (cont.)				
Transportation (cont.)				
State retirement	\$ 56,495	\$ 56,495	\$ 56,043	\$ 452
Life insurance	215	215	79	136
Medical insurance	15,400	52,900	51,680	1,220
Unemployment compensation	992	1,692	1,607	85
Employer medicare liability	2,260	9,760	9,697	63
Laundry service	1,500	1,500	913	587
Maintenance and repair svcs - vehicles	1,500	1,500	-	1,500
Travel	1,200	1,200	950	250
Other contracted services	2,000	2,600	2,528	72
Diesel fuel	99,000	99,000	89,991	9,009
Garage supplies	3,000	3,000	2,489	511
Gasoline	25,000	25,000	18,577	6,423
Lubricants	15,000	15,000	2,564	12,436
Tires and tubes	15,000	15,000	11,500	3,500
Vehicle parts	45,000	50,600	46,175	4,425
Other supplies & materials	2,000	2,000	1,371	629
Vehicle and equipment insurance	32,901	32,901	32,901	-
In-service	1,400	1,400	1,054	346
Other charges	5,000	5,000	4,276	724
Transportation equipment	42,000	342,000	239,668	102,332
Total	1,044,252	1,428,652	1,283,675	144,977
Central and Other				
Data processing personnel	167,091	167,091	167,091	-
Other Salaries & Wages	50,661	50,661	50,661	-
Social security	13,250	13,250	12,898	352
State retirement	19,790	19,790	19,675	115
Life insurance	102	102	108	(6)
Medical insurance	12,382	16,882	16,437	445
Unemployment compensation	168	168	150	18
Employer medicare liability	3,136	3,136	3,016	120
Travel	4,000	4,000	3,578	422
Other contracted services	61,473	61,473	60,985	488
In-service	150	150	85	65
Other charges	7,000	10,000	10,000	-
Other equipment	65,000	82,000	79,235	2,765
Total	404,203	428,703	423,919	4,784
Total support services	9,339,756	9,594,909	9,171,002	423,907
Operation of non-instructional services				
Food service				
Supervisor/director	59,438	59,438	59,438	-
Other salaries & wages	16,050	12,250	12,246	4
Social security	5,373	4,373	4,311	62
State retirement	5,404	5,404	5,464	(60)
Life insurance	71	71	27	44
Unemployment compensation	42	42	72	(30)
Employer medicare liability	1,036	1,036	1,018	18
Total	87,414	82,614	82,576	38

(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, 2014

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Operation of non-instructional services (cont.)				
Community services				
Supervisor/director	\$ 51,151	\$ 51,151	\$ 51,151	\$ -
Clerical personnel	18,400	13,000	12,947	53
Social security	4,313	4,313	4,164	149
State retirement	6,322	6,322	6,281	41
Life insurance	42	42	27	15
Medical insurance	4,000	-	-	-
Unemployment compensation	84	84	79	5
Employer medicare liability	1,040	1,040	974	66
Travel	1,500	1,500	1,240	260
Other contracted services	17,200	2,200	-	2,200
Food supplies	10,760	760	-	760
Instructional supplies & materials	1,000	1,000	305	695
Other supplies & materials	2,000	2,000	2,000	-
Other charges	5,000	6,000	1,845	4,155
Total	122,812	89,412	81,013	8,399
Operation of non-instructional services				
Early childhood education				
Teachers	405,871	410,671	410,620	51
Educational assistants	156,727	155,827	155,801	26
Other salaries & wages	16,580	16,580	16,580	-
Certified substitute teachers	2,000	1,800	1,727	73
Non-certified substitute teachers	3,000	1,600	1,519	81
Social security	32,681	32,681	32,625	56
State retirement	49,149	49,149	48,873	276
Life insurance	456	456	436	20
Medical insurance	43,329	43,829	42,756	1,073
Unemployment compensation	798	798	796	2
Employer medicare liability	7,405	7,705	7,630	75
Travel	3,000	3,000	713	2,287
Other contracted services	600	5,600	2,334	3,266
Instructional supplies & materials	12,000	42,000	33,975	8,025
In-service	4,000	4,000	2,788	1,212
Other charges	10,590	10,590	6,919	3,671
Other equipment	20,000	10,000	8,110	1,890
Total	768,186	796,286	774,202	22,084
Total operation of non-instructional services	978,412	968,312	937,791	30,521
Total expenditures	26,612,938	27,034,291	26,406,665	627,626
Excess (deficiency) of revenues over expenditures	(2,500)	976,923	1,031,859	54,936
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	-	979,423	1,034,359	54,936
Fund balance, beginning	-	7,412,214	7,412,214	-
Fund balance, ending	\$ -	\$ 8,391,637	\$ 8,446,573	\$ 54,936

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, 2014

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Intergovernmental				
Federal funds				
Title I - basic grants to local educ agencies	\$ 606,946	\$ 653,399	\$ 608,221	\$ (45,178)
Special education - grants to states	695,598	869,786	632,064	(237,722)
Special education preschool grants	28,304	31,019	28,675	(2,344)
English language acquisition grants Title III	41,312	70,740	48,725	(22,015)
Eisenhower prof dev state grants	121,637	153,061	111,583	(41,478)
Race to the top	151,664	151,664	134,115	(17,549)
Other fed thru state	325,447	325,447	190,874	(134,573)
Total revenue	1,970,908	2,255,116	1,754,257	(500,859)
Expenditures				
Instruction				
Regular				
Teachers	583,471	603,209	527,086	76,123
Certified substitute teachers	11,916	11,916	-	11,916
Non-certified substitute teachers	11,916	11,916	-	11,916
Social security	37,915	37,916	30,106	7,810
State retirement	50,004	50,004	46,774	3,230
Life insurance	189	189	187	2
Medical insurance	25,258	32,458	32,438	20
Unemployment compensation	216	335	314	21
Employer medicare liability	8,454	8,454	7,043	1,411
Other contracted services	30,200	40,895	38,663	2,232
Instructional supplies and materials	19,404	26,238	22,545	3,693
Other charges	1,450	1,450	32	1,418
Regular instructional equipment	-	14,991	14,418	573
Total	780,393	839,971	719,606	120,365
Education for handicapped				
Teachers	154,950	154,950	65,815	89,135
Educational assistants	206,038	248,391	222,751	25,640
Speech Pathologist	48,000	48,000	47,503	497
Certified substitute teachers	2,000	2,000	338	1,662
Social security	26,368	27,434	18,690	8,744
State retirement	37,902	38,702	25,516	13,186
Life insurance	850	850	428	422
Medical insurance	54,000	56,831	37,800	19,031
Unemployment compensation	325	827	775	52
Employer medicare liability	5,220	5,220	4,376	844
Other contracted services	2,000	1,725	1,725	-
Instructional supplies and materials	8,089	18,406	11,680	6,726
Special education equipment	-	45,509	37,644	7,865
Total	545,942	648,845	475,041	173,804
Total instruction	1,326,335	1,488,816	1,194,647	294,169

(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, 2014

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services				
Students				
Evaluation and testing	\$ 20,000	\$ 20,000	\$ 14,995	\$ 5,005
Other contracted services	18,000	26,698	16,086	10,612
Other supplies and materials	1,000	1,000	566	434
Other charges	16,254	21,359	17,457	3,902
Total	55,254	69,057	49,104	19,953
Instructional staff				
Regular instruction program				
Supervisor/director	210,275	210,275	160,275	50,000
Secretary(s)	18,640	18,640	18,640	-
Certified substitute teachers	10,000	10,000	7,305	2,695
In-service training	10,000	11,425	5,733	5,692
Non-certified substitute teachers	10,000	10,000	10,000	-
Social security	14,553	14,553	10,125	4,428
State retirement	20,881	20,881	15,927	4,954
Life insurance	92	92	65	27
Medical Insurance	23,297	23,297	15,692	7,605
Unemployment compensation	89	89	62	27
Employer medicare liability	3,403	3,403	2,368	1,035
Communication	4,601	6,601	2,271	4,330
Postal	300	300	45	255
Travel	24,000	23,964	5,331	18,633
Other contracted services	53,000	53,000	55,807	(2,807)
Library books/media	500	500	308	192
Other supplies and materials	3,000	3,000	2,435	565
In-service	16,021	46,556	27,644	18,912
Other charges	300	300	180	120
Total	422,952	456,876	340,213	116,663
Special education program				
Other salaries and wages	60,000	60,000	57,644	2,356
Social security	3,720	3,720	3,338	382
State retirement	5,430	5,430	5,119	311
Life insurance	35	35	27	8
Medical insurance	18,500	18,500	3,129	15,371
Unemployment compensation	25	25	25	-
Employer medicare	5,000	5,000	781	4,219
Maintenance and repair services - equip	3,000	3,000	912	2,088
Postal charges	300	300	98	202
Travel	3,500	7,500	3,112	4,388
Other contracted services	54,450	104,450	86,178	18,272
Other supplies and materials	4,000	13,000	7,588	5,412
In-service	-	9,000	2,191	6,809
Other charges	-	2,000	561	1,439
Total	157,960	231,960	170,703	61,257

(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, 2014

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Transportation				
Bus drivers	\$ 7,200	\$ 7,200	\$ 7,200	\$ -
Social security	447	447	447	-
State retirement	655	655	655	-
Employer medicare	105	105	105	-
Total	8,407	8,407	8,407	-
Total support services	644,573	766,300	568,427	197,873
Total expenditures	1,970,908	2,255,116	1,763,074	492,042
Excess (deficiency) of revenues over expenditures	-	-	(8,817)	(8,817)
Net change in fund balances	-	-	(8,817)	(8,817)
Fund balance, beginning	-	-	58,817	58,817
Fund balance, ending	\$ -	\$ -	\$ 50,000	\$ 50,000

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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 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 issuance costs, except for the portion relating to insurance, are reported as current debt service expenditures.

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, 2014

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 be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Directors commits resources for specific purposes by passing ordinances.

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.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2014

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

Taxes Receivable (Cont.)

Taxes become delinquent and begin accumulating interest and penalty the following March 1. The Wilson County Trustee collects all property taxes. Taxes receivable on file in the Trustee's office are presented on the balance sheet with offsetting contra-account, deferred revenue – taxes. Delinquent taxes filed in Chancery Court are not presented on the balance sheet.

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, 2014

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 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	41,111,980	172,039	-	41,284,019
Equipment	<u>4,866,710</u>	<u>416,951</u>	-	<u>5,283,661</u>
Total	<u>\$48,065,969</u>	<u>\$ 588,990</u>	<u>\$ -</u>	<u>\$48,654,959</u>
<u>Accumulated depreciation</u>				
Buildings and improvements	\$ 7,541,678	\$ 463,576	\$ -	\$ 8,005,254
Equipment	<u>3,759,469</u>	<u>367,413</u>	-	<u>4,126,882</u>
Total	<u>11,301,147</u>	<u>830,989</u>	-	<u>12,132,136</u>
Governmental capital assets - net	<u>\$36,764,822</u>	<u>\$(241,999)</u>	<u>\$ -</u>	<u>\$36,522,823</u>

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

Instruction	\$703,800
Support services	50,032
Operation of non-instructional services	<u>77,157</u>
	<u>\$830,989</u>

NOTE 4 – RECEIVABLES

A summary of receivables totaling \$8,179,993 as of June 30, 2014 is as follows:

	<u>General</u>	<u>School Federal Projects</u>	<u>Education Debt Service</u>	<u>Cafeteria</u>	<u>Total</u>
Property taxes	\$7,180,853	\$ -	\$ -	\$ -	\$7,180,853
Due from other govts	1,064,419	38,034	19,182	-	1,121,635
Interest receivable	-	-	-	10,902	10,902
Other receivable	-	-	-	-	-
Less allowance	<u>(133,397)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(133,397)</u>
Total	<u>\$8,111,875</u>	<u>\$38,034</u>	<u>\$19,182</u>	<u>\$10,902</u>	<u>\$8,179,993</u>

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2014

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 2014 property taxes of \$7,047,456 which is net of an allowance for doubtful accounts of \$133,397. The 2014 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, 2014:

Outstanding, beginning	\$27,038,560
Correction for beginning other debt	2,324,482
Debt issued:	
General obligation	4,195,000
Debt retired:	
General obligation	(5,901,641)
Outstanding, ending	<u>\$27,656,401</u>

The annual requirements to amortize all general obligation bonds including interest payments of \$9,582,177 on bonds carrying interest rates ranging from 3.0% to 3.65%, and zero percent interest rate note and other debt outstanding as of June 30, 2014, are as follows:

<u>Year Ending</u>	<u>Bonds</u>		<u>Notes</u>	<u>Other Debt</u>	<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,040,000	\$ 680,577	\$ 229,152	\$ 232,489	\$ 1,501,641	\$ 680,577
2016	1,080,000	661,726	229,152	232,489	1,541,641	661,726
2017	1,135,000	657,339	229,152	232,489	1,596,641	657,339
2018	1,170,000	657,339	229,152	232,489	1,631,641	657,339
2019	755,000	657,339	229,152	232,489	1,216,641	657,339
2020-2024	4,530,000	2,972,966	1,145,760	929,548	6,605,308	2,972,966
2025-2029	5,340,000	2,164,836	362,888	-	5,702,888	2,164,836
2030-2034	6,420,000	1,072,679	-	-	6,420,000	1,072,679
2035-2039	1,440,000	57,376	-	-	1,440,000	57,376
Total	<u>\$22,910,000</u>	<u>\$9,582,177</u>	<u>\$2,654,408</u>	<u>\$2,091,993</u>	<u>\$27,656,401</u>	<u>\$9,582,177</u>

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 5 -- LONG-TERM DEBT (CONT.)

Noncurrent long-term debt presented on Statement of Net Assets:

General obligation notes, bonds and other debt	\$ 27,656,401
Less: balance due in one year	(1,501,641)
Add: unamortized premium on debt	254,201
Add: post-employment benefit obligation (OPEB)	<u>121,147</u>
	<u>\$ 26,530,108</u>

There is \$3,351,828 available in the Education Debt Service fund to service general long-term debt.

Advance refunding

The District issued on February 24, 2014, \$4,195,000 of general obligation refunding bonds to provide resources to refund the remaining Refunding Bonds, Series 2004. 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 \$355,746.

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.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 5 – LONG-TERM DEBT (CONT.)

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

NOTE 6 – 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, 2014. Unencumbered appropriations lapse at the end of each fiscal year.

NOTE 7 – ACCOUNTING CHANGES

Prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, debt issuance costs become period costs. An adjustment to beginning net position totaling \$179,959 has been recognized for accumulated debt issuance costs on the government-wide financial statements. This adjustment was overlooked in the prior year report.

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 went into effect during the year of the 2007 actuarial valuation, therefore only the three most recent valuations are presented.

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans and Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees became effective for the year ended June 30, 2014. GASB Statement No. 67 replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts or equivalent arrangements. GASB Statement No. 70 relates to accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2014

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, 2014, were unavailable. The District has not recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

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.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 9 – POST EMPLOYMENT HEALTHCARE PLAN (CONT.)

Annual OPEB Cost and Net OPEB Obligation

Annual required contribution	\$ 116,414
Interest on the net plan obligation	4,899
Adjustment to the annual required obligation	(6,538)
Annual OPEB cost:	114,775
Amount of contribution:	(102,499)
Increase/decrease in net plan obligation	12,276
Net OPEB obligation—beginning of year	<u>108,871</u>
Net OPEB obligation—end of year	<u>\$ 121,147</u>

<u>Year End</u>	<u>Plan</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation at Year End</u>
6/30/2012	Teacher Group	\$145,814	101.14%	\$108,274
6/30/2013	Teacher Group	128,833	99.54%	108,871
6/30/2014	Teacher Group	114,775	89.30%	121,147

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows (dollars in thousands):

Actuarial valuation date	July 1, 2013
Actuarial accrued liability (AAL)	\$1,293,554
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$1,293,554
Actuarial Value of Assets as a % of the AAL	0
Covered payroll (active plan members)	\$18,911,747
UAAL as a percentage of covered payroll	6.84%

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

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

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 9 – POST EMPLOYMENT HEALTHCARE PLAN (CONT.)

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. In the July 1, 2013, 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.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 10 – DEFINED BENEFIT PLAN (CONT.)

Plan Description (Cont.)

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, 15th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

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, 2014, 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, 2014, 2013, and 2012 were \$1,335,119, \$1,290,098, and \$1,279,493 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.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 10 – DEFINED BENEFIT PLAN (CONT.)

Plan Description (Cont.)

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/>.

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, 2014 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, 2014, Lebanon Special School District's annual pension cost of \$398,453 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.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 10 – DEFINED BENEFIT PLAN (CONT.)

Fiscal Year Ending	Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$398,453	100.0%	\$0.00
June 30, 2013	395,450	100.0%	0.00
June 30, 2012	392,285	100.0%	0.00

As of July 1, 2013, the most recent actuarial valuation date, the plan was 98.14% funded. The actuarial accrued liability for benefits was \$9.71 million, and the actuarial value of assets was \$9.53 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.18 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.50 million, and the ratio of the UAAL to the covered payroll was 5.15%. The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

NOTE 11 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 14, 2015, the date the financial statements were available to be issued, and determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Funding Progress – Other Post Employment Benefits Plan

June 30, 2014

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, 2014

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, 2013	\$9,529	\$9,709	\$180	98.14	\$3,505	5.15
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

(Dollar amounts in thousands)

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the Entry Age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year of the 2007 actuarial valuation.

NONMAJOR GOVERNMENTAL FUNDS

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

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

LEBANON SPECIAL SCHOOL DISTRICT

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2014

	Cafeteria	Extended School Projects	Education Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 443,876	\$ 304,534	\$ 1,263,738	\$ 2,012,148
Investments	875,000	-	-	875,000
Interest receivable	10,902	-	-	10,902
Inventories	21,346	-	-	21,346
Total assets	\$ 1,351,124	\$ 304,534	\$ 1,263,738	\$ 2,919,396
LIABILITIES				
Contracts payable	\$ -	\$ -	\$ 251,391	\$ 251,391
Retainage payable	-	-	28,601	28,601
Total liabilities	-	-	279,992	279,992
FUND BALANCES				
Nonspendable	21,346	-	-	21,346
Restricted:				
Restricted for education	-	304,534	-	304,534
Restricted for operation of non-instructional services	1,329,778	-	-	1,329,778
Committed:				
Committed for capital projects	-	-	983,746	983,746
Total fund balances	\$ 1,351,124	\$ 304,534	\$ 1,263,738	\$ 2,919,396

LEBANON SPECIAL SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2014

	Cafeteria	Extended School Projects	Education Capital Projects	Total
Revenues				
Intergovernmental	\$ 1,458,673	\$ -	\$ -	\$ 1,458,673
Charges for current services	309,366	728,892	-	1,038,258
Other revenues	25,233	-	2,463	27,696
Total revenue	<u>1,793,272</u>	<u>728,892</u>	<u>2,463</u>	<u>2,524,627</u>
Expenditures				
Operation of non-instructional services	1,770,858	748,723	775,595	3,295,176
Total expenditures	<u>1,770,858</u>	<u>748,723</u>	<u>775,595</u>	<u>3,295,176</u>
Excess (deficiency) of revenues over expenditures	22,414	(19,831)	(773,132)	(770,549)
Other financing sources and (uses)				
Transfers in	-	-	1,700,000	1,700,000
Transfers out	-	(2,500)	-	(2,500)
Total other financing sources and (uses)	<u>-</u>	<u>(2,500)</u>	<u>1,700,000</u>	<u>1,697,500</u>
Net change in fund balances	22,414	(22,331)	926,868	926,951
Fund balances, beginning	1,328,710	326,865	56,878	1,712,453
Fund balances, ending	<u>\$ 1,351,124</u>	<u>\$ 304,534</u>	<u>\$ 983,746</u>	<u>\$ 2,639,404</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, 2014

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Charges for current services				
Lunch payments - children	\$ 280,000	\$ 280,000	\$ 213,252	\$ (66,748)
Lunch payments - adults	45,000	45,000	36,650	(8,350)
Income from breakfast	36,000	36,000	26,027	(9,973)
Special milk sales	12,000	12,000	3,982	(8,019)
A la carte sales	55,000	55,000	29,455	(25,545)
Receipts from individual schools	150	150	-	(150)
Total	428,150	428,150	309,366	(118,785)
Other local revenues				
Recurring items				
Investment income	9,000	9,000	25,233	16,233
Miscellaneous refunds	3,000	3,000	-	(3,000)
Total	12,000	12,000	25,233	13,233
Federal funds received thru state				
USDA lunch	999,500	999,500	1,004,590	5,090
USDA Commodities	107,000	107,000	125,016	18,016
USDA breakfast	355,878	355,878	329,067	(26,811)
Total	1,462,378	1,462,378	1,458,673	(3,705)
Total revenue	1,902,528	1,902,528	1,793,272	(109,257)
Expenditures				
Food services				
Clerical personnel	34,398	34,398	34,397	1
Cafeteria personnel	690,000	690,000	694,426	(4,426)
Social security	45,000	45,000	42,913	2,087
State retirement	54,000	54,000	48,386	5,614
Life insurance	1,000	1,000	733	267
Medical insurance	129,000	129,000	119,177	9,823
Unemployment insurance	1,400	1,400	1,925	(525)
Employer medicare liability	10,500	10,500	10,036	464
Maintenance & repair serv. equip.	23,000	23,000	24,724	(1,724)
Postal charges	700	700	476	224
Transportation - other than students	10,000	10,000	8,836	1,164
Travel	1,000	1,000	923	77
Other contracted services	2,780	2,780	2,780	-
Food preparation supplies	5,000	5,000	2,796	2,204
Food supplies	700,000	700,000	605,843	94,157
Office supplies	2,000	2,000	1,750	250
Uniforms	800	800	168	632
USDA Commodities	107,000	107,000	125,016	(18,016)
Other supplies & materials	43,000	43,000	38,278	4,722
In-service	800	800	470	330
Other charges	6,150	6,150	4,533	1,617
Food service equipment	35,000	35,000	2,273	32,727
Total expenditures	1,902,528	1,902,528	1,770,858	131,670
Net change in fund balances	-	-	22,414	22,413
Fund balance, beginning	-	-	1,328,710	1,328,710
Fund balance, ending	\$ -	\$ -	\$ 1,351,124	\$ 1,351,123

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, 2014

	Budgeted Amounts		Actual Amounts	Variance -
	Original	Final		Favorable/ (Unfavorable)
Revenues				
Charges for current services				
Tuition - regular day students	\$ 654,000	\$ 541,000	\$ 564,064	\$ 23,064
Tuition - other	605	605	1,968	1,363
Community service fees - children	140,000	161,900	162,860	960
Total	<u>794,605</u>	<u>703,505</u>	<u>728,892</u>	<u>25,387</u>
Expenditures				
Community services				
Supervisor/director	55,055	55,955	55,950	5
Clerical personnel	75,000	79,300	79,989	(689)
Temporary/part-time personnel	125,000	91,600	91,539	61
Other salaries & wages	318,050	335,250	336,486	(1,236)
Social security	40,000	33,800	33,890	(90)
State retirement	32,000	27,700	27,694	6
Life insurance	500	500	354	146
Employee insurance	60,800	57,800	57,608	192
Unemployment compensation	1,200	1,700	1,626	74
Employer medicare liability	8,500	7,900	7,926	(26)
Maintenance & repair - equipment	5,000	3,000	2,999	1
Travel	5,000	3,000	1,624	1,376
Food supplies	19,000	17,500	15,113	2,387
Instructional supplies and materials	15,000	13,700	12,656	1,044
Refunds	500	-	226	(226)
In-service	4,000	2,700	1,966	734
Other charges	24,000	19,000	18,174	826
Other equipment	3,500	2,500	2,903	(403)
Total expenditures	<u>792,105</u>	<u>752,905</u>	<u>748,723</u>	<u>4,182</u>
Excess (deficiency) of revenues over expenditures	<u>2,500</u>	<u>(49,400)</u>	<u>(19,831)</u>	<u>29,569</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	-	(51,900)	(22,331)	29,569
Fund balance, beginning	-	326,865	326,865	-
Fund balance, ending	\$ -	\$ 274,965	\$ 304,534	\$ 29,569

LEBANON SPECIAL SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Other local revenues				
Recurring items				
Interest earned	\$ -	\$ -	\$ 2,463	\$ 2,463
Total revenue	-	-	2,463	2,463
Expenditures				
Education capital projects				
Architects	87,000	87,000	75,662	11,338
Consultants	161,068	161,068	77,524	83,544
Building construction	1,375,043	1,375,043	605,863	769,180
Furniture and fixtures	31,800	31,800	-	31,800
Other capital outlay	45,089	45,089	16,546	28,543
Total	1,700,000	1,700,000	775,595	924,405
Excess (deficiency) of revenues over expenditures	(1,700,000)	(1,700,000)	(773,132)	926,868
Other financing sources and (uses)				
Transfers in	1,700,000	1,700,000	1,700,000	-
Total other financing sources and (uses)	1,700,000	1,700,000	1,700,000	-
Net change in fund balances	-	-	926,868	926,868
Fund balance, beginning	56,878	-	56,878	56,878
Fund balance, ending	\$ 56,878	\$ -	\$ 983,746	\$ 983,746

LEBANON SPECIAL SCHOOL DISTRICT

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2014

	Land	Buildings and Improvements	Equipment	Total
Instruction	\$ 1,669,823	\$ 37,155,617	\$ 4,121,254	\$ 42,946,694
Support Services	417,456	4,128,402	52,838	4,598,696
Operation of non-instructional services	-	-	1,109,569	1,109,569
Total governmental capital assets	\$ 2,087,279	\$ 41,284,019	\$ 5,283,661	\$ 48,654,959

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, 2014

	Beginning Balance	Additions	Deletions	Ending Balance
Instruction	\$ 42,466,638	\$ 480,056	\$ -	\$ 42,946,694
Support Services	4,577,322	21,374	-	4,598,696
Operation of non-instructional services	1,022,009	87,560	-	1,109,569
Total	<u>\$ 48,065,969</u>	<u>\$ 588,990</u>	<u>\$ -</u>	<u>\$ 48,654,959</u>

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Changes in General Long-Term
Notes, Bonds and Other Debt

For the Fiscal Year Ended June 30, 2014

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	\$ 2,883,560	\$ -	\$ 229,152	\$ 2,654,408
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	\$ 4,890,000	\$ -	\$ 4,890,000	\$ -
School Bond Refunding - Series 2008	4,345,000	3.0 to 3.25	02-28-08	1,265,000	-	550,000	715,000
School Construction	18,000,000	3.65	03-26-10	18,000,000	-	-	18,000,000
School Refunding Bonds - Series 2014	4,195,000	3.0	2-24-14	-	4,195,000	-	4,195,000
				\$ 24,155,000	\$ 4,195,000	\$ 5,440,000	\$ 22,910,000
Other debt							
Payable through General Fund							
Overpayment of Property Tax by Wilson County	1,046,017	0.00	6-30-13	\$ 1,046,017	\$ -	\$ 104,620	\$ 941,397
Payable through Education Debt Service Fund							
Overpayment of Property Tax by Wilson County	1,278,465	0.00	6-30-13	1,278,465	-	127,869	1,150,596
				\$ 2,324,482	\$ -	\$ 232,489	\$ 2,091,993

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Indebtedness and Interest Requirements

For the Fiscal Year Ended June 30, 2014

Fiscal Year Ending June 30,	Note Issue		Other Debt				Total	
	Energy Loan	Principal	Wilson County		Debt Serv.	Principal		Interest
			General Fund	Educ.				
2015	\$ 229,152	\$ 580,000	\$ -	\$ 460,000	\$ 127,869	\$ 1,501,641	\$ 917,562	
2016	229,152	135,000	-	945,000	127,869	1,541,641	878,396	
2017	229,152	-	-	1,135,000	127,869	1,596,641	845,659	
2018	229,152	-	-	1,170,000	127,869	1,631,641	811,609	
2019	229,152	-	270,000	485,000	127,869	1,216,641	776,509	
2020	229,152	-	850,000	-	127,869	1,311,641	753,973	
2021	229,152	-	875,000	-	127,869	1,336,641	728,282	
2022	229,152	-	905,000	-	127,869	1,366,641	700,413	
2023	229,152	-	935,000	-	127,644	1,396,233	671,406	
2024	229,152	-	965,000	-	-	1,194,152	537,189	
2025	229,152	-	1,000,000	-	-	1,229,152	506,454	
2026	133,736	-	1,025,000	-	-	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	
	\$ 2,654,408	\$ 715,000	\$ 18,000,000	\$ 4,195,000	\$ 941,397	\$ 27,656,401	\$ 10,915,889	

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Interfund Transfers

For the Fiscal Year Ended June 30, 2014

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Operating transfers</u>			
Education Debt Service	Education Capital Projects	School Construction	\$ 1,700,000
Extended School Projects	General	Operations	2,500
			<u>\$ 1,702,500</u>

LEBANON SPECIAL SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2014

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	Dept. of Education	N/A	\$ 329,067
School Lunch Program	10.555	"	N/A	1,004,590
Title I Grants to Local Educational Agencies	84.010	"	N/A	608,177
Improving Teacher Quality State Grants	84.367	"	N/A	106,507
Teacher Incentive Fund	84.374	"	N/A	190,874
Special Education Cluster:				
Grants to States	84.027	"	N/A	631,302
Special Education - Preschool Grants	84.173	"	N/A	28,675
English Language Acquisition Grants	84.365	"	N/A	45,757
State Fiscal Stabilization Fund Cluster:				
ARRA - State Fiscal Stabilization Fund - Race-to-the-top Incentive Grants	84.395	"	N/A	134,115
Total federal awards				\$ <u>3,079,064</u>
<u>State Financial Assistance</u>				
State awards				
Early Childhood Education	N/A	State Dept. of Education	(1)	\$ 682,834
Technology Funds	N/A	"	(1)	167,688
Coordinated School Health	N/A	"	(1)	90,000
Family Resource Centers	N/A	"	(1)	29,612
Safe Schools Act	N/A	"	(1)	17,500
Energy Grant	N/A	"	(1)	14,076
ConnecTenn	N/A	"	(1)	10,310
Child Nutrition	N/A	"	(1)	20,486
Student Ticket Subsidy	N/A	State Arts Commission	(1)	750
Other state grants	N/A	"	(1)	2,949
Total state financial assistance				\$ <u>1,036,205</u>

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

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 and
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, 2014, 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 January 14, 2015.

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.

Bellenfant & Miles, PLLC

January 14, 2015



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, 2014. 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, 2014.

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.

Bellifant & Hills, PLLC

January 14, 2015

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2014

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? Yes X No

Significant deficiencies identified not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditors' report issued on compliance for major programs: Unqualified

Internal Control over major programs:

Material weaknesses identified? Yes X No

Significant deficiencies identified not considered to be material weaknesses? Yes X None Reported

Any audit findings disclosed that are required to be reported in accordance with A-133, Section 501(a)? Yes X 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

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

Auditee qualified as low-risk auditee? X Yes No

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

No matters were reported.

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

No matters were reported.

LEBANON SPECIAL SCHOOL DISTRICT

Prior Year Findings

For the Fiscal Year Ended June 30, 2014

There were no audit findings reported for the fiscal year ended June 30, 2013.