

LEBANON SPECIAL SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

LEBANON SPECIAL SCHOOL DISTRICT

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INTRODUCTORY SECTION

LEBANON SPECIAL SCHOOL DISTRICT

Roster of District Officials

June 30, 2015

Director of Schools

Scott Benson

Board of Education

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lebanon Special School District as of and for the year ended June 30, 2015, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lebanon Special School District as of June 30, 2015, 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My 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 my 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, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 18, 2016, on my consideration of the Lebanon Special School District's internal control over financial reporting and on my 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 my 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.

Bellenfant PLLC

March 18, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year ending June 30, 2015

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, 2015.

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 position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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.

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.

Overview of the Financial Statements (Cont.)

Governmental funds (Cont.)

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, 2015 and 2014 and the amount and percentage of increases and decreases in relation to the year ended June 30, 2014.

	<u>FY 15</u>	<u>FY 14</u>	<u>Percentage Inc / (Dec)</u>
<u>Statement of Net Position</u>			
Capital assets net of accumulated depr	\$37,749,494	\$36,522,823	3.4
Other assets	<u>27,008,118</u>	<u>24,783,748</u>	9.0
Total assets	<u>\$64,757,612</u>	<u>\$61,306,571</u>	5.6
Deferred outflows - pensions	\$ 1,986,914	\$ 0	New
Long-term liabilities	28,006,113	26,530,108	5.6
Other liabilities	<u>3,069,321</u>	<u>4,287,251</u>	(28.4)
Total liabilities	<u>31,075,434</u>	<u>30,817,359</u>	0.8
Deferred inflows - property taxes	7,413,102	7,047,456	5.2
Deferred inflows - pensions	<u>6,274,804</u>	<u>0</u>	New
Total deferred inflows	<u>13,687,906</u>	<u>7,047,456</u>	94.2
Net investment in capital assets	10,192,330	10,704,214	(4.8)
Restricted net position	5,579,992	4,648,892	20.0
Unrestricted net position	<u>6,208,864</u>	<u>8,088,650</u>	(23.2)
Total net position	<u>\$21,981,186</u>	<u>\$23,441,756</u>	(6.2)
	<u>FY 15</u>	<u>FY 14</u>	<u>Percentage Inc / (Dec)</u>
<u>Statement of Activities</u>			
Revenues			
Charges for services	\$ 1,032,576	\$ 1,040,690	(0.8)
Operating grants and contributions	18,882,299	18,956,310	(0.4)
General revenues:			
Local taxes	14,463,290	14,137,276	2.3
State funds	36,760	36,912	(0.4)
Other local revenues	<u>644,309</u>	<u>194,578</u>	231.1
	<u>35,059,234</u>	<u>34,365,766</u>	2.0

Condensed financial information (Cont.)

	<u>FY 15</u>	<u>FY 14</u>	<u>Percentage Inc / (Dec)</u>
<u>Statement of Activities (Cont.)</u>			
Expenses			
Instruction	\$15,332,360	\$17,728,539	(13.5)
Support Services	9,541,934	9,768,087	(2.3)
Operation of non-instructional services	3,446,635	4,222,564	(18.4)
Interest on long-term debt	904,562	1,054,460	(14.2)
Other debt service	2,571	7,296	(64.8)
Capital projects	<u>2,878,072</u>	<u>0</u>	New
	<u>32,106,134</u>	<u>32,780,946</u>	(2.1)
Increase (decrease) in net position	2,953,100	1,584,820	86.3
Net position, beginning	23,441,756	22,036,905	6.4
Prior period adjustment	<u>(4,413,670)</u>	<u>(179,969)</u>	2352.5
Net position, ending	<u>\$21,981,186</u>	<u>\$23,441,756</u>	(6.2)

There were numerous significant increases and decreases as a result of the accounting change introduced by GASB No. 68: Other Revenue now recognizes certain earnings within the pension plans; Expenses of Instruction, Support Services and Operation of Non-Instructional Services were reduced by current year employer retirement contributions. Additional significant increases from the adoption of GASB No. 68 include the creation of the Deferred Outflows and Inflows from Other Resources - Pensions. A significant increase outside of the GASB 68 arena is Capital Project Expenses that includes both building construction and land purchase. A non GASB 68 significant decrease is that of Other Liabilities which resulted primarily from reduced General Fund accounts payable compared to the prior year.

Capital Expenditures

Some of the more significant capital expenditures made during fiscal year 2015 were:

Purchase of 57 acres of land	\$ 1,300,217
Upgrade of Coles Ferry air handling unit	543,523
Various school building window replacements	126,123
Projection equipment for Winfree Bryant addition	13,589
Camera system for Winfree Bryant addition	12,770
John Deere tractor	5,500

See Note 3 on page 32 for more detailed information concerning capital asset activity.

Financial Analysis – General Fund

Highlights of Governmental Fund Balance sheet include:

- Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” on the Governmental Fund Balance Sheet. The net amount of these accounts is eliminated in conversion to the Statement of Net position.
- Net position related to federal programs are restricted by the awarding agency, while net position 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	\$ 1,458,112	\$ 1,218,112	\$ (240,000)
Intergovernmental	26,562,985	26,038,985	(524,000)
Charges for current services	2,000	41,800	39,800
Other local revenues	<u>145,870</u>	<u>201,870</u>	<u>56,000</u>
	28,168,967	27,500,767	(668,200)
Expenditures			
Instruction	16,953,778	17,411,778	458,000
Support Services	9,812,584	10,146,684	334,100
Operation of non-instructional svcs	<u>998,853</u>	<u>1,006,353</u>	<u>7,500</u>
	<u>27,765,215</u>	<u>28,564,815</u>	<u>799,600</u>
Excess (deficiency) of revenues over expenditures	403,752	(1,064,048)	(1,467,800)
Other financing sources (uses)	<u>2,500</u>	<u>2,500</u>	<u>0</u>
Net change in fund balances	406,252	(1,061,548)	(1,467,800)
Fund balance, beginning	<u>0</u>	<u>8,446,573</u>	<u>8,446,573</u>
Fund balance, ending	<u>\$ 406,252</u>	<u>\$ 7,385,025</u>	<u>\$ 6,978,773</u>

The original budget for both Taxes and Intergovernmental revenue decreased significantly as the original budget was based on the previously overstated property taxes remitted by Wilson County that resulted in the long-term note to repay the county. The increases to Instruction and Support Services were primarily a cautionary approach to cover any sizeable unrecorded liabilities.

Debt Administration

As of June 30, 2015, the District had outstanding notes and bonds totaling \$29,114,761 which consisted of a Tennessee Energy Efficient Schools note issue amounting to \$2,425,256; \$24,830,000 in bonds and \$1,859,505 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 33-34 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. 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, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 15,786,221
Investments	750,000
Receivables, net of allowance for uncollectibles	
Taxes	7,413,102
Due from other governments	1,209,984
Other	5,573
Inventories, at cost	17,828
Net pension asset	1,825,410
Capital assets (net of accumulated depreciation)	<u>37,749,494</u>
Total Assets	<u>\$ 64,757,612</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension changes in experience	\$ 151,117
Pension changes in contributions after measurement date	<u>1,835,797</u>
Total Deferred Outflows of Resources	<u>1,986,914</u>
 LIABILITIES	
Accounts payable	168,033
Accrued liabilities	1,120,815
Interest payable	238,832
Long-term liabilities due within one year	1,541,641
Long-term liabilities due in more than one year	<u>28,058,771</u>
Total Liabilities	<u>31,128,092</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred current property taxes	7,413,102
Pension changes in investment earnings	<u>6,274,804</u>
Total Deferred Inflows of Resources	<u>13,687,906</u>
 NET POSITION	
Net investment in capital assets	10,139,672
Restricted for:	
Extended school projects	436,386
School federal projects	49,445
Cafeteria	1,435,904
Debt service	2,488,966
Capital outlay	1,169,291
Unrestricted	<u>6,208,864</u>
Total Net Position	<u>\$ 21,928,528</u>

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2015

	Program Revenues		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position Primary Government Governmental Activities		Total
Functions / Programs:							
Governmental Activities:							
Instruction	\$ 15,339,412	\$ -	\$ -	\$ 18,882,299	\$ 3,542,887	\$ 3,542,887	\$ 3,542,887
Support services	9,541,934	-	-	-	(9,541,934)	(9,541,934)	(9,541,934)
Operation of non-instructional services	3,446,635	1,032,576	-	-	(2,414,059)	(2,414,059)	(2,414,059)
Interest expense on long-term debt	904,562	-	-	-	(904,562)	(904,562)	(904,562)
Other debt service	2,571	-	-	-	(2,571)	(2,571)	(2,571)
Capital projects	2,878,072	-	-	-	(2,878,072)	(2,878,072)	(2,878,072)
Total Government Activities	32,113,186	1,032,576	1,032,576	18,882,299	(12,198,311)	(12,198,311)	(12,198,311)
Total Primary Government	\$ 32,113,186	\$ 1,032,576	\$ 1,032,576	\$ 18,882,299	(12,198,311)	(12,198,311)	(12,198,311)
General Revenues:							
Property taxes					3,912,862	3,912,862	
County taxes					10,550,428	10,550,428	
State funds					36,760	36,760	
Other local revenues					644,309	644,309	
Total general revenues					15,144,359	15,144,359	
Change in net position					2,946,048	2,946,048	
Net position - beginning of year					23,441,756	23,441,756	
Prior period adjustment - accounting change - see Note 12					(4,459,276)	(4,459,276)	
Net position - end of year					\$ 21,928,528	\$ 21,928,528	

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2015

	Major Funds			Nonmajor	Total
	General	School Federal Projects	Education Debt Service	Other Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 10,037,343	\$ 29,192	\$ 3,499,279	\$ 2,220,407	\$ 15,786,221
Investments	-	-	-	750,000	750,000
Interest receivable	-	-	-	5,573	5,573
Due from other governments	1,171,390	20,253	12,415	5,926	1,209,984
Due from other funds	934	-	-	42,781	43,715
Taxes receivable	7,554,138	-	-	-	7,554,138
Allowance for uncollectibles	(141,036)	-	-	-	(141,036)
Inventories	-	-	-	17,828	17,828
Total assets	\$ 18,622,769	\$ 49,445	\$ 3,511,694	\$ 3,042,515	\$ 25,226,423
LIABILITIES					
Accounts payable	\$ 168,033	\$ -	\$ -	\$ -	\$ 168,033
Accrued liabilities	1,120,815	-	-	-	1,120,815
Due to other funds	42,781	-	-	934	43,715
Other long-term liabilities	836,777	-	1,022,728	-	1,859,505
Total liabilities	2,168,406	-	1,022,728	934	3,192,068
DEFERRED INFLOWS OF RESOURCES					
Deferred current property taxes	7,413,102	-	-	-	7,413,102
Total deferred inflows of resources	7,413,102	-	-	-	7,413,102
FUND BALANCES					
Nonspendable:					
Inventory	-	-	-	17,828	17,828
Restricted:					
Education	-	49,445	-	436,386	485,831
Debt service	-	-	2,488,966	-	2,488,966
Non-instructional services	-	-	-	1,418,076	1,418,076
Capital projects	-	-	-	1,169,291	1,169,291
Unassigned:	9,041,261	-	-	-	9,041,261
Total fund balances	9,041,261	49,445	2,488,966	3,041,581	14,621,253
Total liabilities, deferred inflows of resources and fund balances	\$ 18,622,769	\$ 49,445	\$ 3,511,694	\$ 3,042,515	\$ 25,226,423

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Reconciliation of the Balance Sheet to Statement of Net Position

June 30, 2015

Amounts reported for fund balance - total governmental funds	\$ 14,621,253
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	3,387,496
Add: property and equipment	47,269,185
Less: accumulated depreciation	(12,907,187)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Less: employee compensatory time	(52,658)
Less: notes payable	(2,425,256)
Less: bonds payable	(24,830,000)
Less: accrued interest on bonds	(238,832)
Less: other post employment benefits liability	(131,085)
Less: unamortized debt issue premium	(301,908)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and debt issue premium will be amortized and recognized as components of pension expense and other income respectively in future years	
Add: deferred outflows of resources related to pensions	1,986,914
Less: deferred inflows of resources related to pensions	(6,274,804)
Net pension assets of the cost-sharing plan are not current financial resources and are therefore not reported in the governmental funds	1,825,410
Net position of governmental activities	<u>\$ 21,928,528</u>

LEBANON SPECIAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds

For the Fiscal Year Ended June 30, 2015

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	School Federal Projects	Education Debt Service	Other Governmental Funds	
Revenues					
Property taxes	\$ 1,217,466	\$ -	\$ 2,695,396	\$ -	\$ 3,912,862
Intergovernmental					
County taxes	10,550,428	-	-	-	10,550,428
State funds	15,015,255	-	-	-	15,015,255
Federal funds	684,641	1,705,662	-	1,513,501	3,903,804
Charges for current services	41,690	-	-	990,886	1,032,576
Other revenues	184,855	-	8,310	159,765	352,930
Total revenue	<u>27,694,335</u>	<u>1,705,662</u>	<u>2,703,706</u>	<u>2,664,152</u>	<u>34,767,855</u>
Expenditures					
Instruction	16,810,160	1,072,314	-	-	17,882,474
Support services	9,347,338	633,903	-	-	9,981,241
Operation of non-instructional services	944,649	-	-	2,443,581	3,388,230
Debt service	-	-	2,174,228	-	2,174,228
Capital projects	-	-	-	2,878,072	2,878,072
Total expenditures	<u>27,102,147</u>	<u>1,706,217</u>	<u>2,174,228</u>	<u>5,321,653</u>	<u>36,304,245</u>
Excess (deficiency) of revenues over expenditures	592,188	(555)	529,478	(2,657,501)	(1,536,390)
Other financing sources and (uses)					
Bond proceeds	-	-	-	2,960,000	2,960,000
Bond issue premium	-	-	-	102,179	102,179
Transfers in	2,500	-	-	-	2,500
Transfers out	-	-	-	(2,500)	(2,500)
Total other financing sources and (uses)	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>3,059,679</u>	<u>3,062,179</u>
Net change in fund balances	594,688	(555)	529,478	402,178	1,525,789
Fund balances, beginning	8,446,573	50,000	1,959,488	2,639,403	13,095,464
Fund balances, ending	<u>\$ 9,041,261</u>	<u>\$ 49,445</u>	<u>\$ 2,488,966</u>	<u>\$ 3,041,581</u>	<u>\$ 14,621,253</u>

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

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

June 30, 2015

Net change in fund balances - total governmental funds	\$	1,525,789
 Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Add: cost of assets acquired		2,001,722
Less: depreciation expense		(775,051)
 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 position. 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.		
Less: issuance of refunding bonds		(2,960,000)
Add: repayment of notes payable		229,152
Add: repayment of bonds payable		1,040,000
Change in unamortized debt issue premium		(47,707)
 Employee compensatory time is accrued in governmental activities whereas in governmental funds compensatory time is reported when extinguished:		
		(7,052)
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds		
Change in accrued interest payable		(2,057)
Change in net pension asset		1,951,190
Change in other post employment benefits liability		(9,938)
Change in net position of governmental activities	\$	<u>2,946,048</u>

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, 2015

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Special school district taxes				
Current property taxes	\$ 1,434,712	\$ 1,194,712	\$ 1,198,024	\$ 3,312
Trustee's collections - prior	20,000	20,000	19,442	(558)
Interest & penalty	3,400	3,400	-	(3,400)
Total special school district taxes	1,458,112	1,218,112	1,217,466	(646)
Intergovernmental				
County taxes				
Current property taxes	7,306,000	6,736,000	6,785,624	49,624
Trustee's collections - prior	193,300	135,300	135,447	147
Trustee's collections - bankruptcy	-	-	941	941
Circuit/C&M - prior year	85,600	5,600	111,388	105,788
Interest & penalty	25,000	25,000	26,461	1,461
Local option sales tax	3,271,790	3,446,790	3,490,567	43,777
Mixed drink tax	33,000	-	-	-
Total county taxes	10,914,690	10,348,690	10,550,428	201,738
State funds				
Basic Education Program	14,647,000	14,647,000	14,649,000	2,000
School food serv. (state matching)	20,400	20,400	20,868	468
Other state education funds	30,750	30,750	31,530	780
Coordinated school health	90,000	90,000	90,000	-
Family resource centers	29,611	29,611	29,612	1
Career ladder (regular)	91,000	91,000	90,553	(447)
Career ladder - extended contract	20,200	20,200	20,245	45
Mixed drink tax	-	40,200	46,688	6,488
Bank excise tax	34,000	34,000	34,146	146
Interstate telecommunications	2,500	2,500	2,613	113
Total state funds	14,965,461	15,005,661	15,015,255	9,594
Federal funds				
Early childhood education	682,834	682,834	682,834	-
Special education - grants to	-	1,800	1,807	7
Total federal funds	682,834	684,634	684,641	7
Total intergovernmental	26,562,985	26,038,985	26,250,324	211,339
Charges for current services				
Marriage licenses	2,000	800	657	(143)
Tuition - other	-	41,000	41,033	33
Total charges for current services	2,000	41,800	41,690	(110)
Other revenues				
Interest earnings	45,000	45,000	40,908	(4,092)
E-rate funding	16,270	16,270	-	(16,270)
Miscellaneous refunds	20,000	76,000	76,214	214
Sale of equipment	6,300	6,300	6,397	97
Damages recovered from individuals	200	200	-	(200)
Contributions & gifts	2,100	2,100	1,517	(583)
Other revenue	56,000	56,000	296,726	240,726
Total other revenues	145,870	201,870	421,762	219,892
Total revenue	28,168,967	27,500,767	27,931,242	430,475

(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, 2015

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures				
Instruction				
Regular instruction program				
Teachers	\$ 10,287,785	\$ 10,267,785	\$ 10,242,356	\$ 25,429
Career ladder program	53,000	53,000	51,500	1,500
Career ladder extended contract	15,000	18,000	16,625	1,375
Homebound teachers	3,000	7,000	6,144	856
Educational assistants	555,178	562,178	561,832	346
Other salaries & wages	330,351	330,351	327,476	2,875
Substitute teachers	64,000	47,000	40,893	6,107
Non-certified substitute teachers	75,000	102,000	101,787	213
Social security	617,918	646,918	649,231	(2,313)
State retirement	957,726	1,067,726	-	1,067,726
Life insurance	7,000	7,000	6,325	675
Medical insurance	813,900	813,900	764,527	49,373
Unemployment compensation	10,610	10,610	11,477	(867)
Employer medicare liability	149,851	151,851	151,213	638
Other contracted services	10,000	10,000	-	10,000
Instructional supplies & materials	42,000	42,000	42,781	(781)
Textbooks	438,305	488,305	283,552	204,753
Other supplies & materials	54,000	54,000	46,527	7,473
Other charges	95,000	95,000	7,279	87,721
Regular instruction equipment	445,560	445,560	454,476	(8,916)
Total	15,025,184	15,220,184	13,766,001	1,454,183
Alternative instruction program				
Teachers	57,340	82,340	81,799	541
Career ladder program	1,000	1,000	1,000	-
Educational Assistants	35,956	35,956	22,260	13,696
Social security	4,976	4,976	5,313	(337)
State retirement	8,246	8,246	-	8,246
Life insurance	82	82	69	13
Medical insurance	7,100	7,100	7,157	(57)
Unemployment compensation	128	128	164	(36)
Employer medicare liability	1,173	1,173	1,242	(69)
Total	116,001	141,001	119,004	21,997
Special education program				
Teachers	1,010,000	1,010,000	963,518	46,482
Career ladder program	5,000	5,000	5,000	-
Career ladder extended contracts	-	1,000	700	300
Homebound teachers	2,500	7,500	7,317	183
Educational assistants	249,220	256,220	255,319	901
Speech pathologist	190,740	190,740	128,522	62,218
Substitute teachers	6,000	6,000	2,794	3,206
Non-certified substitute teachers	7,500	7,500	7,280	220
Social security	77,762	77,762	76,375	1,387
State retirement	122,894	302,894	-	302,894
Life insurance	1,050	1,050	1,019	31
Medical insurance	108,750	153,750	92,628	61,122

(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, 2015

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Instruction (cont.)				
Special education program (cont.)				
Unemployment compensation	\$ 1,717	\$ 1,717	\$ 1,740	\$ (23)
Employer medicare liability	18,460	18,460	17,934	526
Maintenance and repair services - equip	1,000	1,000	-	1,000
Instructional supplies	5,000	5,000	4,983	17
Other charges	2,500	2,500	2,388	112
Special educational equipment	2,500	2,500	1,979	521
Total	<u>1,812,593</u>	<u>2,050,593</u>	<u>1,569,496</u>	<u>481,097</u>
Total instruction	<u>16,953,778</u>	<u>17,411,778</u>	<u>15,454,501</u>	<u>1,957,277</u>
Support services				
Students				
Attendance				
Supervisor/director	77,822	77,822	77,822	-
Social security	4,820	4,820	4,480	340
State retirement	6,177	6,177	-	6,177
Life insurance	27	27	25	2
Medical insurance	11,280	11,280	5,352	5,928
Unemployment compensation	42	42	46	(4)
Employer medicare liability	1,174	1,174	1,048	126
Travel	1,000	1,000	270	730
Other Supplies and Materials	1,000	1,000	278	722
In-Service	1,000	1,000	944	56
Attendance Equipment	1,500	1,500	1,500	-
Health services				
Medical personnel	57,186	57,186	58,158	(972)
Other salaries & wages	264,649	264,649	259,471	5,178
Social security	18,484	18,484	18,305	179
State retirement	24,885	24,885	-	24,885
Life insurance	153	153	162	(9)
Medical insurance	24,062	24,062	21,845	2,217
Unemployment compensation	356	356	368	(12)
Employer medicare liability	4,323	4,323	4,281	42
Postal	100	100	-	100
Travel	2,504	2,504	1,860	644
Drugs and medical supplies	4,000	4,000	1,128	2,872
Other supplies and materials	6,900	6,900	5,498	1,402
In-service	1,000	1,000	341	659
Other charges	3,500	3,500	3,900	(400)
Health equipment	4,000	4,000	-	4,000
Other student support				
Career ladder program	1,000	1,000	1,000	-
Guidance personnel	318,150	318,150	314,683	3,467
School resource officer	118,818	118,818	-	118,818
Social security	18,359	18,359	18,404	(45)
State retirement	28,078	28,078	-	28,078
Life insurance	162	162	162	-
Medical insurance	11,930	11,930	10,821	1,109

(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, 2015

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services (cont.)				
Other student support (cont.)				
Unemployment compensation	\$ 257	\$ 257	\$ 273	\$ (16)
Employer medicare liability	4,295	4,295	4,304	(9)
Evaluation and testing	45,000	42,000	35,217	6,783
Other supplies & materials	6,500	6,500	673	5,827
Other Charges	8,000	8,000	4,400	3,600
Total	1,082,493	1,079,493	857,019	222,474
Instructional staff				
Regular instruction program				
Supervisor/director	120,804	120,804	119,890	914
Career ladder program	6,000	6,000	6,000	-
Librarians	303,000	303,000	301,208	1,792
Materials supervisor	92,688	92,688	92,688	-
Secretary(s)	44,268	44,268	44,268	-
Clerical personnel	28,570	28,570	28,568	2
Educational assistants	17,421	17,421	16,871	550
Social security	35,591	35,591	35,339	252
State retirement	54,559	54,559	-	54,559
Life insurance	285	285	289	(4)
Medical insurance	45,880	45,880	41,506	4,374
Unemployment compensation	406	406	479	(73)
Employer medicare liability	8,242	8,242	8,265	(23)
Travel	2,000	2,000	958	1,042
Library books/media	20,000	20,000	18,952	1,048
Other supplies & materials	2,000	2,000	971	1,029
In-service	35,000	30,000	30,000	-
Special educational program				
Supervisor/director	96,677	96,677	96,677	-
Career ladder program	3,000	3,000	3,000	-
Secretary(s)	43,720	39,720	37,350	2,370
Other salaries & wages	133,514	133,514	132,192	1,322
Social security	15,938	15,938	15,519	419
State retirement	24,792	24,792	-	24,792
Life insurance	106	106	108	(2)
Medical insurance	20,930	20,930	19,832	1,098
Unemployment compensation	163	163	201	(38)
Employer medicare liability	3,726	3,726	3,630	96
Maintenance and repair svc - equip	1,000	1,000	75	925
Postal charges	450	450	441	9
Travel	2,000	2,000	1,585	415
Other contracted services	6,000	7,000	6,820	180
Other supplies & materials	1,000	1,000	1,365	(365)
In-service	1,000	1,000	890	110
Other charges	2,500	2,500	2,313	187
Total	1,173,230	1,165,230	1,068,250	96,980

(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, 2015

	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	\$ 8,300	\$ 200
Dues and memberships	10,000	10,000	10,000	-
Legal services	8,000	8,000	5,400	2,600
Travel	5,000	5,000	5,413	(413)
Other contracted services	13,500	17,500	16,049	1,451
Liability insurance	24,545	24,545	24,545	-
Premiums on corporate surety bonds	1,888	1,888	1,888	-
Trustee's commission	190,000	225,000	197,791	27,209
Workman's compensation ins	270,159	270,159	270,159	-
Criminal Investigation of Applicants TBI	1,000	1,000	580	420
Other charges	28,000	33,000	29,519	3,481
Office of the superintendent				
County official/administrative officer	132,333	136,333	136,193	140
Career ladder program	1,000	1,000	1,000	-
Secretary(s)	35,634	35,634	35,528	106
Clerical personnel	1,200	1,200	-	1,200
Social security	9,807	9,807	9,469	338
State retirement	14,001	17,001	-	17,001
Life insurance	42	42	54	(12)
Medical insurance	5,300	12,300	11,810	490
Unemployment compensation	47	47	86	(39)
Employer medicare liability	2,348	2,348	2,487	(139)
Communication	6,000	6,000	4,060	1,940
Dues and memberships	7,000	7,000	5,942	1,058
Postal charges	3,000	3,000	1,917	1,083
Travel	5,500	5,500	1,311	4,189
Other contracted services	12,500	12,500	11,884	616
Office supplies	200	200	43	157
In-service	3,000	3,000	530	2,470
Other charges	17,000	17,000	8,316	8,684
Administration equipment	500	500	-	500
Total	817,004	875,004	800,274	74,730
School administration				
Office of the principal				
Principals	529,240	523,240	523,204	36
Career ladder program	7,000	7,000	7,000	-
Accountants/bookkeepers	173,463	173,463	173,274	189
Assistant principals	586,709	592,909	592,907	2
Secretary(s)	164,802	164,802	164,804	(2)
Other salaries & wages	7,878	7,878	6,202	1,676
Social security	87,244	88,244	88,072	172
State retirement	127,624	128,624	-	128,624
Life insurance	705	705	703	2
Medical insurance	108,920	108,920	100,439	8,481

(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, 2015

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services (cont.)				
School administration (cont.)				
Office of the principal (cont.)				
Unemployment compensation	\$ 1,112	\$ 1,112	\$ 1,186	\$ (74)
Employer medicare liability	20,404	20,404	20,597	(193)
Communication	8,500	8,500	7,197	1,303
Other contracted services	10,000	38,000	32,834	5,166
In-service	300	300	-	300
Other charges	55,000	55,000	37,936	17,064
Total	1,888,901	1,919,101	1,756,355	162,746
Business administration				
Fiscal services				
Supervisor/director	71,559	71,559	71,559	-
Social security	4,206	4,206	4,217	(11)
State retirement	5,453	5,453	-	5,453
Life insurance	27	27	27	-
Medical insurance	5,500	5,500	4,922	578
Unemployment compensation	36	36	43	(7)
Employer medicare liability	983	983	986	(3)
Travel	2,000	2,000	1,149	851
Other contracted services	18,500	18,500	18,500	-
Data Processing Supplies	2,000	2,000	421	1,579
Office supplies	17,549	17,549	11,464	6,085
Other supplies and materials	200	200	-	200
In-service	500	500	235	265
Other charges	13,049	13,049	2,652	10,397
Administrative equipment	4,000	4,000	-	4,000
Human services (resources)/personnel				
Supervisor/director	65,152	65,152	65,152	-
Secretary(s)	41,631	41,631	41,631	-
Social security	6,042	6,042	6,178	(136)
State retirement	8,138	8,138	-	8,138
Life insurance	54	54	54	-
Medical insurance	8,120	8,120	7,343	777
Unemployment compensation	75	75	87	(12)
Employer medicare	1,413	1,413	1,445	(32)
Travel	2,000	2,000	734	1,266
Other Contracted Services	2,500	2,500	-	2,500
Office supplies	500	500	-	500
In-service	1,500	1,500	575	925
Other charges	500	500	-	500
Other equipment	3,000	3,000	-	3,000
Total	286,187	286,187	239,374	46,813

(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, 2015

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services (cont.)				
Operation and maintenance of plant				
Operation of plant				
Custodial personnel	\$ -	\$ -	\$ 1,020	\$ (1,020)
Other salaries & wages	59,070	65,000	64,706	294
Social security	6,039	6,039	3,912	2,127
State retirement	4,450	4,450	-	4,450
Life insurance	27	27	14	13
Medical insurance	5,350	5,350	4,209	1,141
Unemployment compensation	38	38	178	(140)
Employer medicare liability	857	857	915	(58)
Janitorial Services	609,000	609,000	609,000	-
Disposal fees	25,000	25,000	23,036	1,964
Electricity	600,000	775,000	684,559	90,441
Natural gas	95,000	95,000	71,207	23,793
Water and sewer	70,000	90,000	76,431	13,569
Other supplies and materials	50,000	46,270	5,072	41,198
Boiler insurance	6,042	6,042	6,042	-
Building and contents insurance	110,077	112,577	112,492	85
Other charges	15,000	15,000	457	14,543
Maintenance of plant				
Supervisor/director	64,877	64,877	64,887	(10)
Maintenance personnel	151,665	151,665	150,745	920
Other salaries & wages	70,678	70,678	70,675	3
Social security	16,892	16,892	16,640	252
State retirement	21,816	21,816	-	21,816
Life insurance	162	162	162	-
Medical insurance	26,980	26,980	19,691	7,289
Unemployment compensation	228	228	262	(34)
Employer medicare liability	3,942	3,942	3,892	50
Laundry service	1,700	1,700	2,230	(530)
Maintenance and repair svcs - bldgs	390,000	390,000	299,668	90,332
Other contracted services	23,000	23,000	18,156	4,844
Equipment and machinery parts	62,000	62,000	30,925	31,075
Other supplies & materials	10,000	10,000	10,121	(121)
Other charges	80,000	100,000	52,890	47,110
Maintenance equipment	10,000	30,000	5,500	24,500
Total	2,589,890	2,829,590	2,409,694	419,896
Student Transportation				
Transportation				
Supervisor/director	76,888	76,888	76,888	-
Mechanics	85,900	85,900	64,885	21,015
Bus drivers	430,210	433,410	433,377	33
Clerical personnel	33,534	33,534	33,531	3
Other salaries & wages	149,985	149,985	107,932	42,053
Social security	48,263	48,263	43,686	4,577

(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, 2015

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Support services (cont.)				
Student Transportation (cont.)				
Transportation (cont.)				
State retirement	\$ 59,500	\$ 59,500	\$ -	\$ 59,500
Life insurance	108	108	96	12
Medical insurance	21,200	21,200	12,056	9,144
Unemployment compensation	1,850	1,850	1,645	205
Employer medicare liability	11,292	11,292	10,217	1,075
Laundry service	1,000	1,000	930	70
Maintenance and repair svcs - vehicles	1,500	1,500	1,500	-
Travel	1,500	1,500	-	1,500
Other contracted services	2,600	2,600	1,946	654
Diesel fuel	95,000	95,000	68,022	26,978
Garage supplies	3,000	3,000	900	2,100
Gasoline	25,000	25,000	15,786	9,214
Lubricants	12,000	12,000	2,734	9,266
Tires and tubes	15,000	15,000	6,815	8,185
Vehicle parts	50,000	50,000	45,273	4,727
Other supplies & materials	2,000	2,000	1,179	821
Vehicle and equipment insurance	33,985	33,985	33,985	-
In-service	2,000	2,000	1,257	743
Other charges	5,000	5,000	4,680	320
Transportation equipment	15,000	15,000	105,884	(90,884)
Total	<u>1,183,315</u>	<u>1,186,515</u>	<u>1,075,205</u>	<u>111,310</u>
Central and Other				
Supervisor Director	91,017	91,017	91,017	-
ADA Coordinator	58,157	58,157	58,157	-
Data processing personnel	149,254	149,254	121,071	28,183
Clerical Personnel	57,208	57,208	53,293	3,915
Other Salaries & Wages	40,164	40,164	38,325	1,839
Social security	24,544	24,544	21,709	2,835
State retirement	30,462	30,462	-	30,462
Life insurance	162	162	156	6
Medical insurance	21,985	25,985	24,888	1,097
Unemployment compensation	234	234	246	(12)
Employer medicare liability	5,727	5,727	5,077	650
Travel	4,000	4,000	3,067	933
Other contracted services	73,000	73,000	73,000	-
In-service	150	150	92	58
Other charges	8,500	8,500	8,500	-
Other equipment	227,000	237,000	227,634	9,366
Total	<u>791,564</u>	<u>805,564</u>	<u>726,232</u>	<u>79,332</u>
Total support services	<u>9,812,584</u>	<u>10,146,684</u>	<u>8,932,403</u>	<u>1,214,281</u>
Operation of non-instructional services				
Food service				
Supervisor/director	60,634	60,634	60,634	-
Other salaries & wages	12,524	14,524	13,759	765
Social security	4,535	4,535	4,528	7
State retirement	4,621	5,121	-	5,121
Life insurance	27	27	27	-
Unemployment compensation	75	75	121	(46)
Employer medicare liability	1,061	1,061	1,059	2
Total	<u>83,477</u>	<u>85,977</u>	<u>80,128</u>	<u>5,849</u>

(Continued)

See Accompanying Notes to Financial Statements

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

For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Expenditures (cont.)				
Operation of non-instructional services (cont.)				
Community services				
Supervisor/director	\$ 52,869	\$ 52,869	\$ 52,869	\$ -
Clerical personnel	27,032	27,032	24,532	2,500
Social security	4,848	4,848	4,716	132
State retirement	6,088	6,088	-	6,088
Life insurance	42	42	53	(11)
Medical insurance	8,000	8,000	5,324	2,676
Unemployment compensation	84	84	81	3
Employer medicare liability	1,057	1,057	1,103	(46)
Travel	2,000	2,000	1,768	232
Other contracted services	18,337	18,337	62	18,275
Food supplies	11,960	11,960	-	11,960
Instructional supplies & materials	1,000	1,000	1,000	-
Other supplies & materials	2,000	2,000	2,000	-
Other charges	5,000	5,000	-	5,000
Total	140,317	140,317	93,508	46,809
Operation of non-instructional services				
Early childhood education				
Teachers	424,226	424,226	422,804	1,422
Educational assistants	159,722	159,722	155,101	4,621
Other salaries & wages	16,996	16,996	16,094	902
Certified substitute teachers	2,000	2,000	986	1,014
Non-certified substitute teachers	3,000	3,000	2,811	189
Social security	33,613	34,413	34,147	266
State retirement	51,712	51,712	-	51,712
Life insurance	486	486	443	43
Medical insurance	44,185	44,185	40,853	3,332
Unemployment compensation	800	800	861	(61)
Employer medicare liability	7,821	8,021	7,986	35
Travel	1,000	1,000	951	49
Other contracted services	1,000	1,000	949	51
Instructional supplies & materials	7,249	13,249	13,047	202
In-service	4,000	378	276	102
Other charges	7,249	6,991	6,909	82
Other equipment	10,000	11,880	5,480	6,400
Total	775,059	780,059	709,698	70,361
Total operation of non-instructional services	998,853	1,006,353	883,334	123,019
Total expenditures	27,765,215	28,564,815	25,270,238	3,294,577
Excess (deficiency) of revenues over expenditures	403,752	(1,064,048)	2,661,004	3,725,052
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	406,252	(1,061,548)	2,663,504	3,725,052
Fund balance, beginning	-	8,446,573	8,446,573	-
Prior period adjustment	-	-	(4,413,670)	(4,413,670)
Fund balance, ending	\$ 406,252	\$ 7,385,025	\$ 6,696,407	\$ (688,618)

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, 2015

	Budgeted Amounts <u>Final</u>	Actual Amounts	Variance - Favorable/ (Unfavorable)
Revenues			
Intergovernmental			
Federal funds			
Title 1- basic grants to local educ agencies	\$ 653,483	\$ 638,393	\$ -
Special education - grants to states	964,452	702,863	-
Special education preschool grants	36,303	31,224	-
English language acquisition grants Title III	66,412	52,836	-
Eisenhower prof dev state grants	160,866	136,712	-
Race to the top	17,549	14,588	-
Other fed thru state	234,574	129,045	-
Total revenue	<u>2,133,639</u>	<u>1,705,661</u>	<u>(427,978)</u>
Expenditures			
Instruction			
Regular			
Teachers	-	415,084	-
Social security	-	23,474	-
State retirement	-	37,412	-
Life insurance	-	188	-
Medical insurance	-	33,995	-
Unemployment compensation	-	321	-
Employer medicare liability	-	5,490	-
Other contracted services	-	51,001	-
Instructional supplies and materials	-	29,359	-
Other charges	-	200	-
Regular instructional equipment	-	11,437	-
Total	<u>716,053</u>	<u>607,961</u>	<u>108,092</u>
Education for handicapped			
Teachers	-	85,376	-
Educational assistants	-	244,888	-
Certified substitute teachers	-	298	-
Social security	-	19,128	-
State retirement	-	23,943	-
Life insurance	-	428	-
Medical insurance	-	33,638	-
Unemployment compensation	-	774	-
Employer medicare liability	-	4,402	-
Other contracted services	-	1,750	-
Instructional supplies and materials	-	19,667	-
Special education equipment	-	30,061	-
Total	<u>632,530</u>	<u>464,353</u>	<u>168,177</u>
Total instruction	<u>1,348,583</u>	<u>1,072,314</u>	<u>276,269</u>

(Continued)

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts Final	Actual Amounts	Variance - Favorable/ (Unfavorable)
Expenditures (cont.)			
Support services			
Students			
Evaluation and testing	\$ -	\$ 8,828	\$ -
Other contracted services	-	15,002	-
Other supplies and materials	-	750	-
Other charges	-	12,514	-
Total	<u>56,297</u>	<u>37,094</u>	<u>19,203</u>
Instructional staff			
Regular instruction program			
Supervisor/director	-	163,504	-
Secretary(s)	-	18,734	-
Bonus Payments	-	52,710	-
Certified substitute teachers	-	956	-
In-service training	-	1,017	-
Non-certified substitute teachers	-	2,096	-
Social security	-	10,998	-
State retirement	-	16,208	-
Life insurance	-	61	-
Medical insurance	-	19,543	-
Unemployment compensation	-	113	-
Employer medicare liability	-	2,572	-
Communication	-	2,939	-
Postal	-	13	-
Travel	-	6,660	-
Other contracted services	-	14,588	-
Library books/media	-	173	-
Other supplies and materials	-	1,362	-
In-service	-	20,616	-
Other charges	-	455	-
Total	<u>380,534</u>	<u>335,318</u>	<u>45,216</u>
Special education program			
Other salaries and wages	-	59,272	-
Social security	-	3,464	-
State retirement	-	5,358	-
Life insurance	-	27	-
Medical insurance	-	3,645	-
Unemployment compensation	-	46	-
Employer medicare	-	810	-
Postal charges	-	294	-
Travel	-	6,626	-
Other contracted services	-	89,112	-
Other supplies and materials	-	11,284	-
In-service	-	7,527	-
Other charges	-	3,526	-
Total	<u>276,725</u>	<u>190,991</u>	<u>85,734</u>

(Continued)

See Accompanying Notes to Financial Statements

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

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.

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.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

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

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

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. 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.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

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

Cash, Cash Equivalents and Investments (Cont.)

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.

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 provides for the accumulation of vacation days beyond the end of the year. As of the fiscal years ended June 30, 2014 and June 30, 2015 the accumulated vacation pay amounted to \$45,606 and \$52,658 respectively. 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, 2015

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.

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.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

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

Fund Balances (Cont.)

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. 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.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

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

Pensions

Teacher Retirement Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan. Investments are reported at fair value.

Teacher Legacy Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Legacy Pension Plan. Investments are reported at fair value.

Public Employee Retirement Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Lebanon Special School District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Lebanon Special School District's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

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, 2015

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 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	\$1,300,217	\$ -	\$ 3,387,496
<u>Capital assets depreciated</u>				
Buildings and improvements	41,284,019	669,646	-	41,953,665
Equipment	<u>5,283,661</u>	<u>31,859</u>	-	<u>5,315,520</u>
Total	<u>\$48,654,959</u>	<u>\$2,001,722</u>	<u>\$ -</u>	<u>\$50,656,681</u>
<u>Accumulated depreciation</u>				
Buildings and improvements	\$ 8,005,254	\$ 465,076	\$ -	\$ 8,470,330
Equipment	<u>4,126,882</u>	<u>309,975</u>	-	<u>4,436,857</u>
Total	<u>12,132,136</u>	<u>775,051</u>	-	<u>12,907,187</u>
Governmental capital assets - net	<u>\$36,522,823</u>	<u>\$ 1,226,671</u>	<u>\$ -</u>	<u>\$37,749,494</u>

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

Instruction	\$660,348
Support services	49,608
Operation of non-instructional services	<u>65,095</u>
	<u>\$775,051</u>

NOTE 4 – RECEIVABLES

A summary of receivables totaling \$8,628,659 as of June 30, 2015 is as follows:

	<u>General</u>	<u>School Federal Projects</u>	<u>Education Debt Service</u>	<u>Cafeteria</u>	<u>Total</u>
Property taxes	\$7,554,138	\$ -	\$ -	\$ -	\$7,554,138
Due from other govts	1,171,390	20,253	12,415	5,926	1,209,984
Interest receivable	-	-	-	5,573	5,573
Other receivable	-	-	-	-	-
Less allowance	<u>(141,036)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(141,036)</u>
	<u>\$8,584,492</u>	<u>\$20,253</u>	<u>\$12,415</u>	<u>\$11,499</u>	<u>\$8,628,659</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not earned.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 4 – RECEIVABLES (CONT.)

The government-wide financial statements report estimated net realizable 2015 property taxes of \$7,413,102 which is net of an allowance for doubtful accounts of \$141,036. The 2015 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, 2015:

Outstanding, beginning	\$27,656,401
Debt issued:	
General obligation	2,960,000
Debt retired:	
General obligation	<u>(1,501,640)</u>
Outstanding, ending	<u>\$29,114,761</u>

The annual requirements to amortize all general obligation bonds including interest payments of \$10,313,543 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, 2015, 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>
2016	\$ 1,080,000	\$ 731,332	\$ 229,152	\$ 232,489	\$ 1,541,641	\$ 843,382
2017	1,260,000	747,477	229,152	232,489	1,721,641	831,177
2018	1,300,000	744,976	229,152	232,489	1,761,641	794,626
2019	885,000	742,377	229,152	232,489	1,346,641	756,927
2020	985,000	731,790	229,152	232,489	1,446,641	731,790
2021-2025	5,370,000	3,195,130	1,145,760	697,060	7,212,820	3,195,130
2026-2030	6,325,000	2,230,872	133,736	-	6,458,736	2,230,872
2031-2035	<u>7,625,000</u>	<u>929,639</u>	<u>-</u>	<u>-</u>	<u>7,625,000</u>	<u>929,639</u>
Total	<u>\$24,830,000</u>	<u>\$10,053,593</u>	<u>\$2,425,256</u>	<u>\$1,859,505</u>	<u>\$29,114,761</u>	<u>\$10,313,543</u>

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

General obligation notes, bonds and other debt	\$ 29,114,761
Less: balance due in one year	<u>(1,541,641)</u>
Add: unamortized debt issue premium	301,908
Add: post-employment benefit obligation (OPEB)	131,085
Add: accrued employee compensatory time	<u>52,658</u>
	<u>\$ 28,058,771</u>

There is \$2,488,966 available in the Education Debt Service fund to service general long-term debt.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 5 – LONG-TERM DEBT (CONT.)

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.

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 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to/from Other Funds

The composition of interfund balances as of June 30, 2015, was as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	
Nonmajor governmental - Extended School Projects	General	<u>\$43,715</u>

This balance resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONT.)

Interfund Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u>
	<u>General</u>
Extended School Projects	<u>\$43,715</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The county made a one-time transfer of \$2,500 from the General Capital Projects Fund to the General Debt Service Fund to return unspent debt proceeds.

NOTE 7 – BUDGET ACCOUNTABILITY AND COMPLIANCE

The District is required by state statute to adopt annual budgets. The District legally adopts budgets for all governmental funds except for the Education Capital Projects Fund. These budgets are prepared on the basis that current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the School Board. The budgets of the General, School Federal Projects and Education Debt Service funds were amended prior to June 30, 2015. Unencumbered appropriations lapse at the end of each fiscal year. The budgetary level of control is at the major category level established by the Uniform Chart of Accounts, as prescribed by the Comptroller General of the Treasury of Tennessee. Major categories are at the department level. Management may make revisions within major categories, but only the Board may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

NOTE 8 – ACCOUNTING CHANGES

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27; Statement No. 69, Government Combinations and Disposals of Government Operations; and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68 became effective for the year ended June 30, 2015.

GASB Statement No. 68, replaces the requirements of Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement. This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows, and expenses/expenditures.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 8 – ACCOUNTING CHANGES (CONT.)

GASB Statement No. 69, establishes accounting and financial reporting standards related to government combinations and disposals of government operations such as mergers, acquisitions, and transfer of operations.

GASB Statement No. 71, addresses issues related to contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

NOTE 9 – ON BEHALF PAYMENTS

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the District. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2015, were unavailable. The District has not recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

NOTE 10 – 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>.

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. An employee who retires from the District becomes eligible for retiree health coverage at or after age 53 with 25 years or more of service. 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. Eligible retirees are required to share in the cost of health insurance coverage in the amount of the balance of the monthly rate after subsidy, if any, from the District and TCRS. The balance is dependent on job classification and years of service at retirement.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 10 – POST EMPLOYMENT HEALTHCARE PLAN (CONT.)

Annual OPEB Cost and Net OPEB Obligation

Annual required contribution	\$ 117,861
Interest on the net plan obligation	5,452
Adjustment to the annual required obligation	(7,276)
Annual OPEB cost:	116,037
Amount of contribution:	(106,099)
Increase/decrease in net plan obligation	9,938
Net OPEB obligation—beginning of year	<u>121,147</u>
Net OPEB obligation—end of year	\$ <u>131,085</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>
6/30/2013	Teacher Group	\$128,833	99.54%	\$ 108,871
6/30/2014	Teacher Group	114,775	89.30%	121,147
6/30/2015	Teacher Group	116,037	91.44%	131,085

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, was as follows (dollars in thousands):

Actuarial valuation date	July 1, 2014
Actuarial accrued liability (AAL)	\$ 1,295,371
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,295,371
Actuarial Value of Assets as a % of the AAL	0
Covered payroll (active plan members)	\$ 19,505,090
UAAL as a percentage of covered payroll	6.64%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

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

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 10 – POST EMPLOYMENT HEALTHCARE PLAN (CONT.)

Actuarial Methods and Assumptions (Cont.)

In the July 1, 2014, 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 11 – PENSION PLAN

General Information about the Pension Plan

A. Teacher Legacy Pension Plan

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Lebanon Special School District are provided with pensions through the Teachers Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teachers Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 established the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit.

Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 11 – PENSION PLAN (CONT.)

A. Teacher Legacy Pension Plan (Cont.)

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Lebanon Special School District for the year ended June 30, 2015 to the Teacher Legacy Pension Plan were \$1,802,263 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension asset. At June 30, 2014, the Lebanon Special School District reported an asset of \$62,246 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension assets was determined by an actuarial valuation as of that date. Lebanon Special School District's employer contributions to the pension plan during the year ended June 30, 2014 relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014 measurement date, Lebanon Special School District's proportion was 0.383061 percent. The proportion measured as of June 30, 2013 was .374447 percent.

Pension income. For the year ended June 30, 2015, Lebanon Special School District recognized a pension income of \$33,131 for the Teacher Legacy Pension Plan.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, Lebanon Special School District reported deferred outflows of resources and deferred inflows of resources related to the Teacher Legacy Pension Plan from the following sources:

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Differences between expected and actual experience	\$ 151,117	\$ -
Net difference between projected and actual earnings on pension plan investments	-	5,128,649
Changes in proportion of Net Pension Liability (Asset)	121,514	-
LEA's contributions subsequent to the Measurement date of June 30, 2014	<u>1,358,965</u>	<u>N/A</u>
Total	<u>\$1,631,596</u>	<u>\$5,128,649</u>

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 11 – PENSION PLAN (CONT.)

A. Teacher Legacy Pension Plan (Cont.)

Lebanon Special School District employer contributions of \$1,802,263 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2016	(1,236,724)
2017	(1,236,724)
2018	(1,236,724)
2019	(1,236,724)
2020	45,439
Thereafter	45,439

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 11 – PENSION PLAN (CONT.)

A. Teacher Legacy Pension Plan (Cont.)

Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private Equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees of 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents Lebanon Special School District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Lebanon Special School district's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Lebanon Special School District's proportionate share of the net pension liability (asset)	\$ 10,498,439	\$ (62,246)	\$(8,805,348)

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 11 -- PENSION PLAN (CONT.)

A. Teacher Legacy Pension Plan (Cont.)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report. At June 30, 2015, Lebanon Special School District reported a payable of \$543,732 for the outstanding amount of contributions to the Teacher Legacy Pension Plan required at the year ended June 30, 2015.

B. Teacher Retirement Plan

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Lebanon Special School District are provided with pensions through the Teachers Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014 are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 established the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90.

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Lebanon Special School District are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014 are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided.

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 11 – PENSION PLAN (CONT.)

B. Teacher Retirement Plan (Cont.)

The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015 to the Teacher Retirement Plan were \$34,606 which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension liabilities. Since the measurement date is June 30, 2014, which is prior to the July 1, 2014 inception of the Teacher Retirement Plan, there is not a net pension liability to report at June 30, 2015.

Pension Expense. Since the measurement date is June 30, 2014, Lebanon Special School District did not recognize a pension expense at June 30, 2015.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, Lebanon Special School District reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Lebanon Special School District's contributions subsequent to the measurement date of June 30, 2014	\$63,709	\$ -

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 11 – PENSION PLAN (CONT.)

B. Teacher Retirement Plan (Cont.)

Lebanon Special School District's employer contributions of \$34,606 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2016. At June 30, 2015, Lebanon Special School District reported a payable of \$5,061 for the outstanding amount of contributions to the Teacher Retirement Plan required at the year ended June 30, 2015.

C. Public Employee Retirement Plan

Plan description. Employees of Lebanon Special School District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 established the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms. At the measurement date of June 30, 2014 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	73
Inactive employees or entitled to but not yet receiving benefits	162
Active employees	157
Total	<u>392</u>

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 11 – PENSION PLAN (CONT.)

C. Public Employee Retirement Plan (Cont.)

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Lebanon Special School District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Lebanon Special School District were \$291,609 at a base rate of 7.62% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Lebanon Special School District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Lebanon Special School District's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investments policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 11 – PENSION PLAN (CONT.)

C. Public Employee Retirement Plan (Cont.)

The blended capital market projection established the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Lebanon Special School District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 11 – PENSION PLAN (CONT.)

C. Public Employee Retirement Plan (Cont.)

Changes in the Net Pension Liability (Asset)

		Increase (Decrease)	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/13	\$9,215,859	\$ 9,230,639	\$ (14,780)
Changes for the year:			
Service Cost	296,751	0	296,751
Interest	702,168	0	702,168
Differences between Expected and actual experience	(577,398)	0	(577,398)
Contributions- employer	0	398,453	(398,453)
Contributions- employees	0	219,177	(219,177)
Net investments income	0	1,559,217	(1,559,217)
Benefits paid including refunds including refunds of employee contributions	(300,744)	(300,744)	0
Administrative expense	0	(6,942)	6,942
Net changes	<u>120,777</u>	<u>1,869,161</u>	<u>(1,748,384)</u>
Balance at 6/30/14	<u>\$9,336,636</u>	<u>\$11,099,800</u>	<u>\$(1,763,164)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Lebanon Special School District calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability (asset)	\$(475,739)	\$(1,763,164)	\$(2,817,737)

Pension income. For the year ended June 30, 2015 Lebanon Special School District recognized pension income of \$203,776 for the public employee pension plan.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 11 – PENSION PLAN (CONT.)

C. Public Employee Retirement Plan (Cont.)

Deferred outflow of resources and inflow of resources. For the year ended June 30, 2015, Lebanon Special School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 461,918
Net difference between projected and Actual earnings on pension plan Investments	-	684,237
Contributions subsequent to the Measurement date of June 30, 2014	291,609	(N/A)
	\$ 291,609	\$ 1,146,155

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," will be recognized (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	\$(286,539)
2017	(286,539)
2018	(286,539)
2019	(286,539)
2020	-
Thereafter	-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

The District implemented *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*, in the current year. GASB No. 68 requires the cumulative effect of applying the new standard be reported as a restatement of the governmental employer's beginning net position for the earliest period restated. A prior period adjustment of (\$4,413,670) was made to record the initial net pension liability and the employer contributions made during the year ended June 30, 2014, to the pension plans. A prior period adjustment of (\$45,606) was made to record the accumulated vacation time as of the fiscal year ended June 30, 2014. This accrual, adjusted for the increase of \$7,052 as of June 30, 2015, is presented on the statement of net assets as long-term debt. The total of these two prior period adjustments amounts to (\$4,459,276) as presented on the statement of activities.

LEBANON SPECIAL SCHOOL DISTRICT

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 18, 2016, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Changes in Net Pension Asset and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
For the Year Ended June 30, 2015

Total pension liability	\$ 296,751
Service cost	702,168
Interest	(577,398)
Differences between actual & expected experience	(300,744)
Benefit payments, including refunds of employee contributions	<u>120,777</u>
Net change in total pension liability	9,215,859
Total pension liability, beginning	<u>9,336,636</u>
Total pension liability, ending (a)	
Plan fiduciary net position	398,453
Contributions - employer	219,177
Contributions - employee	1,559,217
Net investment income	(300,744)
Benefit payments, including refunds of employee contributions	(6,942)
Administrative expense	<u>1,869,161</u>
Net Change in plan fiduciary net position	9,230,639
Plan fiduciary net position, beginning	<u>11,099,800</u>
Plan fiduciary net position, ending (b)	
Net pension liability (asset), ending (a) - (b)	\$ <u>(1,763,164)</u>
Plan fiduciary net position as a percentage of total pension liability	118.88%
Covered-employee payroll	\$ 4,383,493
Net pension liability (asset) as a percentage of covered-employee payroll	40.22%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Asset Teacher Legacy Pension Plan of TCRS

Fiscal Year Ended June 30,

	<u>2014</u>
District's proportion of the net pension asset	0.383061%
District's proportionate share of the net pension asset	\$ 62,246
District's covered-employee payroll	\$15,035,151
District's proportionate share of the net pension asset as a Percentage of its covered-employee payroll	.41%
Plan fiduciary net position as a percentage of the total pension liability	100.08%

The amounts presented were determined as of June 30 as of the prior fiscal year.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Contributions Teacher Legacy Pension Plan of TCRS

Fiscal Year Ended June 30,

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution (ADC)	\$1,335,119	\$1,358,965
Contribution in relation to the actuarially determined contribution	<u>1,335,119</u>	<u>1,358,965</u>
Contribution deficiency (excess)	\$ <u> -</u>	\$ <u> -</u>
District's covered-employee payroll	\$15,035,151	\$14,979,808
Contributions as a percentage a percentage of District's covered-employee payroll	8.88%	9.07%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Contributions
Teacher Retirement Plan of TCRS

Fiscal Year Ended June 30,

	<u>2015</u>
Actuarially Determined Contribution (ADC)	\$ 63,709
Contribution in relation to the actuarially determined contribution	<u>63,709</u>
Contribution deficiency (excess)	\$ <u> </u>
District's covered-employee payroll	\$727,571
Contributions as a percentage a percentage of District's covered-employee payroll	8.76

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Contributions Public Employee Pension Plan of TCRS

Fiscal Year Ended June 30,

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution (ADC)	\$ 398,453	\$ 291,609
Contribution in relation to the actuarially determined contribution	<u>398,453</u>	<u>291,609</u>
Contribution deficiency (excess)	\$ <u> -</u>	\$ <u> -</u>
 District's covered-employee payroll	 \$4,383,493	 \$3,801,960
Contributions as a percentage a percentage of District's covered-employee payroll	9.09%	7.67%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to schedule

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	1 year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Funding Progress – Other Post Employment Benefits Plan

June 30, 2015

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, 2012	\$0	\$1,401	\$1,401	0	\$18,881	7.42
July 1, 2013	0	1,294	1,294	0	18,912	6.84
July 1, 2014	0	1,295	1,295	0	19,505	6.64

(Dollar amounts in thousands)

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.

OTHER SUPPLEMENTARY INFORMATION

LEBANON SPECIAL SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

	Cafeteria	Extended School Projects	Education Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 657,511	\$ 393,605	\$ 1,169,291	\$ 2,220,407
Investments	750,000	-	-	750,000
Interest receivable	5,573	-	-	5,573
Due from other governments	5,926	-	-	5,926
Due from other funds	-	42,781	-	42,781
Inventories	17,828	-	-	17,828
Total assets	<u>\$ 1,436,838</u>	<u>\$ 436,386</u>	<u>\$ 1,169,291</u>	<u>\$ 3,042,515</u>
LIABILITIES				
Due to other funds	\$ 934	\$ -	\$ -	\$ 934
Total liabilities	<u>934</u>	<u>-</u>	<u>-</u>	<u>934</u>
FUND BALANCES				
Nonspendable	17,828	-	-	17,828
Restricted:				
Restricted for education	-	436,386	-	436,386
Restricted for operation of non-instructional services	1,418,076	-	-	1,418,076
Restricted for capital projects	-	-	1,169,291	1,169,291
	<u>1,435,904</u>	<u>436,386</u>	<u>1,169,291</u>	<u>3,041,581</u>
Total fund balances	<u>\$ 1,436,838</u>	<u>\$ 436,386</u>	<u>\$ 1,169,291</u>	<u>\$ 3,042,515</u>

LEBANON SPECIAL SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2015

	Cafeteria	Extended School Projects	Education Capital Projects	Total
Revenues				
Intergovernmental	\$ 1,513,501	\$ -	\$ -	\$ 1,513,501
Charges for current services	263,656	727,230	-	990,886
Other revenues	10,690	147,636	1,439	159,765
Total revenue	<u>1,787,847</u>	<u>874,866</u>	<u>1,439</u>	<u>2,664,152</u>
Expenditures				
Operation of non-instructional services	1,703,067	740,514	-	2,443,581
Capital projects	-	-	2,878,072	2,878,072
Total expenditures	<u>1,703,067</u>	<u>740,514</u>	<u>2,878,072</u>	<u>5,321,653</u>
Excess (deficiency) of revenues over expenditures	<u>84,780</u>	<u>134,352</u>	<u>(2,876,633)</u>	<u>(2,657,501)</u>
Other financing sources and (uses)				
Proceeds from sale of bonds	-	-	2,960,000	2,960,000
Premiums from sale of bonds	-	-	102,179	102,179
Transfers out	-	(2,500)	-	(2,500)
Total other financing sources and (uses)	<u>-</u>	<u>(2,500)</u>	<u>3,062,179</u>	<u>3,059,679</u>
Net change in fund balances	84,780	131,852	185,546	402,178
Fund balances, beginning	1,351,124	304,534	983,745	2,639,403
Fund balances, ending	<u>\$ 1,435,904</u>	<u>\$ 436,386</u>	<u>\$ 1,169,291</u>	<u>\$ 3,041,581</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, 2015

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Charges for current services				
Lunch payments - children	\$ 280,000	\$ 280,000	\$ 196,732	\$ (83,268)
Lunch payments - adults	45,000	45,000	35,406	(9,594)
Income from breakfast	-	-	50	50
Special milk sales	12,000	12,000	3,364	(8,637)
A la carte sales	55,000	55,000	27,954	(27,046)
Receipts from individual schools	-	-	150	150
Total	392,000	392,000	263,656	(128,344)
Other local revenues				
Recurring items				
Investment income	12,150	12,150	10,690	(1,460)
Total	12,150	12,150	10,690	(1,460)
Federal funds received thru state				
USDA lunch	1,005,200	1,005,200	1,010,323	5,123
USDA Commodities	125,016	125,016	86,912	(38,104)
USDA breakfast	394,215	394,215	401,607	7,392
USDA other	-	-	4,659	4,659
Other Federal through State	10,000	10,000	10,000	-
Total	1,534,431	1,534,431	1,513,501	(20,930)
Total revenue	1,938,581	1,938,581	1,787,847	(150,734)
Expenditures				
Food services	35,085	35,085	35,085	-
Clerical personnel	709,000	709,000	617,089	91,911
Cafeteria personnel	45,000	45,000	38,781	6,219
Social security	52,000	52,000	32,835	19,165
State retirement	1,000	1,000	611	389
Life insurance	125,000	125,000	98,576	26,424
Medical insurance	2,500	2,500	2,166	334
Unemployment insurance	11,000	11,000	9,035	1,965
Employer medicare liability	26,000	26,000	17,357	8,643
Maintenance & repair serv. equip.	600	600	82	518
Postal charges	10,000	10,000	4,450	5,550
Transportation - other than students	1,000	1,000	1,333	(333)
Travel	2,780	2,780	2,780	-
Other contracted services	6,000	6,000	4,999	1,001
Food preparation supplies	700,000	700,000	676,973	23,027
Food supplies	2,000	2,000	709	1,291
Office supplies	800	800	646	154
Uniforms	125,016	125,016	86,912	38,104
USDA Commodities	42,000	42,000	42,421	(421)
Other supplies & materials	800	800	3,904	(3,104)
In-service	6,000	6,000	4,765	1,235
Other charges	35,000	35,000	21,558	13,442
Food service equipment				
Total expenditures	1,938,581	1,938,581	1,703,067	235,514
Net change in fund balances	-	-	84,780	84,780
Fund balance, beginning	-	1,351,124	1,351,124	0
Fund balance, ending	\$ -	\$ 1,351,124	\$ 1,435,904	\$ 84,780

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, 2015

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Intergovernmental				
State funds				
Other state education funds	\$ -	\$ -	\$ 147,636	\$ 147,636
Total	-	-	147,636	147,636
Charges for current services				
Tuition - regular day students	560,250	540,250	563,361	23,111
Tuition - other	600	10,000	10,559	559
Community service fees - children	140,000	152,400	153,310	910
Total	700,850	702,650	727,230	24,580
Total revenue	700,850	702,650	874,866	172,216
Expenditures				
Community services				
Supervisor/director	55,050	55,050	55,050	-
Clerical personnel	60,000	45,000	55,662	(10,662)
Temporary/part-time personnel	95,000	80,000	65,538	14,462
Other salaries & wages	320,000	328,000	366,982	(38,982)
Social security	30,000	30,000	32,872	(2,872)
State retirement	20,000	20,000	20,851	(851)
Life insurance	500	500	260	240
Medical insurance	30,800	44,800	46,405	(1,605)
Unemployment compensation	2,500	2,500	1,695	805
Employer medicare liability	8,500	8,500	7,688	812
Maintenance & repair - equipment	5,000	5,000	3,822	1,178
Travel	5,000	5,000	9,806	(4,806)
Food supplies	19,000	17,400	21,438	(4,038)
Instructional supplies and materials	15,000	15,000	18,641	(3,641)
Refunds	500	1,900	1,930	(30)
In-service	4,000	4,000	4,864	(864)
Other charges	24,000	24,000	26,086	(2,086)
Other equipment	3,500	3,500	924	2,576
Total expenditures	698,350	690,150	740,514	(50,364)
Excess (deficiency) of revenues over expenditures	2,500	12,500	134,352	121,852
Other uses:				
Operating transfers	2,500	2,500	2,500	-
Total expenditures and other uses	2,500	2,500	2,500	-
Net change in fund balances	-	10,000	131,852	121,852
Fund balance, beginning	-	304,534	304,534	-
Fund balance, ending	\$ -	\$ 314,534	\$ 436,386	\$ 121,852

LEBANON SPECIAL SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance - Favorable/ (Unfavorable)
	Original	Final		
Revenues				
Other local revenues				
Recurring items				
Interest earned	\$ 2,000	\$ -	\$ 1,439	\$ 1,439
Total revenue	<u>2,000</u>	<u>-</u>	<u>1,439</u>	<u>1,439</u>
Expenditures				
Education capital projects				
Architects	11,338	7,866	7,866	-
Consultants	83,544	124,511	124,512	(1)
Underwriter's discount	-	29,600	29,600	-
Issuance costs	-	31,650	31,650	-
Building construction	1,110,513	790,860	790,860	-
Building improvements	-	700,000	543,523	156,477
Furniture and fixtures	31,800	31,800	31,800	-
Land	-	1,291,000	1,290,217	783
Other capital outlay	28,543	29,943	28,044	1,899
Total	<u>1,265,738</u>	<u>3,037,230</u>	<u>2,878,072</u>	<u>159,158</u>
Excess (deficiency) of revenues over expenditures	<u>(1,263,738)</u>	<u>(3,037,230)</u>	<u>(2,876,633)</u>	<u>160,597</u>
Other financing sources and (uses)				
Bond proceeds	-	2,960,000	2,960,000	-
Premiums on bonds sold	-	102,179	102,179	-
Total other financing sources and (uses)	<u>-</u>	<u>3,062,179</u>	<u>3,062,179</u>	<u>-</u>
Net change in fund balances	(1,263,738)	24,949	185,546	160,597
Fund balance, beginning	-	-	983,745	983,745
Fund balance, ending	<u>\$ (1,263,738)</u>	<u>\$ 24,949</u>	<u>\$ 1,169,291</u>	<u>\$ 1,144,342</u>

LEBANON SPECIAL SCHOOL DISTRICT

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity

June 30, 2015

	Land	Buildings and Improvements	Equipment	Total
Instruction	\$ 2,840,018	\$ 37,758,298	\$ 4,146,105	\$ 44,744,421
Support Services	547,478	4,195,367	53,156	4,796,001
Operation of non-instructional services	-	-	1,116,259	1,116,259
Total governmental capital assets	\$ 3,387,496	\$ 41,953,665	\$ 5,315,520	\$ 50,656,681

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, 2015

	Beginning Balance	Additions	Deletions	Ending Balance
Instruction	\$ 42,946,694	\$ 1,797,726	\$ -	\$ 44,744,420
Support Services	4,598,696	197,306	-	4,796,002
Operation of non-instructional services	1,109,569	6,690	-	1,116,259
Total	\$ 48,654,959	\$ 2,001,722	\$ -	\$ 50,656,681

LEBANON SPECIAL SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2015

Description of Debt	Original Amount of Issue	Interest Rate	Date of Issue	Outstanding Beginning Period	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	\$ 2,654,408	\$ -	\$ 229,152	\$ 2,425,256
General bonded debt							
Payable through Education Debt Service Fund							
School Bond Refunding - Series 2008	4,345,000	3.0 to 3.25	02-28-08	\$ 715,000	\$ -	\$ 580,000	\$ 135,000
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	02-24-14	4,195,000	-	460,000	3,735,000
Bonds - Series 2015	2,960,000	2.0 to 4.0	06-23-15	-	2,960,000	-	2,960,000
				\$ 22,910,000	\$ 2,960,000	\$ 1,040,000	\$ 24,830,000
Other debt							
Payable through General Fund							
Overpayment of Property Tax by Wilson County	1,046,017	0.00	6-30-13	\$ 941,397	\$ -	\$ 104,620	\$ 836,777
Payable through Education Debt Service Fund							
Overpayment of Property Tax by Wilson County	1,278,465	0.00	6-30-13	1,150,596	-	127,868	1,022,728
				\$ 2,091,993	\$ -	\$ 232,488	\$ 1,859,505

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Indebtedness and Interest Requirements

For the Fiscal Year Ended June 30, 2015

Fiscal Year Ending June 30,	Note Issue	Bond Issues				Other Debt			Total	Interest
		2-28-08 Principal	3-26-2010 Principal	2-24-14 Principal	6-23-15 Principal	General Fund	Wilson County Educ. Debt Serv.	Principal		
2016	\$ 229,152	\$ 135,000	\$ -	\$ 945,000	\$ -	\$ 104,620	\$ 127,869	\$ 1,541,641	\$ 843,382	
2017	229,152	-	-	1,135,000	125,000	104,620	127,869	1,721,641	831,177	
2018	229,152	-	-	1,170,000	130,000	104,620	127,869	1,761,641	794,626	
2019	229,152	-	270,000	485,000	130,000	104,620	127,869	1,346,641	756,927	
2020	229,152	-	850,000	-	135,000	104,620	127,869	1,446,641	731,790	
2021	229,152	-	875,000	-	130,000	104,620	127,869	1,466,641	703,400	
2022	229,152	-	905,000	-	135,000	104,620	127,869	1,501,641	672,280	
2023	229,152	-	935,000	-	140,000	104,437	127,645	1,536,234	640,082	
2024	229,152	-	965,000	-	140,000	-	-	1,334,152	606,801	
2025	229,152	-	1,000,000	-	145,000	-	-	1,374,152	572,567	
2026	133,736	-	1,025,000	-	150,000	-	-	1,308,736	534,491	
2027	-	-	1,065,000	-	155,000	-	-	1,220,000	492,772	
2028	-	-	1,105,000	-	160,000	-	-	1,265,000	448,762	
2029	-	-	1,145,000	-	165,000	-	-	1,310,000	402,006	
2030	-	-	1,185,000	-	170,000	-	-	1,355,000	352,841	
2031	-	-	1,235,000	-	175,000	-	-	1,410,000	301,215	
2032	-	-	1,280,000	-	185,000	-	-	1,465,000	245,882	
2033	-	-	1,335,000	-	190,000	-	-	1,525,000	188,405	
2034	-	-	1,385,000	-	195,000	-	-	1,580,000	128,561	
2035	-	-	1,440,000	-	205,000	-	-	1,645,000	65,576	
	\$ 2,425,256	\$ 135,000	\$ 18,000,000	\$ 3,735,000	\$ 2,960,000	\$ 836,777	\$ 1,022,728	\$ 29,114,761	\$ 10,313,543	

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Interfund Transfers

For the Fiscal Year Ended June 30, 2015

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

LEBANON SPECIAL SCHOOL DISTRICT

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

For the Fiscal Year Ended June 30, 2015

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	\$ 401,607
School Lunch Program	10.555	"	N/A	1,010,323
Title I Grants to Local Educational Agencies	84.010	"	N/A	638,393
Improving Teacher Quality State Grants	84.367	"	N/A	136,712
Teacher Incentive Fund	84.374	"	N/A	129,045
Special Education Cluster:				
Grants to States	84.027	"	N/A	702,863
Special Education - Preschool Grants	84.173	"	N/A	31,224
English Language Acquisition Grants	84.365	"	N/A	52,836
State Fiscal Stabilization Fund Cluster:				
ARRA - State Fiscal Stabilization Fund - Race-to-the-top				
Incentive Grants	84.395	"	N/A	14,588
Other Federal Grants	N/A	"	N/A	11,807
Total federal awards				\$ <u>3,129,398</u>
<u>State Financial Assistance</u>				
State awards				
Early Childhood Education	N/A	State Dept. of Education	(1)	\$ 682,834
LEAPS	N/A	"	(1)	147,638
Coordinated School Health	N/A	"	(1)	90,000
Family Resource Centers	N/A	"	(1)	29,612
Safe Schools Act	N/A	"	(1)	17,200
ConnecTenn	N/A	"	(1)	10,382
Child Nutrition	N/A	"	(1)	20,868
Assessment Administration	N/A	"	(1)	3,948
Student Ticket Subsidy	N/A	State Arts Commission	(1)	1,200
Total state financial assistance				\$ <u>1,003,682</u>

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

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



BELLENFANT

CERTIFIED PUBLIC ACCOUNTING FIRM

Professional Accounting & Consulting Services

**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

I 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, 2015, and the related notes to the financial statements, which collectively comprise Lebanon Special School District's basic financial statements, and have issued my report thereon dated March 18, 2016.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my 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, I 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

March 18, 2016

**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

I 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, 2015. 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

My responsibility is to express an opinion on compliance for each of Lebanon Special School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lebanon Special School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Lebanon Special School District's compliance.

Opinion on Each Major Federal Program

In my 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, 2015.

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 my audit of compliance, I 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, I 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.

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

Bellamy PLCC

March 18, 2016

LEBANON SPECIAL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2015

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? Yes No

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

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

Internal Control over major programs:

Material weaknesses identified? Yes No

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

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

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? 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, 2015

There were no audit findings reported for the fiscal year ended June 30, 2014.