

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
Of
MT. LEBANON SCHOOL DISTRICT
Mt. Lebanon, Pennsylvania

Fiscal year ended
June 30, 2011

BOARD OF SCHOOL DIRECTORS

Calendar <u>2010</u>	Calendar <u>2011</u>
Edward L. Kubit, President	Josephine C. Posti, President
Susan M. Rose, Vice-President	Dale F. Ostergaard, Vice-President
Mary D. Birks	Mary D. Birks
Elaine L. Cappucci	Elaine L. Cappucci
James M. Fraasch	Edward L. Kubit
Dale F. Ostergaard	Lawrence M. Lebowitz
Josephine C. Posti	Daniel L. Remely
Daniel L. Remely	Susan M. Rose
Faith Ann Stipanovich	Faith Ann Stipanovich

Dr. Timothy J. Steinhauer, Superintendent
Report Issued by the School District's Finance Office
Janice R. Klein, Director of Business

COMPLIANCE STATEMENT

The Mt. Lebanon School District continues its policy of non-discrimination on the basis of race, age, sex, religion, color, national origin, handicap or disability, as applicable in its educational programs, activities, or employment policies as required by Title IX of the 1972 Educational Amendments, Title VI of the Civil Rights Act of 1964, Section 504 Regulations of the Rehabilitation Act of 1973, the Americans with Disabilities Act and all other applicable state, federal and local law and ordinances.

For information regarding Title IX compliance, contact Mr. Brian McFeeley, Mt. Lebanon High School, 155 Cochran Road, Pittsburgh, PA 15228-1381, (412)344-2003. For information on section 504 compliance, contact the Facilities Director, Mt. Lebanon School District, 7 Horsman Drive, Pittsburgh, PA 15228-1107, (412) 344-2090. For information regarding the Americans with Disabilities Act, contact Human Resources, Mt. Lebanon School District, 7 Horsman Drive, Pittsburgh, PA 15228-1107, (412) 344-2080.

TABLE OF CONTENTS

INTRODUCTORY SECTION

	Page
Transmittal Letter	1
List of School District Officials.....	7
Organization Chart	8
Certificate of Excellence in Financial Reporting.....	9
Certificate of Achievement for Excellence in Financial Reporting	10

FINANCIAL SECTION

Independent Auditor's Report	11
Management's Discussion and Analysis (MD & A)	13

BASIC FINANCIAL STATEMENTS:

Statement of Net Assets.....	27
Statement of Activities	28
Balance Sheet – Governmental Funds	30
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	31
Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Funds.....	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	34
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual General Fund.....	35
Statement of Net Assets-Proprietary Fund	37
Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Fund.....	38
Statement of Cash Flows-Proprietary Fund.....	39
Statement of Fiduciary Net Assets.....	40
Statement of Changes in Fiduciary Net Assets.....	41
Notes to Basic Financial Statements.....	42

REQUIRED SUPPLEMENTARY INFORMATION:

Postemployment Benefits Other Than Pension Benefits (OPEBs) Schedule of Funding Progress	72
Postemployment Benefits Other Than Pension Benefits (OPEBs) Factors & Trends used in Actuarial Valuation	73

SUPPLEMENTARY INFORMATION:

<u>Combining and Individual Nonmajor Fund Financial Statements:</u> Description of District Funds.....	76
Combining Balance Sheet-Other Governmental Funds.....	77

TABLE OF CONTENTS

(Continued)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	
Other Governmental Funds.....	78
Statement of Changes in Assets and Liabilities All Agency Funds	79
Detailed Schedule of General Fund Expenditures by Function and Object-	
Budget and Actual (GAAP BASIS).....	80

STATISTICAL SECTION

Description of Statistical Section.....	83
Expenses, Program Revenues, and Net (Expense)/Revenue	84
General Revenues and Total Change in Net Assets.....	85
Net Assets by Component	86
Changes in Net Assets	87
Governmental Funds Revenues	88
General School District Expenditures by Function	89
Schedule of Expenditures by Object.....	90
Other Financing Sources and Uses and Net Change in Fund Balances,	
Governmental Funds.....	91
Fund Balances, Governmental Funds	92
Tax Revenues by Source	93
Assessed Value and Property Tax Rates-Direct and Overlapping Governments	94
Property Tax Levies and Collections.....	95
Property Tax Levies by Governmental Unit.....	96
Assessed and Estimated Actual Value of Taxable Property	97
Principal Real Estate Taxpayers	98
Principal Employers	99
Mt. Lebanon School District Earned Income Tax Revenue Base and Collections.....	100
Computation of Direct and Overlapping Debt.....	101
Computation of Nonelectoral Debt Margin	102
Legal Debt Margin Information.....	103
Ratio of Annual Debt Service Expenditures for General Bonded Debt to	
Total General Governmental Expenditures	104
Ratio of Net Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	105
Outstanding Debt by Type.....	106
Historical Schedule of Tax Rates and Statistics	107
Schedule of Total Expenditures Per Pupil	108
Pupil/Teacher Ratio and Attendance	109
Information on Teaching Staff.....	110
Full-Time Equivalent Employees	111

TABLE OF CONTENTS

(Continued)

Student Mean Test Scores	112
The Pennsylvania District PSSA Report	113
Program Results.....	115
Demographic and Economic Statistics	116
Municipality Construction Costs and Property Values.....	118
Building Information	119
Awards and Recognitions	120
Other Information	121
Map.....	122

INTRODUCTORY SECTION



Mt. Lebanon School District

7 Horsman Drive
Pittsburgh PA 15228-1107
(412) 344-2098

Office of the
Superintendent

CITIZENS OF MT. LEBANON:

November 18, 2011

The Comprehensive Annual Financial Report of Mt. Lebanon School District (School District) for the fiscal year ended June 30, 2011 is submitted herewith. This report was prepared by the School District's Finance Office. Responsibility for both the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures, rests with the School District. We believe that the data is accurately presented in all material respects, that it is presented in a manner designed to fairly present the financial position and results of operations of the School District as measured by the financial activity of the various funds and that all disclosures necessary to enable a reader to gain the maximum understanding of the School District's financial affairs have been included. The report from the independent auditors is presented to provide their opinion on whether or not the statements fairly present the financial position of the School District on June 30, 2011. Their unqualified opinion testifies to that fact.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

AWARDS FOR EXCELLENCE IN FINANCIAL REPORTING

The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting to Mt. Lebanon School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Mt. Lebanon School District for the same report.

In order to be awarded a Certificate of Excellence and/or a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to each of the programs' standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements. Both the Certificate of Excellence and the Certificate of Achievement are valid for a period of one year only. We believe our current report continues to conform to both programs' requirements, and we are submitting it to ASBO and GFOA to determine its eligibility for another certificate for the year ended June 30, 2011.

THE REPORTING ENTITY AND ITS SERVICES

Mt. Lebanon School District is a primary government as determined within the criteria established in the Governmental Accounting Standards Board's (GASB) Statement #14. The basic criterion for determining inclusion in the reporting entity is financial accountability and the nature and significance of the relationship.

The criteria of GASB Statement #14 as amended has been examined as to the relationship of the School District with the Parkway West Area Career and Technical School and the South Central Area School. These schools were determined to be joint ventures of the School District and accordingly, related net pro-rata shares of capital assets and long term debt have been recorded on the Statement of Net Assets. The Municipality of Mt. Lebanon is a primary government by itself and is not a component unit of the School District.

Mt. Lebanon School District is a suburban public school district outside the city of Pittsburgh, Pennsylvania. The School District provides a comprehensive educational system from kindergarten through grade twelve, including regular instruction, special instruction, vocational education and necessary support services.

Mt. Lebanon School District is governed by a nine-member elected School Board which establishes the budget and millage rate each year. There were 5,268 students in our educational system in 2010-11 who chose from a wide range of courses and offerings. Enrollment for 2011-12 is 5,297 with stable enrollment projected over the next few years.

Budgeting

In Mt. Lebanon, budgeting is a year-round process. Planning begins in the summer when goals and objectives for the next budget year are established. These goals are communicated to all staff members in anticipation of the budget cycle.

September marks the beginning of translating the planning process into monetary terms. Inventory, equipment and supply needs for the following school year are determined at each building based on census data. These needs are translated into specific bids as required by the Public School Code.

Review of budget requests occurs first at the building level by each principal, then by program administrators responsible for specific areas of the budget. These requests are then translated into monetary terms in the form of detailed budgetary schedules.

Various community hearings on the budget provide for resident input before the proposed budget is presented to the School Board. The School Board then reviews the proposed budget and incorporates their priorities into the spending plan.

The budget is presented to the community in its preliminary form during the month of January and in a proposed form in April. Revisions are made in response to community desires communicated through public hearings and discussions. Final passage of the budget occurs at the May School Board meeting. The spending plan is closely monitored in the Finance Office after implementation on July 1. The budget is prepared on a basis consistent with Generally Accepted Accounting Principles.

The budget is controlled by responsibility centers within program areas, and is reviewed monthly in order to assure funding plans are being implemented properly. Budgetary control is established by function and object within the General Fund to monitor expenditures which cannot legally exceed appropriated amounts. The School District also maintains an encumbrance accounting system to assist with budgetary control. Purchase orders are accrued at year end.

Internal Controls

Internal controls within the School District are refined each year to provide reasonable, but not absolute, assurance regarding both the safeguarding of assets against loss from unauthorized use or disposition and reliability of financial records. Changes in internal control recognize that the cost of control should not exceed the benefits likely to be derived. Cost and benefits are discussed both with the School Board and the independent auditors as changes become desirable. We believe that the School District's internal control within the accounting system adequately safeguards assets and provides reasonable assurance as to proper recording of financial activity.

ECONOMIC CONDITION

Community

Mt. Lebanon is a thriving suburb located six miles southwest of Pittsburgh. Data from the 2000 Census indicates Mt. Lebanon's population is 33,017. This represents just a 345-person decrease since 1990. This same data also indicates that Mt. Lebanon's 18 & under population is at 8,199. This represents a 710-person increase and is our municipality's first increase in this age group since 1970. Mt. Lebanon is a full-service municipality and ranks as one of Western Pennsylvania's few suburban communities that has very healthy and traditional business districts, as well as providing the possibility of living in a home, within neighborhoods that have sidewalks and tree-lined streets.

In 2010, according to the Mt. Lebanon Municipality, the average price for housing in Mt. Lebanon climbed to \$225,237. The housing stock varies in style and price—in 2010 housing prices ranged from \$50,000-\$1,000,000. Over the past 5 years, residential sales prices have increased 15.5%, an average of 3% annually.

The commercial and business areas within the community are diverse and offer a prospective business a wealth of opportunity. There are small neighborhood commercial districts, a strong central and identifiable downtown area and mall-like developments. The area provides access to a regional market well in excess of one million persons. Mt. Lebanon is within minutes of world class cultural, educational, and recreational facilities and professional sports events. Mt. Lebanon is strategically located six miles southwest of the city of Pittsburgh. Pittsburgh has more than 100 universities and corporate centers and is one of the nation's leaders in research and development for software engineering, robotics, artificial intelligence, advanced materials and biomedicine.

School District

The Mt. Lebanon School District continues to garner state and national recognition for its high performing schools. The Pittsburgh Business Times ranked the Mt. Lebanon School District third in the region in their 2010 Guide to Western Pennsylvania Schools. Newsweek included Mt. Lebanon High School on their list of top high schools in the nation. Washington Elementary School was named a National Blue Ribbon School in 2004-05. Lincoln Elementary School was named a National Blue Ribbon School in 2000-01 and 2002-03. In 1998-99 Mt. Lebanon High School was the recipient of its third National Blue Ribbon Award for excellence from the U.S. Department of Education and was given special recognition for the Fine Arts program. Ninety-five percent of the Class of 2010 planned to pursue full time post-graduate study in a two or four year college or university. The Senior Class of 2011 had 12 National Merit Semifinalists and 19 Commended Students.

In the area of Fine Art, Mt. Lebanon was named among the *2011 Best Communities for Music Education*, the Frick Art & Historical Center awarded the Mt. Lebanon School District the *2010 Roy A. Hunt Foundation Award for Commitment to Education in the Arts and Humanities* and the High School was awarded the *Educational Theatre Association 2003 Outstanding School Award*. In 2000, the school district received the *National School of Character Award*.

In athletics, our teams continue to excel at the highest levels of state and local competition. In the 2010-2011 school years, three teams won championships: girls' basketball won their third consecutive PIAA championship, boys' tennis and boys' lacrosse won WPIAL championships.

The school district, a wide variety of high quality housing, a public recreation center unique in Western Pennsylvania, traditional and healthy business districts, and a wide array of community services are a few reasons why Mt. Lebanon was chosen as one of the "50 Fabulous Places to Raise Your Family."

County

The Board of Property Assessment and Appeals establishes assessed values for all real estate in the county. In 2001-02, the county government entered into a county-wide reassessment of all properties led by an outside consulting group called Sabre Systems. This reassessment created a significant number of

dissatisfied residents resulting in over 2,100 appeals in Mt. Lebanon alone. What is not apparent from this number is a significant number of higher end houses that are under-assessed compared to recent sales prices in the neighborhood.

The change in assessments began a change in practice where homes had been assessed at 25% of market value. Now, homes are assessed at 100% of market value. This change resulted in an extraordinary increase in assessed value in our community. The increase in assessed value in 2002-03 is due to the second round of reassessments which were intended to remain frozen until 2006. The decrease in 2004-05 is the result of a number of successful appeals by homeowners after the second round of reassessments.

In 2005, the County Executive proposed that homes in the County be assessed at 100% of their value in 2002. The county then appealed thousands of assessments which had been increased in 2003-2005 due to sales prices excessively higher than the assessment at that time. The result of this decision was two lawsuits. Both lawsuits are complete. One opines that property owners and taxing bodies may present current market value of homes as evidence in determining 2002 market value. The other lawsuit challenged the constitutionality of the base year assessment system which was opined to be unconstitutional. The result of these lawsuits will have an effect upon the assessed value of properties throughout the state as all counties consider their response to these lawsuits. Allegheny County Courts mandated a complete reassessment of all properties in the county by 2012. This reassessment will require a readjustment of the millage rate to prevent a windfall of taxes to local governments.

State

Subsidies from the state for our 2011 budget reflected a continued commitment to increased funding for education. While increases in funding for education state-wide were healthy, the actual funding to our instructional program reflected minimum percentage increases from the prior year since our community is relatively wealthy. Gambling funds were sent to schools to offset resident property taxes. These funds had to be rebated to homeowners on a dollar for dollar basis as a reduction in their property tax bill. We anticipate these rebates to continue into the future.

In June of 2006, the Pennsylvania Legislature passed Special Session Act 1 limiting the ability of school districts to raise taxes beyond an Index or inflationary factor. This has a significant impact upon the ability of schools to raise taxes for their programming. Fortunately for our district these millage increase limits have been sufficient to fund programming needs. This year the Index limit including exceptions for existing debt service increases and increases in the PSERS retirement rate enabled the District to raise the 2.52 mills necessary to balance the budget. This law will, however, become a limiting factor when the School District completes funding plans for a high school renovation beginning in fiscal 2012.

Federal

The economic condition of the United States was very poor as a national recession was felt in all areas of the economy. In order to provide economic assistance, the Federal Government provided Federal Stimulus funds to states and to schools. In Pennsylvania the stimulus funds were used to reduce the State's contribution to education. As a result, our financial statements showed a reduction in Basic Education Subsidies from the State and increased Federal Grants in a similar amount for both fiscal 2010 and 2011. They will be eliminated in fiscal 2012.

MAJOR INITIATIVES

To remain competitive and maintain the School District's mission to provide the best education possible for each and every student, the School District includes funds to provide the appropriate facilities and curriculum to our students.

Budget goals for this year were to provide an excellent education system in adequate facilities at a cost reasonable for all residents. The superintendent and administration were given the direction to prepare a budget which addresses the strategic plan goal areas and facility needs for maintenance improvements. With the poor economic conditions faced throughout the country, the School District did not fund any new initiatives this year. We did, however continue to fund all programs that were in effect in fiscal 2010.

Moderating increases in health insurance along with thirteen teacher retirements and two eliminated positions created a base budget with no need for additional millage for basic operations. However, an increase in millage was necessary to begin paying for the first bonds to fund our high school renovation project. These bonds required us to raise 2.16 additional mills in this budget. An increase in the PSERS retirement rate which is required to be paid as a percentage of salaries for all our staff added an additional need for .37 mills in this budget. These increases in millage caused our millage rate to be 6th out of 42 schools in our county.

The major capital needs are being addressed through extensive meetings and studies concerning a high school renovation in the 2012 fiscal year. An architect and a construction management firm meet regularly with staff and residents to discuss plans and progress on this project. Plans center on repairs and replacement of major building structures within our high school facility. We have focused on the impact of funding this project as it relates to debt limits as well as millage increase limits under Act 1 of 2006. Our oldest building is Washington Elementary School which was built in 1921. Other buildings were built between 1925 and 1963. Almost all of our buildings have been renovated since 1995. We expect the high school will begin construction early in 2012 with a four year cycle before completion.

FINANCIAL POLICIES WITH A SIGNIFICANT IMPACT ON THIS YEAR'S FINANCIAL STATEMENTS

The major financial policy which impacted this year's costs was the decision to use Federal Stimulus funds to continue programs which would not have been funded an additional year without that revenue stream in both fiscal 2010 and 2011. One of these programs funds some teacher facilitators who may have returned to the classroom had funding not been available to continue their services in making sure our curriculum is being implemented properly throughout all our schools. Federal funding for special needs students also enabled us to provide programming our students have come to expect.

The financial decision to begin to fund textbook adoptions from the Capital Budget reduced spending in the General Fund for books. However, the reduction in the textbook inventory in the General Fund increased the recognition of cost for books from earlier years.

Issuance of the first debt for the High School Renovation Project increased debt service costs in fiscal 2011 by over \$5 million or 2.16 additional mills. These financial statements reflect the issuance of those bonds.

Energy managers continue to be diligent in implementing changes in practices which have reduced our use of electricity over 27% from the program's initiation in 2004. This, combined with falling utility rate charges, is reflected in significantly lower energy costs in fiscal 2011.

LONG TERM FINANCIAL PLANNING

The District has renovated all of its schools except for the high school since 1995. High school renovations are currently being planned and the initial borrowing to fund this project in fiscal 2012 is complete. This is one of the greatest issues pressuring the District's need to increase millage into the near future. The District's policy to maintain a fund balance of 6% of expenditures assures continued financial stability as the renovations approach.

Also continuing this year are discussions with the School Board concerning GASB #45 Funding for Other Post Employment Benefits (OPEB). An actuarial valuation of our benefit programs was complete and the need to set money aside for these benefits has become apparent. The School Board revised policy to permit transfer of fund balances in excess of 6% to both the Capital Projects Fund as well as what could be

a newly established OPEB Fund. This will be established as an assignment of the General Fund fund balance.

INDEPENDENT AUDIT

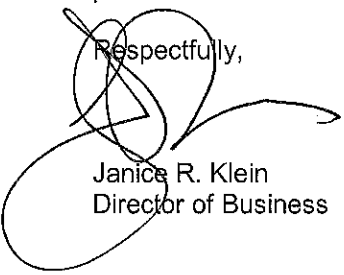
Mt. Lebanon School District engages independent certified public accountants to audit the School District's annual financial statements. The auditor's report on the fiscal 2011 financial statements is included in the financial section of this report, and complies with applicable guidelines.

ACKNOWLEDGMENTS

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Office. Each member has our sincere appreciation for contributions made in the preparation of this report.

Without the leadership and support of the School Board, preparation of this report would not have been possible.

Respectfully,



Janice R. Klein
Director of Business

MT. LEBANON SCHOOL DISTRICT
LIST OF SCHOOL DISTRICT OFFICIALS

CENTRAL OFFICE ADMINISTRATORS

Timothy J. Steinhauer..... Superintendent
Deborah P. Allen..... Assistant Superintendent of Elementary
Ronald P. Davis..... Assistant Superintendent of Secondary
Cissy Bowman..... Director of Communications
Gerald Ingram..... Director of Physical Plant
Janice R. Klein..... Director of Business
Steve Scheurer..... Director of Human Resources
Christopher R. Stengel..... Director of Technology

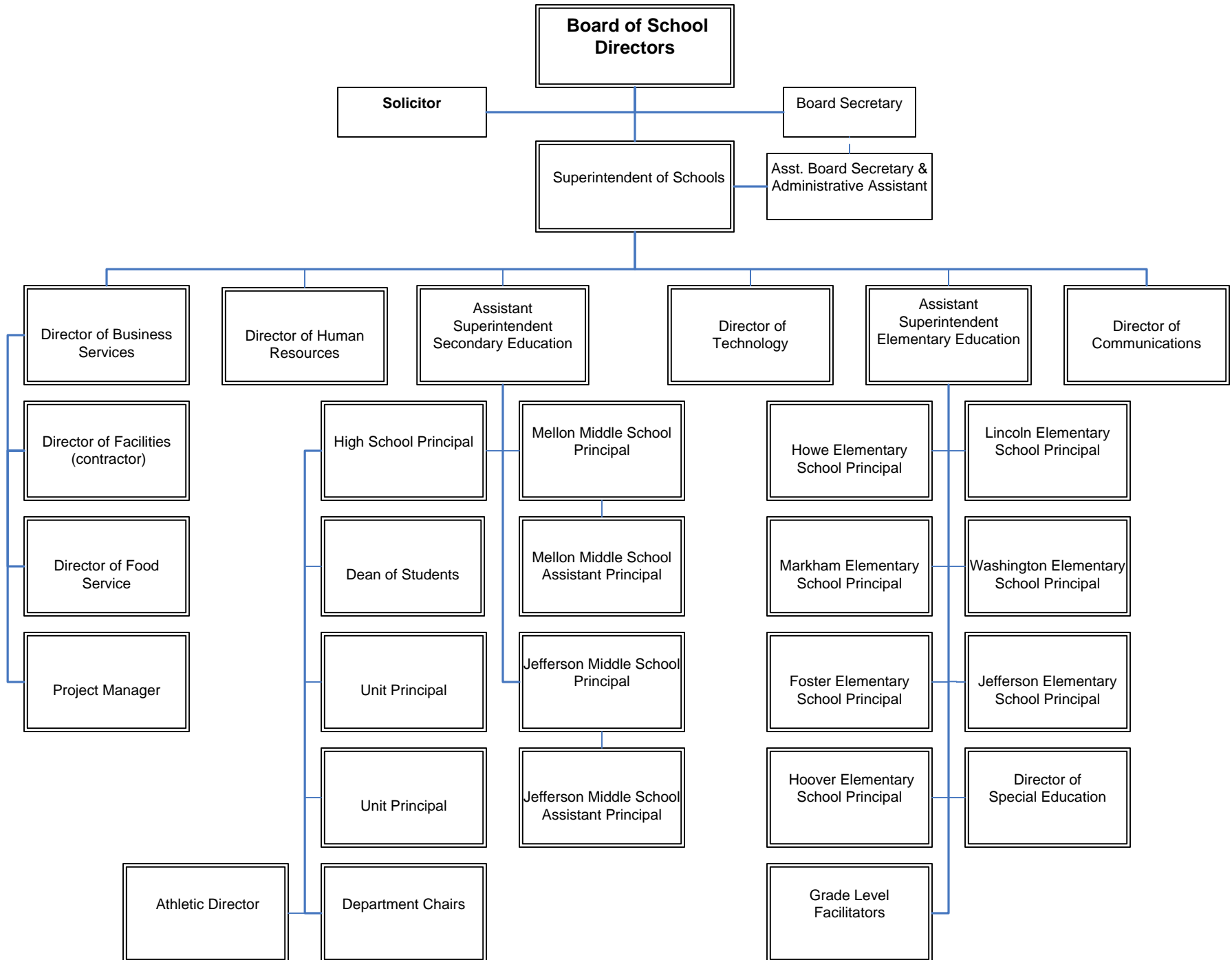
BOARD OF SCHOOL DIRECTORS

Josephine C. Posti..... President
Dale F. Ostergaard..... Vice President
Mary D. Birks..... Director
Elaine L. Cappucci..... Director
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Faith Ann Stipanovich..... Director

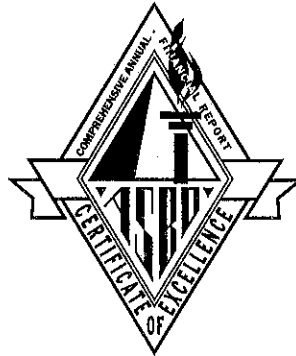
OTHER BOARD SERVICES

Janice R. Klein..... Board Secretary
Thomas P. Peterson..... Solicitor
Mellon Bank N.A. Treasurer
Maher Duessel..... Independent Auditors
Kelly Insurance..... Insurance Agent

Mt. Lebanon School District Organization Chart



ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL



This Certificate of Excellence in Financial Reporting

is presented to

Mt. Lebanon School District



For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2010

upon recommendation of the Association's Panel of Review
which has judged that the Report substantially conforms
to principles and standards of ASBO's Certificate of Excellence

President

Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Mt. Lebanon School District
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

FINANCIAL SECTION

Independent Auditor's Report

Board of Directors
Mt. Lebanon School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mt. Lebanon School District (School District) as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other postemployment benefits information on pages 13 through 26 and 72 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, capital assets schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and

individual nonmajor fund financial statements and capital assets schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Maher Duessel

Pittsburgh, Pennsylvania
October 14, 2011

MT. LEBANON SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

June 30, 2011

Our Management's Discussion and Analysis of Mt. Lebanon School District's (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2011. Please review this in conjunction with the School District's basic financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,"* issued June 1999. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

FINANCIAL HIGHLIGHTS

Real Estate Tax is the main source of funding for the Mt. Lebanon School District. This revenue source comprises over 70% of total General Fund revenues and is the only revenue source over which the School Board has control. The tax revenue received from real estate tax increased from 2010 by \$3,433,493 or 6.6%. This increase was the result of a change in the millage rate on property assessments in our community from 24.11 mills to 26.63 mills, a 2.52 mill increase from 2010. The millage increase was necessary because this was the first year we had to pay debt service on bonds floated to fund our high school renovation project. Assessments on real estate are set within Allegheny County at 2002 property values and are anticipated to change as a result of a county-wide reassessment in 2012.

Earned Income Tax is another major tax revenue for the School District. This tax is the result of a half percent rate on income earned by residents. It does not tax passive income such as investment earnings. Income from this source rose from 2010 by \$311,137 or 5.4%. This is reflective of the economy beginning to recover throughout the country.

The final large tax revenue for the School District is the Realty Transfer Tax, which taxes one half percent on the sale of homes in our community. The rates on both this tax and the Earned Income Tax rate are not able to be changed per State law. While homes in our community range from small starter homes, which are attractive to young families, to expansive properties, sales of homes went down 12% from the prior year due to the elimination of Federal tax relief given to new homeowners as part of the Federal stimulus package the prior year. This resulted in a reduction of \$161,901 in Realty Transfer Tax.

With falling interest rates throughout the country this year, the School District experienced \$131,633 less in investment earnings, a decrease of 49% from the prior year. Based on

continued falling interest rates throughout the country, we anticipate decreases in this revenue source for fiscal 2012.

State funding shows a decrease of \$280,899 or 0.2% from the prior year. This decrease is predominantly due to the State's receipt of ARRA Federal Stimulus funds, which they chose to use to offset their contribution to our educational programs. The decrease in State funding is therefore seen as an increase in Federal funding for the year. Federal funding increased \$532,205, or 29%, reflecting this change in funding as well as the Federal Stimulus funds the School District received from other sources.

For the eighth year in a row, Unassigned Fund Balance was not used in fiscal 2011 to balance the operating budget. This was because in fiscal 2004, the School Board took action to officially set the fund balance at 6% of the subsequent year's expenditure budget, requiring funds in excess of this amount to be transferred to the Capital Fund or another School District Fund. This calculation created assignments of fund balance in fiscal 2011 totaling \$4,050,512. Of this amount, \$2,375,512 is to be transferred to the Capital Fund and \$1,675,000 remains assigned for OPEB contributions for healthcare for our retired staff. The OPEB assignment was not transferred to a trust fund, so the funds remain in the General Fund.

Expenditure levels were down \$259,825 or 0.4% or from the prior year. This was due to a very limited budget plan which included no new programming for the year. The strict budget was in response to continued poor economic conditions which were reflected in high unemployment levels, low housing prices and limited credit availability throughout the country even though there was some recovery underway in the local area. Because of the beginning economic recovery, thirteen teachers and two administrators retired and we chose not to replace two of these positions. Since our retiring teachers earn twice the salary of incoming teachers, these retirements helped keep our total salary and benefit costs low. Additionally, a new labor contract was negotiated with our teaching staff which increased the employee contribution to their health insurance premiums and enabled the District to eliminate some payments for student supervision. With salaries and fringe benefits being 72% of our budget, these cost saving initiatives helped bring our spending in less than the prior year.

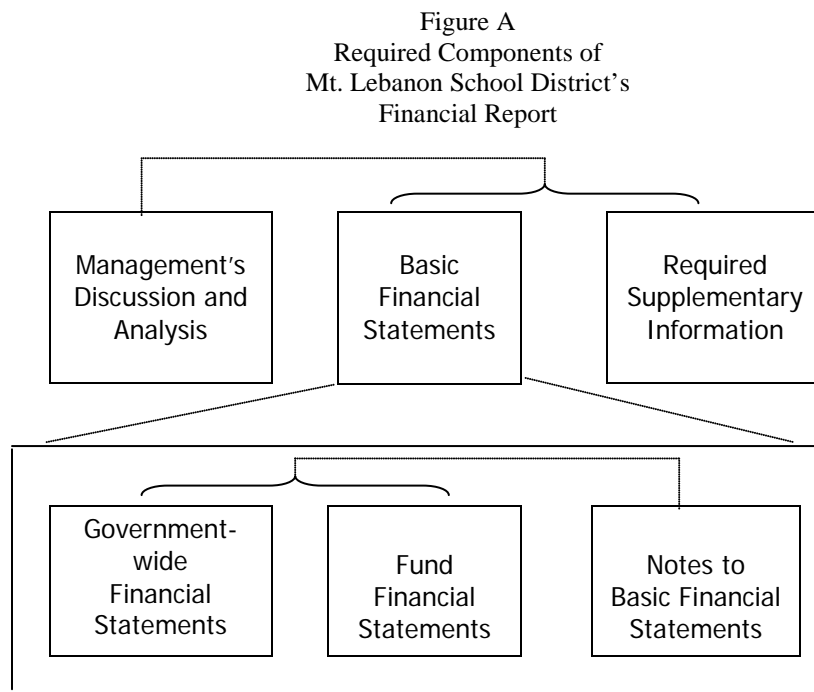
There was a large transfer to the Capital Fund from the General Fund this year since we had not transferred some prior year fund balance excess before July 1, 2010. This large one-time transfer plus the almost \$10 million transfer to the Debt Service Fund to provide funding for both outstanding debt as well as the first payment on the bonds for the high school renovation project, led to a \$3,176,936 reduction in the total Fund Balance to its ending balance of \$9,841,437.

The Capital Fund reflected the early costs of the High School Renovation Project. Since the project is not yet underway, spending in that area dropped from \$5,145,797 in 2010 to \$2,705,313 in 2011. Part of this decrease was that in fiscal 2010 we replaced the turf at the high school stadium, and that was not repeated in fiscal 2011. Renovation costs were predominantly architect and construction manager costs which funded the design and construction drawing work. In October 2009, the first of two bond issues to fund the high school renovation was issued to pay early architect fees and begin construction management for this project. This bond issue had principal values of \$69 million, but because of premiums on the sale of the bond, the School District acquired \$75 million in funds for the project. Most of these funds continue to be reflected in the Fund Balance of the Capital Fund. The project is anticipated to take four years to complete and cost \$113 million in its entirety.

USING THE BASIC FINANCIAL STATEMENT REPORT

This Basic Financial Statement Report consists of the Management's Discussion and Analysis (this section), a series of financial statements and notes to those statements, and Required Supplementary Information. The Statement of Net Assets and Statement of Activities, on pages 27 through 29, provides information about the activities of the School District as a whole and presents a longer-term view of the School District's finances. Fund Financial Statements, which start on page 30, provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The Fund Financial Statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For the School District, the General Fund is the most significant fund. The financial statements include notes that explain some of the information in the financial statements and provide more detailed data. Lastly, Required Supplementary Information is included on pages 72 and 73 to provide information regarding the School District's OPEB obligations.

Figure A shows how the required parts of the Financial Report are arranged and relate to one another:



Reporting the School District as a Whole

Government-wide Statements

While the Fund Financial Statements beginning on page 30 contain the majority of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially during Fiscal Year 2011?” The Statement of Net Assets and the Statement of Activities answer this question.

The Government-wide Statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-wide financial statements report the School District’s net assets and how they have changed. Net assets, the difference between the School District’s assets and liabilities, are one way to measure the School District’s financial health or position.

Over time, increases or decreases in the School District’s net assets are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the School District, you need to consider additional non-financial factors, such as changes in the School District’s property tax base and the performance of the students.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- Governmental activities – Most of the School District’s basic services are included here, such as instructional services, support services, operation and maintenance of plant, student transportation services, and administration. Property taxes and state and federal subsidies and grants finance most of these activities.
- Business-type activities – The School District operates a food service program and charges fees to staff, students, and visitors to help cover the costs of the food service operation.

Reporting the School District’s Most Significant Funds

Fund Financial Statements

Fund financial statements, which begin on page 30, provide detailed information about the most significant funds – not the School District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds – Most of the School District’s activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District’s operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District’s programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reflected on reconciliations on pages 31 and 34.

Proprietary fund – This fund is used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges for services it provides – whether to outside customers or to other units in the School District – these services are generally reported in proprietary funds. The Food Service Fund is the School District’s only proprietary fund and uses the same basis of accounting as business-type activities; therefore, these statements will essentially match.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's total net assets were \$18,331,488 at June 30, 2010 and \$20,732,726 at June 30, 2011. This represents an increase in net assets of \$2,401,238, indicating that the School District’s overall financial position has increased since fiscal 2010. This increase is largely due to savings in labor costs as a result of a cost-efficient teacher contract finalized after the budget had been approved and a reduction in the rate all schools had to pay for our employee retirement plan after the budget was approved in fiscal 2011 and, therefore, unspent at year-end. This is offset by increased unearned revenue which is the 2012 Real Estate Tax received prior to June 30, 2011 in the amount of \$5,959,049, an increase of \$1,093,778 from fiscal 2010.

Table 1
Fiscal Year Ended June 30, 2011
Net Assets

	Governmental Activities	Business-type Activities	2011 Total
Current and other assets	\$ 105,637,411	\$ 671,442	\$ 106,308,853
Capital assets	70,934,451	52,114	70,986,565
Total Assets	<u>\$ 176,571,862</u>	<u>\$ 723,556</u>	<u>\$ 177,295,418</u>
Current and other liabilities	\$ 14,065,544	\$ 27,794	\$ 14,093,338
Long-term liabilities:			
Due within one year	4,379,847	-	4,379,847
Due in more than one year	141,096,898	-	141,096,898
Deferred refunding loss	(3,007,391)	-	(3,007,391)
Total Liabilities	<u>\$ 156,534,898</u>	<u>\$ 27,794</u>	<u>\$ 156,562,692</u>
Invested in capital assets, net of related debt	\$ 3,458,794	\$ 52,114	\$ 3,510,908
Unrestricted	16,483,089	643,648	17,126,737
Restricted	95,081	-	95,081
Total Net Assets	<u>\$ 20,036,964</u>	<u>\$ 695,762</u>	<u>\$ 20,732,726</u>

	Governmental Activities	Business-type Activities	2010 Total
Current and other assets	\$ 105,106,903	\$ 570,562	\$ 105,677,465
Capital assets	71,037,245	64,196	71,101,441
Total Assets	<u>\$ 176,144,148</u>	<u>\$ 634,758</u>	<u>\$ 176,778,906</u>
Current and other liabilities	\$ 13,026,699	\$ 16,001	\$ 13,042,700
Long-term liabilities:			
Due within one year	3,563,644	-	3,563,644
Due in more than one year	144,761,735	-	144,761,735
Deferred refunding loss	(2,920,661)	-	(2,920,661)
Total Liabilities	<u>\$ 158,431,417</u>	<u>\$ 16,001</u>	<u>\$ 158,447,418</u>
Invested in capital assets, net of related debt	\$ 2,257,530	\$ 64,196	\$ 2,321,726
Unrestricted	15,274,102	554,561	15,828,663
Restricted	181,099	-	181,099
Total Net Assets	<u>\$ 17,712,731</u>	<u>\$ 618,757</u>	<u>\$ 18,331,488</u>

Most of the School District's net assets are unrestricted. The remaining net assets are invested in capital assets (buildings, land, and equipment), net of related debt and restricted for purchases of athletic equipment, playground equipment, and technology.

The results of this year's operations as a whole are reported in the Statement of Activities on pages 28 and 29. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues. The four largest general revenues are listed in Table 2.

Table 2
Fiscal Year Ended June 30, 2011
General Revenues

	2010-11	2009-10	Increase/ -Decrease	%
Real Estate Taxes	\$54,724,426	\$51,755,572	2,968,854	5.7
Other Taxes - mainly Earned Income Taxes	6,786,259	6,645,443	140,816	2.1
Grants and Subsidies (mainly provided by the Commonwealth of Pennsylvania)	4,761,007	5,020,923	-259,916	-5.2
State Property Tax reduction	1,698,323	1,698,235	88	0.0

The 2011 government-wide financial statements offer a view of the financial condition of the School District on a consolidated basis. For example, investment earnings (Statement of Activities, page 29) not only include interest earnings in the General Fund, but also interest earnings in the Capital Fund and all other Governmental Funds. These General Revenues have shown an increase from fiscal 2010 of \$3,287,635 which is reflective of the increase in real estate tax revenues from a millage increase of 2.52 mills.

Tables 3A and 3B takes the information from the Statement of Activities, rearranges it slightly, so you can see our total revenues and expenditures for the year as compared to last year.

Table 3A
Fiscal Year Ended June 30, 2011
Changes in Net Assets

	Governmental Activities	Business-type Activities	2011 Total
Revenues:			
Program revenues:			
Charges for services	\$ 287,674	\$ 1,388,183	\$ 1,675,857
Operating grants and contributions	9,730,294	274,040	10,004,334
General revenues:			
Property taxes	54,724,426	-	54,724,426
Other taxes	6,786,259	-	6,786,259
Grants, subsidies, and contributions:			
Unrestricted	4,761,007	-	4,761,007
Investment earnings	498,339	2,114	500,453
Other income	1,806,457	-	1,806,457
Total revenues	<u>78,594,456</u>	<u>1,664,337</u>	<u>80,258,793</u>
Expenses:			
Instructional services	41,641,578	-	41,641,578
Pupil services	3,170,406	-	3,170,406
Instructional support services	2,799,921	-	2,799,921
Administration	4,122,789	-	4,122,789
Pupil health services	743,864	-	743,864
Financial services	972,508	-	972,508
Operation and maintenance of plant	7,798,144	-	7,798,144
Student transportation services	1,106,780	-	1,106,780
Other support services	1,657,453	-	1,657,453
Student activities	1,885,204	-	1,885,204
Community services	354,195	-	354,195
Intergovernmental:			
Special education	2,354,590	-	2,354,590
Other	649,455	-	649,455
Interest on long-term debt	6,971,523	-	6,971,523
Food services	-	1,629,145	1,629,145
Total expenses	<u>76,228,410</u>	<u>1,629,145</u>	<u>77,857,555</u>
Gain/Loss before transfers	<u>2,366,046</u>	<u>35,192</u>	<u>2,401,238</u>
Transfers	<u>(41,813)</u>	<u>41,813</u>	<u>-</u>
Change in net assets	2,324,233	77,005	2,401,238
Net assets:			
Beginning of year	<u>17,712,731</u>	<u>618,757</u>	<u>18,331,488</u>
End of year	<u>\$ 20,036,964</u>	<u>\$ 695,762</u>	<u>\$ 20,732,726</u>

Table 3B
Fiscal Year Ended June 30, 2010
Changes in Net Assets

	Governmental Activities	Business-type Activities	2010 Total
Revenues:			
Program revenues:			
Charges for services	\$ 306,016	\$ 1,287,939	\$ 1,593,955
Operating grants and contributions	9,281,671	189,835	9,471,506
General revenues:			
Property taxes	51,755,572	-	51,755,572
Other taxes	6,645,443	-	6,645,443
Grants, subsidies, and contributions:			
Unrestricted	5,020,923	-	5,020,923
Investment earnings	639,969	5,980	645,949
Other income	1,837,810	-	1,837,810
Total revenues	<u>75,487,404</u>	<u>1,483,754</u>	<u>76,971,158</u>
Expenses:			
Instructional services	42,142,150	-	42,142,150
Pupil services	3,139,349	-	3,139,349
Instructional support services	2,738,888	-	2,738,888
Administration	4,418,809	-	4,418,809
Pupil health services	775,048	-	775,048
Financial services	1,080,999	-	1,080,999
Operation and maintenance of plant	8,328,024	-	8,328,024
Student transportation services	1,088,955	-	1,088,955
Other support services	1,726,041	-	1,726,041
Student activities	2,006,483	-	2,006,483
Community services	470,938	-	470,938
Intergovernmental:			
Special Education	1,877,418	-	1,877,418
Other	585,426	-	585,426
Interest on long-term debt	3,230,992	-	3,230,992
Food services	-	1,549,887	1,549,887
Total expenses	<u>73,609,520</u>	<u>1,549,887</u>	<u>75,159,407</u>
Gain/Loss before transfers	<u>1,877,884</u>	<u>(66,133)</u>	<u>1,811,751</u>
Transfers	<u>(69,162)</u>	<u>69,162</u>	<u>-</u>
Change in net assets	1,808,722	3,029	1,811,751
Net assets:			
Beginning of year	<u>15,904,009</u>	<u>615,728</u>	<u>16,519,737</u>
End of year	<u>\$ 17,712,731</u>	<u>\$ 618,757</u>	<u>\$ 18,331,488</u>

Table 4 shows the School District's functional areas as well as each program's net cost for governmental activities (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table 4
Fiscal Year Ended June 30, 2011
Governmental Activities

Functions/Programs	2011 Total Expense of Services	2011 Net Expense of Services	2010 Net Expense of Services
Instructional services	\$ 41,641,578	\$ 33,937,118	\$ 35,004,938
Pupil services	3,170,406	3,027,574	3,000,574
Instructional support services	2,799,921	2,691,716	2,633,711
Administration	4,122,789	3,954,472	4,255,103
Pupil health services	743,864	591,219	621,028
Financial services	972,508	945,643	1,054,887
Operation and maintenance of plant	7,798,144	7,593,426	8,128,850
Student transportation services	1,106,780	937,957	950,964
Other support services	1,657,453	1,618,889	1,688,523
Student activities	1,885,204	1,821,952	1,944,654
Community services	354,195	332,745	450,057
Intergovernmental:			
Special education	2,354,590	1,931,491	1,391,710
Other	649,455	649,455	585,426
Interest on long-term debt	6,971,523	6,176,785	2,311,408
Total governmental activities	<u>\$ 76,228,410</u>	<u>66,210,442</u>	<u>64,021,833</u>
Less:			
Unrestricted grants, subsidies		<u>4,761,007</u>	<u>5,020,923</u>
Total needs from local taxes and other revenues		<u><u>\$ 61,449,435</u></u>	<u><u>\$ 59,000,910</u></u>

The dependence upon tax revenues for governmental activities is apparent. The School District had expenses for governmental activities of \$76,228,410 while only \$287,674 has been provided from program specific charges and \$9,730,294 has been provided by the State and Federal Governments as operating grants. The School District also received \$4,761,007 from the State for Basic Education expenses, which leaves \$61,449,435 of expenses required to be covered by tax assessments and other revenues. Approximately, 81 percent of School District activities are supported through taxes and other general revenues. The community, as a whole, is the primary support for School District students.

Business-Type Activities

The only business-type activity of the School District is the Food Services operation. This program had operating revenues of \$1,388,183 and operating expenses of \$1,629,145 for fiscal year 2011. Non-operating revenues totaled \$276,154. Additionally, the School District transferred into the food services fund the cost charged for overhead, which totaled \$41,813.

THE SCHOOL DISTRICT'S FUNDS

The General Fund, which accounts for the School District's operations, represents the School District's most significant major fund. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds on pages 32 and 33 is summarized in Table 5.

Table 5
Fiscal Year Ended June 30, 2011
Summary of Governmental Change in Fund Balance

	Beginning Fund Balance	Net Change in Fund Balance	Ending Fund Balance
2011:			
General Fund	\$ 13,018,373	\$ (3,176,936)	\$ 9,841,437
Capital Fund	76,222,647	3,172,847	79,395,494
Debt Service Fund	-	-	-
Other Governmental Funds	1,870,819	(84,313)	1,786,506
2011 - Total Governmental Funds	<u>\$ 91,111,839</u>	<u>\$ (88,402)</u>	<u>\$ 91,023,437</u>
2010 - Total Governmental Funds	<u>\$ 16,971,227</u>	<u>\$ 74,140,612</u>	<u>\$ 91,111,839</u>

The decrease in the General Fund is predominantly from the transfer of excess fund balance to the Capital Fund per Board Policy. The increase in fund balance in the Capital Fund confirms that transfer.

General Fund Budgeting Highlights

The School District's General Fund budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The only fund for which a budget is legally required is the General Fund.

During the fiscal year, the Board authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the School District. The budgeting systems are designed to tightly control budgets by making administrators responsible for their individual budget areas. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided on pages 35 and 36.

For the General Fund, local sources of revenues were more than budgeted amounts by \$198,067. The increase of about 1% in Real Estate Taxes is offset by a decrease in both Realty Transfer Taxes and Investment Earnings due to poor economic conditions in the country as a whole.

There is also an increase in Earned Income Taxes due to the beginning stages of economic recovery in our area. State revenue sources were down \$2,234,125 due to the State substituting Federal Stimulus Funds for their typical contribution towards education as well as the reduction in the PSERS retirement rate required to be paid for our staff. This rate was changed after the Budget was approved in May. The State reimburses us half the cost of the PSERS contribution.

When the rate was reduced, the District paid less for the retirement contribution and the State reimbursed us half of the smaller sum. This led to about \$700,000 less in total cost and a commensurate increase in our Fund Balance. The Federal funding sources were up \$1,216,200 for Federal Stimulus Funds passed through from the State.

Expenditures were budgeted at \$69,295,548 while actual expenditures were \$66,286,091; a positive variance of \$3,009,457. By State law, all expenditure budgets must have positive year-end balances except for debt service and fund transfers. The under spending of budgeted sums is due to reduced cost of instructional salaries. Funds in this area are saved when we have staff going on unpaid leaves being replaced by low cost substitutes or when we have retirements or resignations during the year that are not known at the time the budget is approved. We are also able to save money by delaying replacement of some budgeted positions. This year, a renegotiated teacher labor contract saved the School District significant costs for health care benefits as well as in salaries for extra duties in supervising students. There was also a reduction in the retirement rate paid for our employee PSERS retirement plan which occurred after the Budget was approved in May of 2010. This reduced rate saved us both in costs as well as reducing the amount of State Revenue for their share of the cost. Savings in energy cost was significant from the original budgeted amount both from lower rates on energy as well as an active energy management program providing savings of about 27% on actual usage.

The General Fund revenues and other financing sources of the School District were less than expenditures and other financing uses by \$3,176,936 primarily due to a transfer to the Capital Fund which was not budgeted in fiscal 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2011, the School District's Governmental Activities had \$70,934,451 invested in a broad range of capital assets, including land, site improvements, buildings, equipment, and vehicles. This amount represents a net decrease (including additions, deletions, and depreciation) of \$102,794 from last year.

Table 6
Governmental Activities
Fiscal Year Ended June 30, 2011
Capital Assets - Net of Depreciation (if applicable)

	2011	2010
Land	\$ 547,024	\$ 547,024
Construction in progress	5,889,587	4,013,121
Buildings and Improvements	102,208,955	101,735,518
Furniture and Equipment	13,560,424	13,492,849
Accumulated depreciation	<u>(51,271,539)</u>	<u>(48,751,267)</u>
Total (net)	<u>\$70,934,451</u>	<u>\$71,037,245</u>

For more detail of Capital Assets, please refer to the notes to basic financial statements, page 59.

DEBT ADMINISTRATION

As of June 30, 2011, the School District had total outstanding bond principal of \$134,695,000. More detailed information about our long-term liabilities is included in the notes to basic financial statements beginning on page 55.

Table 7
Fiscal Year Ended June 30, 2011
Long-Term Obligations

	2011	2010
General Obligation Notes/Bonds:		
2002 A General Obligation Bonds	\$ -	\$ 460,000
2004 General Obligation Bonds Refunded in 2011	-	11,880,000
2005 General Obligation Bonds	52,845,000	52,955,000
2009 General Obligation Bonds	2,975,000	3,435,000
2009 A General Obligation Bonds	68,300,000	69,000,000
2011 General Obligation Bonds	<u>10,575,000</u>	<u>-</u>
Total	<u>\$134,695,000</u>	<u>\$137,730,000</u>

NEXT YEAR'S BUDGETS AND RATES

The General Fund revenue and expenditure budget for the 2012 year is \$1,014,607 lower than the original budget for 2011. This represents a 1.3% decrease in budgeted expenditures, predominantly in the areas of employee benefits, but includes reductions in cost throughout all accounts. Additionally, the refinancing of the 2004 Bonds provided a reduction in debt payments of about a half million dollars. Twelve teacher retirements and an administrative retirement helped keep salary increases to only 0.7% overall.

There was no millage increase in this budget. The millage rate remained at 26.63 mills. Federal Stimulus Funds were eliminated from this budget as they were only intended to be a two-year funding source, ending in fiscal 2011. This budget reflects our School District's millage rate at 7th of 43 school systems in Allegheny County.

The comparison of revenues and expenditures categories is as follows:

Table 8
BUDGETED REVENUES

	2011-12	2010-11	% Increase <Decrease>
Local	\$62,942,153	\$62,906,450	0.1
State	14,618,555	15,312,818	-4.5
Federal/Other	787,125	1,143,172	-31.1
Use of Fund Balance	-	-	0.0
Total	<u>\$78,347,833</u>	<u>\$79,362,440</u>	-1.3

BUDGETED EXPENDITURES

	2011-12	2010-11	% Increase <Decrease>
Instruction	\$42,892,984	\$43,045,463	-0.4
Support Services	23,348,151	23,717,584	-1.6
Non-Instruction/Community	2,378,836	2,466,429	-3.6
Fund Transfers/Debt	<u>9,727,862</u>	<u>10,132,964</u>	-4.0
Total	<u>\$78,347,833</u>	<u>\$79,362,440</u>	-1.3

Act 1 of 2006 limits the ability of school boards to raise millage rates above an inflationary index without asking the community to approve that budget via a voting referendum. This legislation will create challenges as we look forward to planning for funding the remaining costs of the High School Renovation Project in the 2015 fiscal year.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show the School Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Janice R. Klein, Director of Business, Mt. Lebanon School District, 7 Horsman Drive, Mt. Lebanon, PA 15228, 412-344-2098, jklein@mtlsd.net.

MT. LEBANON SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 30,435,506	\$ 638,066	\$ 31,073,572
Cash and cash equivalents - restricted	70,397,227	-	70,397,227
Property taxes receivable, net of allowance for uncollectible	528,635	-	528,635
Earned income taxes receivable	902,438	-	902,438
Intergovernmental receivable	531,366	34,191	565,557
Other receivables	59,919	32,388	92,307
Internal balances	59,203	(59,203)	-
Prepaid assets	291,015	-	291,015
Inventory	1,397,338	26,000	1,423,338
Bond issue costs	588,514	-	588,514
Investment in joint ventures	446,250	-	446,250
Capital assets:			
Non-depreciable	6,436,611	-	6,436,611
Depreciable, net of accumulated depreciation	64,497,840	52,114	64,549,954
Total Assets	\$ 176,571,862	\$ 723,556	\$ 177,295,418
Liabilities and Net Assets			
Liabilities:			
Accounts payable and other current liabilities	\$ 1,187,296	\$ 19,442	\$ 1,206,738
Accrued salaries and benefits	5,989,822	-	5,989,822
Accrued interest payable	929,377	-	929,377
Unearned revenue	5,959,049	8,352	5,967,401
Non-current liabilities:			
Due within one year	4,379,847	-	4,379,847
Due in more than one year	141,096,898	-	141,096,898
Deferred refunding loss	(3,007,391)	-	(3,007,391)
Total Liabilities	156,534,898	27,794	156,562,692
Net Assets:			
Invested in capital assets, net of related debt	3,458,794	52,114	3,510,908
Unrestricted	16,483,089	643,648	17,126,737
Restricted for special projects	95,081	-	95,081
Total Net Assets	20,036,964	695,762	20,732,726
Total Liabilities and Net Assets	\$ 176,571,862	\$ 723,556	\$ 177,295,418

The notes to basic financial statements are an integral part of this statement.

MT. LEBANON SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instructional services	\$ 41,641,578	\$ 287,674	\$ 7,416,786	\$ -	\$ (33,937,118)	\$ -	\$ (33,937,118)
Pupil services	3,170,406	-	142,832	-	(3,027,574)	-	(3,027,574)
Instructional support services	2,799,921	-	108,205	-	(2,691,716)	-	(2,691,716)
Administration	4,122,789	-	168,317	-	(3,954,472)	-	(3,954,472)
Pupil health services	743,864	-	152,645	-	(591,219)	-	(591,219)
Financial services	972,508	-	26,865	-	(945,643)	-	(945,643)
Operation and maintenance of plant	7,798,144	-	204,718	-	(7,593,426)	-	(7,593,426)
Student transportation services	1,106,780	-	168,823	-	(937,957)	-	(937,957)
Other support services	1,657,453	-	38,564	-	(1,618,889)	-	(1,618,889)
Student activities	1,885,204	-	63,252	-	(1,821,952)	-	(1,821,952)
Community services	354,195	-	21,450	-	(332,745)	-	(332,745)
Intergovernmental:							
Special education	2,354,590	-	423,099	-	(1,931,491)	-	(1,931,491)
Other	649,455	-	-	-	(649,455)	-	(649,455)
Unallocated expenses - excluding direct expenses reported as a function above:							
Interest on long-term debt	6,971,523	-	794,738	-	(6,176,785)	-	(6,176,785)
Total governmental activities	76,228,410	287,674	9,730,294	-	(66,210,442)	-	(66,210,442)

(Continued)

The notes to basic financial statements are an integral part of this statement.

MT. LEBANON SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities:							
Food services	1,629,145	1,388,183	274,040	-	-	33,078	33,078
Total	<u>\$ 77,857,555</u>	<u>\$ 1,675,857</u>	<u>\$ 10,004,334</u>	<u>\$ -</u>	(66,210,442)	33,078	(66,177,364)
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net of uncollectibles					54,724,426	-	54,724,426
Local Services Tax Revenue					37,481	-	37,481
Public Utility Realty Tax					79,608	-	79,608
Earned Income Tax					6,094,304	-	6,094,304
Occupation Tax					-	-	-
Real Estate Transfer Tax					574,866	-	574,866
Grants, subsidies, and contributions not restricted to a specific program					4,761,007	-	4,761,007
State property tax reduction					1,698,323	-	1,698,323
Investment earnings					498,339	2,114	500,453
Other income					85,355	-	85,355
Change in investment in joint ventures					22,779	-	22,779
Transfers					(41,813)	41,813	-
Total general revenues and transfers					68,534,675	43,927	68,578,602
Total Change in Net Assets					2,324,233	77,005	2,401,238
Net Assets:							
Beginning of year					17,712,731	618,757	18,331,488
End of year					<u>\$ 20,036,964</u>	<u>\$ 695,762</u>	<u>\$ 20,732,726</u>

(Concluded)

The notes to basic financial statements are an integral part of this statement.

MT. LEBANON SCHOOL DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2011

	General Fund	Capital Fund	Debt Service Fund	Other Governmental Funds	Total
Assets					
Cash and cash equivalents	\$ 19,903,806	\$ 8,745,194	\$ -	\$ 1,786,506	\$ 30,435,506
Cash and cash equivalents - restricted	-	70,397,227	-	-	70,397,227
Receivables:					
Property taxes	528,635	-	-	-	528,635
Tuition	53,389	-	-	-	53,389
Federal and state governmental grants	400,961	-	-	-	400,961
Earned income taxes	902,438	-	-	-	902,438
Realty transfer taxes	130,405	-	-	-	130,405
Other	6,530	-	-	-	6,530
Due from other funds	59,203	-	-	-	59,203
Inventory	799,040	598,298	-	-	1,397,338
Prepaid insurance	291,015	-	-	-	291,015
Total Assets	\$ 23,075,422	\$ 79,740,719	\$ -	\$ 1,786,506	\$ 104,602,647
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 842,071	\$ 345,225	\$ -	\$ -	\$ 1,187,296
Retainage payable	-	-	-	-	-
Accrued payroll and payroll - related liabilities	5,989,822	-	-	-	5,989,822
Due to other funds	-	-	-	-	-
Due to student organizations	-	-	-	-	-
Revenue collected in advance	5,959,049	-	-	-	5,959,049
Deferred revenue	443,043	-	-	-	443,043
Total Liabilities	13,233,985	345,225	-	-	13,579,210
Fund Balance:					
Nonspendable:					
Inventory	799,040	598,298	-	-	1,397,338
Prepaid insurance	291,015	-	-	-	291,015
Restricted	-	70,397,227	-	95,081	70,492,308
Assigned to:					
Future capital projects	2,375,512	8,399,969	-	1,691,425	12,466,906
Future OPEB obligations	1,675,000	-	-	-	1,675,000
Unassigned	4,700,870	-	-	-	4,700,870
Total Fund Balance	9,841,437	79,395,494	-	1,786,506	91,023,437
Total Liabilities and Fund Balance	\$ 23,075,422	\$ 79,740,719	\$ -	\$ 1,786,506	\$ 104,602,647

The notes to basic financial statements are an integral part of this statement.

MT. LEBANON SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

Total Fund Balance - Governmental Funds			\$ 91,023,437
Amounts reported for governmental activities in the statement of net assets are different			
Capital assets used in governmental activities are not financial resources and, therefore, are			70,934,451
Mt. Lebanon School District's (School District) investment in joint venture does not			446,250
Property taxes and earned income taxes receivable will be collected next year, but are not			443,043
The actuarially accrued other post-employment benefit (OPEB) obligation for the School			(1,777,735)
Government funds report the effect of issuance costs, premiums, discounts, and similar			
Bond issue costs of \$746,125, net of amortization of \$157,611	\$	588,514	
Bond issue premium of \$7,358,420 net of amortization of \$584,631		(6,773,789)	
Deferred refunding loss of \$3,842,581 net of amortization of \$835,190		<u>3,007,391</u>	(3,177,884)
Long-term liabilities, including bonds payable, are not due and payable in the current period			
Bonds payable, net		(134,695,000)	
Accrued interest payable		(929,377)	
Compensated absences		<u>(2,230,221)</u>	<u>(137,854,598)</u>
Total Net Assets - Governmental Activities			<u><u>\$ 20,036,964</u></u>

MT. LEBANON SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Capital Fund	Debt Service Fund	Other Governmental Funds	Total
Revenues:					
Local sources:					
Real estate tax and penalties	\$ 55,130,569	\$ -	\$ -	\$ -	\$ 55,130,569
Earned income tax	6,094,304	-	-	-	6,094,304
Occupation tax	-	-	-	-	-
Realty transfer tax	574,866	-	-	-	574,866
Public utility tax	79,608	-	-	-	79,608
Investment earnings	138,520	357,971	-	1,848	498,339
Rental of facilities	80,829	-	-	-	80,829
Tuition from patrons	287,674	-	-	-	287,674
Gifts and grants	54,745	-	-	75,419	130,164
Other local sources, including IDEA funds	655,846	-	-	-	655,846
Total local sources	63,096,961	357,971	-	77,267	63,532,199
State sources:					
Basic education subsidies	4,761,007	-	-	-	4,761,007
Social security/retirement subsidies	2,612,487	-	-	-	2,612,487
Special education subsidies	2,589,760	-	-	-	2,589,760
Construction subsidies	-	-	-	-	-
Transportation subsidies	154,886	-	-	-	154,886
Medical, dental, and nurse care	118,327	-	-	-	118,327
Property tax reduction allocation	1,698,323	-	-	-	1,698,323
Other state aid	1,151,459	-	-	-	1,151,459
Total state sources	13,086,249	-	-	-	13,086,249
Federal sources:					
Elementary and Secondary Education Act	329,868	-	-	-	329,868
Other federal grants	2,029,504	-	-	-	2,029,504
Total federal sources	2,359,372	-	-	-	2,359,372
Total revenues	78,542,582	357,971	-	77,267	78,977,820

(Continued)

The notes to basic financial statements are an integral part of this statement.

MT. LEBANON SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

	General Fund	Capital Fund	Debt Service Fund	Other Governmental Funds	Total
Expenditures:					
Current:					
Instructional services	39,885,364	119,966	-	-	40,005,330
Pupil services	3,054,279	-	-	-	3,054,279
Instructional support services	2,697,364	-	-	-	2,697,364
Administration	3,971,778	-	-	-	3,971,778
Pupil health services	716,617	-	-	-	716,617
Financial services	931,106	6,000	-	-	937,106
Operation and maintenance of plant	7,356,564	161,010	-	-	7,517,574
Student transportation services	1,066,240	-	-	-	1,066,240
Other support services	1,580,453	-	-	16,910	1,597,363
Student activities	1,791,092	-	-	26,013	1,817,105
Community services	341,221	-	-	-	341,221
Capital outlay	-	2,418,337	-	-	2,418,337
Intergovernmental:					
Special education	2,244,558	-	-	-	2,244,558
Other	649,455	-	-	-	649,455
Debt service:					
Principal	-	-	2,930,000	-	2,930,000
Interest	-	-	7,060,082	-	7,060,082
Bond issue costs	-	-	73,819	-	73,819
Total expenditures	66,286,091	2,705,313	10,063,901	42,923	79,098,228
Excess (Deficiency) of Revenues Over Expenditures	12,256,491	(2,347,342)	(10,063,901)	34,344	(120,408)
Other Financing Sources (Uses):					
Proceeds from the issuance of bonds	-	-	10,690,000	-	10,690,000
Payment to refunded bond escrow agent	-	-	(10,982,821)	-	(10,982,821)
Premium on issuance of bonds	-	-	366,640	-	366,640
Proceeds from sale of land	-	-	-	-	-
Transfer in	118,657	5,520,189	9,990,082	-	15,628,928
Transfer out	(15,552,084)	-	-	(118,657)	(15,670,741)
Total other financing sources (uses)	(15,433,427)	5,520,189	10,063,901	(118,657)	32,006
Net Change in Fund Balance	(3,176,936)	3,172,847	-	(84,313)	(88,402)
Fund Balance:					
Beginning of year	13,018,373	76,222,647	-	1,870,819	91,111,839
End of year	\$ 9,841,437	79,395,494	\$ -	\$ 1,786,506	\$ 91,023,437

(Concluded)

The notes to basic financial statements are an integral part of this statement.

MT. LEBANON SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

Net Change in Fund Balance - Governmental Funds	\$	(88,402)
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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

Capital outlays	\$ 2,417,478	
Less: depreciation expense	<u>(2,520,272)</u>	(102,794)

Some taxes will not be collected for several months after Mt. Lebanon School District's (School		(406,143)
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The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and offset against proceeds from the sale of capital assets resulting in a gain from the sale of capital assets on the statement of activities.

Proceeds from sale of building	\$ -	
Gain on sale of capital assets	<u>-</u>	-

Interest on long-term obligations in the statement of activities differs from the amount reported in		(22,985)
--	--	----------

The issuance of long-term obligations (e.g. bonds, leases, loans) provides current financial

Proceeds from bond issue	(10,690,000)	
Payment to refunding bond escrow	10,982,821	
Bond issue costs paid	73,819	
Premium on refunding bonds	(366,640)	
Principal payments on debt	<u>2,930,000</u>	2,930,000

Some expenses reported in the statement of activities do not require the use of current financial

Amortization of bond issue costs	(30,993)	
Amortization of bond premiums	300,040	
Amortization of deferred refunding loss	<u>(157,503)</u>	111,544

Donations of capital assets increase net assets and are reported in the statement of activities but are excluded from the governmental funds.		-
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Because the investment in joint venture is not recorded on the fund statements as it represents the		22,779
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The actuarially accrued other post-employment benefit (OPEB) obligation for the School District's		(259,710)
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In the statement of activities, certain operating expenses, specifically, accumulated employee		<u>139,944</u>
--	--	----------------

Proceeds from the sale of capital assets are reported as an other financing source in the		<u>-</u>
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Change in Net Assets of Governmental Activities	\$	<u><u>2,324,233</u></u>
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The notes to basic financial statements are an integral part of this statement.

MT. LEBANON SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Local sources:				
Real estate tax and penalties	\$ 54,570,408	\$ 54,570,408	\$ 55,130,569	\$ 560,161
Earned income tax	6,029,375	6,029,375	6,094,304	64,929
Occupation tax	-	-	-	-
Realty transfer tax	850,000	850,000	574,866	(275,134)
Public utility tax	80,000	80,000	79,608	(392)
Investment earnings	311,667	311,667	138,520	(173,147)
Rental of facilities	95,000	95,000	80,829	(14,171)
Tuition from patrons	240,000	240,000	287,674	47,674
Gifts and grants	62,444	62,444	54,745	(7,699)
Other local sources, including IDEA funds	660,000	660,000	655,846	(4,154)
Total local sources	62,898,894	62,898,894	63,096,961	198,067
State sources:				
Basic education subsidies	5,809,691	5,809,691	4,761,007	(1,048,684)
Social security/retirement subsidies	3,318,753	3,318,753	2,612,487	(706,266)
Special education subsidies	2,495,562	2,495,562	2,589,760	94,198
Construction subsidies	-	-	-	-
Transportation subsidies	107,780	107,780	154,886	47,106
Medical, dental, and nurse care	120,000	120,000	118,327	(1,673)
Property tax reduction allocation	1,698,323	1,698,323	1,698,323	-
Other state aid	1,770,265	1,770,265	1,151,459	(618,806)
Total state sources	15,320,374	15,320,374	13,086,249	(2,234,125)
Federal sources:				
Elementary and Secondary Education Act	793,172	793,172	329,868	(463,304)
Other federal grants	350,000	350,000	2,029,504	1,679,504
Total federal sources	1,143,172	1,143,172	2,359,372	1,216,200
Total revenues	79,362,440	79,362,440	78,542,582	(819,858)

(Continued)

The notes to basic financial statements are an integral part of this statement.

MT. LEBANON SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

(Continued)

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures:				
Current:				
Instructional services	43,045,463	41,296,520	39,885,364	1,411,156
Pupil services	3,195,214	3,200,427	3,054,279	146,148
Instructional support services	2,819,913	2,844,376	2,697,364	147,012
Administration	4,491,144	4,253,551	3,971,778	281,773
Pupil health services	779,127	779,285	716,617	62,668
Financial services	1,111,610	1,113,965	931,106	182,859
Operation and maintenance of plant	8,415,125	7,768,329	7,356,564	411,765
Student transportation services	1,096,806	1,087,116	1,066,240	20,876
Other support services	1,808,645	1,758,370	1,580,453	177,917
Student activities	1,893,807	1,926,974	1,791,092	135,882
Community services	372,622	372,622	341,221	31,401
Capital outlay	-	-	-	-
Intergovernmental:				
Special education	-	2,244,558	2,244,558	-
Other	-	649,455	649,455	-
Debt service:				
Principal	66,072	-	-	-
Interest	-	-	-	-
Bond issue costs	0	0	0	-
 Total expenditures	 69,095,548	 69,295,548	 66,286,091	 3,009,457
 Excess (Deficiency) of Revenues Over Expenditures	 10,266,892	 10,066,892	 12,256,491	 2,189,599
 Other Financing Sources (Uses):				
Proceeds from the issuance of bonds	0	0	0	-
Payment to refunded bond escrow agent	0	0	0	-
Transfer in	-	-	118,657	118,657
Proceeds from sale of land	-	-	-	-
Transfer out	(10,066,892)	(10,066,892)	(15,552,084)	(5,485,192)
Budgetary reserve	(200,000)	-	-	-
 Total other financing sources (uses)	 (10,266,892)	 (10,066,892)	 (15,433,427)	 (5,366,535)
 Net Change in Fund Balance	 -	 -	 (3,176,936)	 (3,176,936)
 Fund Balance:				
Beginning of year	13,018,373	13,018,373	13,018,373	-
 End of year	 \$ 13,018,373	 \$ 13,018,373	 \$ 9,841,437	 \$ (3,176,936)

(Concluded)

The notes to basic financial statements are an integral part of this statement.

MT. LEBANON SCHOOL DISTRICT

STATEMENT OF NET ASSETS PROPRIETARY FUND

JUNE 30, 2011

	Enterprise Fund Food Service
Assets	
Current assets:	
Cash and cash equivalents	\$ 638,066
Intergovernmental receivable	34,191
Other receivables	32,388
Due from other funds	0
Inventory	26,000
Total current assets	730,645
Non-current assets:	
Equipment, furniture, and fixtures	868,201
Less accumulated depreciation	(816,087)
Total non-current assets	52,114
Total Assets	\$ 782,759
Liabilities and Net Assets	
Liabilities:	
Current liabilities:	
Accounts payable and other current liabilities	\$ 19,442
Accrued payroll	0
Due to other funds	59,203
Deferred revenue	8,352
Total Liabilities	86,997
Non-current liabilities:	
Other non-current liabilities	-
Total Liabilities	86,997
Net Assets:	
Invested in capital assets	52,114
Unrestricted	643,648
Total Net Assets	695,762
Total Liabilities and Net Assets	\$ 782,759

The notes to basic financial statements are an integral part of this statement.

MT. LEBANON SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Fund Food Service
Operating Revenue:	
Sale of food	\$ 1,388,183
Operating Expenses:	
Salaries and wages	579,676
Employee benefits	93,406
Food	785,954
Operation	69,162
Supplies	88,865
Administrative fees	0
Depreciation	12,082
Total operating expenses	1,629,145
Net Operating Loss	(240,962)
Non-operating Revenues:	
Federal programs:	
Subsidies	201,052
Donated commodities	33,102
State subsidies	39,886
Retirement reimbursement	0
Earnings on investments	2,114
Total non-operating revenues	276,154
Gain before transfers	35,192
Interfund Transfers:	
Transfers in	41,813
Transfers out	-
Total operating transfers	41,813
Change in Net Assets	77,005
Net Assets:	
Beginning of year	618,757
End of year	\$ 695,762

The notes to basic financial statements are an integral part of this statement.

MT. LEBANON SCHOOL DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Fund Food Service
Cash Flows From Operating Activities:	
Receipts from users	\$ 1,388,183
Payments to employees	(673,082)
Payments to suppliers	(895,202)
Net cash provided by (used in) operating activities	(180,101)
Cash Flows From Non-Capital Financing Activities:	
Grants and subsidies received:	
State	39,886
Federal	173,821
Transfer	82,731
Net cash provided by (used in) non-capital financing activities	296,438
Cash Flows From Capital and Related Financing Activities:	
Purchase of capital assets	-
Cash Flows From Investing Activities:	
Earnings on investments	2,114
Net Increase (Decrease) in Cash and Cash Equivalents	118,451
Cash and Cash Equivalents:	
Beginning of year	519,615
End of year	\$ 638,066
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:	
Net operating loss	\$ (240,962)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:	
Depreciation expense	12,082
Donated commodities	33,102
Change in assets and liabilities:	
Other receivables	(1,453)
Inventory	5,337
Deferred revenue	1,242
Accounts payable and other current liabilities	10,551
Accrued payroll	
Total adjustments	60,861
Net cash provided by (used in) operating activities	\$ (180,101)

Non-Cash, Non-Capital Financing Transactions:

Mt. Lebanon School District received donated commodities of \$34,344 from the Department of Agriculture.

MT. LEBANON SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Private Purpose Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 122,819	\$ 134,180
Total Assets	122,819	134,180
Liabilities		
Due to student organizations	-	134,180
Total Liabilities	-	134,180
Net Assets		
Held in trust for scholarships	\$ 122,819	\$ -

The notes to basic financial statements are an integral part of this statement.

MT. LEBANON SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	Private Purpose Trust Fund
Additions:	
Contributions:	
Private donations	\$ 17,560
Investment earnings:	
Interest	90
Total additions	17,650
Deductions:	
Education scholarships	21,362
Payments to others	11,754
Total deductions	33,116
Change in Net Assets	(15,466)
Net Assets:	
Beginning of year	138,285
End of year	\$ 122,819

The notes to basic financial statements are an integral part of this statement.

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with the accounting system and procedures prescribed for school districts by the Commonwealth of Pennsylvania, Department of Education, which conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies:

Reporting Entity

Mt. Lebanon School District (School District) is governed by an elected nine-member Board of Directors (Board). As required by accounting principles generally accepted in the United States of America, these financial statements present the School District (the primary government). The criteria set forth in Governmental Accounting Standards Board Statement (GASB) No. 14, "*The Financial Reporting Entity*," as amended, is followed by the School District to determine which governmental organizations should be included or excluded from the reporting entity. Criteria for inclusion of any entity (component unit) into a primary governmental unit's financial statements includes but is not limited to legal standing, fiscal dependency, imposition of will, financial benefit or burden, and appointment of a voting majority of the governing board. The School District presently has no component units that meet the above criteria.

The Special Schools and related authorities, as more fully described in Note 6, are considered joint ventures of the School District, in accordance with GASB Statement No. 14, "*The Financial Reporting Entity*," as amended. Accordingly, related pro-rata shares of capital assets are included on the government-wide financial statements as investment in joint ventures. Separate audited financial statements of the Special Schools are available in the School District's business office.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the School District. For the most part, the effect of inter-fund activity has been removed from these statements, except for inter-fund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to parents for tuition, 2) operating grants and contributions as required by the Pennsylvania Department of Education, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major proprietary fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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 revenues in the year for which they are levied. Earned income taxes are recognized when the underlying wages are earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State and federal grants 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. All other revenue items are considered to be measurable and available only when cash is received by the School District. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, post-employment benefits, and any claims or judgments, are recorded only when payment is due.

The School District reports the following major governmental funds:

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

The General Fund is the School District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The Capital Fund is utilized to account for capital projects of a general nature with funding derived from bond proceeds or transfers from the General Fund.

The Debt Service Fund accounts for the accumulation of resources for, and payment of, principal, interest, and other associated costs on long-term general obligation debt of governmental funds.

The School District reports the following major proprietary fund:

The Food Service Fund is authorized under Section 504 of the Public School Code of 1949 to account for all revenues and expenses pertaining to cafeteria operations. The Food Service Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs (i.e., expenses, including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the School District reports the following fiduciary fund types:

The Private Purpose Trust Fund is used to account for resources legally held in trust for use by the School District for scholarships. All resources of the fund, including any earnings on invested resources, may be used to support the organization's activities. There is no requirement that any portion of these resources be preserved as capital.

The School District's Student Activities Fund is used to account for assets held by the School District in a trustee capacity for student activities. They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The School District has elected not to follow subsequent private-sector guidance.

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School District's Enterprise Fund are charged to students and faculty for the sale of food. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Deposits and Investments

For purposes of the statement of cash flows, the School District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition and pooled funds investments subject to daily withdrawal to be cash equivalents.

Investments are stated at fair value, which approximates market.

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." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statement as "internal balances."

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Inter-fund services provided and used are not eliminated in the process of consolidation.

All tax receivables are shown net of an allowance for uncollectible amounts.

Property taxes are levied as of June 1 on property values assessed as of the same date. The billings are considered past due on October 1, and penalties and interest are assessed.

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

Inventory and Prepaid Items

Textbooks are recorded as instructional expenditures of the General Fund or the Capital Fund, as applicable, when consumed. An annual estimate of the year-end inventory cost value is made, approximating the first-in, first-out method of inventory valuation, which assumes a five-year average life and applies a value factor to purchases of textbooks over the last five years. The estimated cost is recorded as an inventory asset with an offsetting reservation of fund balance.

Inventory recorded in the Food Service Fund consists of donated commodities from the U.S. Department of Agriculture (USDA), which is recorded at estimated value provided by the USDA and other food items recorded at cost. Inventory in the Food Service Fund is recorded as an expense when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the School District during the current fiscal year was \$6,971,523. Of this amount, none was included as part of the cost of capital assets under construction in connection with business-type activities.

Property, plant, and equipment of the School District are depreciated using the straight-line method over the following estimated useful lives:

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

<u>Asset Type</u>	<u>Years</u>
Buildings and improvements	40-60
Public domain infrastructure	20
Vehicles (including buses)	8-15
Office furniture and fixtures	20
Equipment	6-20
Computer equipment	5
Food service equipment	10

Compensated Absences

Compensated absences are a recognition of the obligation the School District has to pay when its staff retire or resign from employment for accrued sick leave, vacation, and life insurance benefits. Costs are calculated based on employee groups and their entitlements through contractual obligations. The entitlements by group are:

- Teachers, upon retirement with 15 years of service, are reimbursed for unused sick days at the rate of \$40 per day for the first 100 days and \$50 per day for an additional 180 days. The maximum payment is \$13,000.
- Administrators with 10 years of service are entitled to \$75 per day for unused sick days up to a maximum payment of \$13,000. They are also paid a per diem for unused vacation days.
- Clerical and Secretarial union members with 12 years of service are entitled to reimbursement of unused sick days at the rate of \$30 per day with a maximum payout of \$3,500. All unused vacation days are paid at a per diem rate.
- Specialists and Administrative Assistants with 12 years of service are entitled to reimbursement of unused sick days at the rate of \$30 per day with a maximum payout of \$5,000. All unused vacation days are paid at a per diem rate.
- Custodial and Maintenance workers with 12 years of service are entitled to reimbursement of unused sick days at the rate of \$30 per day with a maximum payout of \$3,500. All unused vacation days are paid at a per diem rate.

Calculation of the compensated absence liability amount is determined by the appropriate vacation, sick, and salary-related payments which would be available to employees if they would leave or retire from the School District. Such amounts are reflected as long-term liabilities in the government-wide financial statements and as

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

current liabilities if retirements are likely within the upcoming fiscal year. A liability for these amounts is reported in governmental funds only to the extent owed as a result of employee resignations and retirements. It is expected that the General Fund will continue to provide funds for the payment of compensated absences.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums, as well as issuance costs and refunding losses, are deferred and amortized over the life of the bonds using the effective interest method. Bonds are reported net of the applicable bond premium.

In the fund financial statements, the face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

It is expected that the General Fund will continue to provide funds for the debt service payments.

Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of restriction placed upon the funds. These levels are as follows:

- Nonspendable – This category represents funds that are not in spendable form and includes such items as prepaid insurance and inventory.
- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. This category includes funds that are legally restricted for construction costs for the high school renovation and funds raised from outside parties to be used to purchase athletic equipment, playground equipment, and technology.
- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the School Board. Such commitment is made via a School Board resolution and must be made prior to the end of the fiscal year. Removal of this commitment requires a School Board resolution. The School District currently does not have any committed funds.

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

- Assigned – This category represents intentions of the School Board to use the funds for specific purposes.

The School Board established a policy that General Fund amounts exceeding 6% of the next year's budgeted expenditures will either help pay for retiree healthcare obligations or be transferred to the Capital Fund for use in future capital projects, unless such funds exceed 8% of budgeted expenditures. If such funds exceed 8%, those funds in excess of 8% will be allocated at the Board's discretion. The actual assignment is made by the School Board after the end of each year.

This category also includes the residual balance in the capital projects funds (Capital Fund and Asbestos Capital Fund).

- Unassigned – This category represents all other funds not otherwise defined.

The School District's policy is to use funds in the order of the most restrictive to the least restrictive.

Net Assets

The government-wide and proprietary fund financial statements are required to report three components of net assets:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets net of accumulated depreciation and is 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.
- Restricted – This component of net assets consists of constraints placed on net asset use through external restrictions. The amounts reported as restricted net assets at June 30, 2011 represent funds raised from outside parties to be used to purchase athletic equipment, playground equipment, and technology.
- Unrestricted – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." The net investment in the joint venture is also reflected here.

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

Budgetary Information

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis for the General Fund. This is the only fund for which a budget is required and for which taxes may be levied. The Public School Code allows the School Board to authorize budget transfer amendments beginning 90 days after the start of each fiscal year. The School District's management does not have the authority to approve the budget or any budget transfer amendments. The budget data reflected in the financial statements includes the effect of Board-approved budget transfer amendments and, for comparative purposes, the actual results have also been presented. The budget transfer amendments made during the year were not significant and were primarily composed of a reclassification of intergovernmental expenditures. The School District expenditures may not legally exceed the revised budget amounts by function and object. Accordingly, the legal level of budgetary control is at the object level within each function and fund. Function is defined as a program area such as instructional services, and object is defined as the nature of the expenditure such as salaries or supplies. During fiscal year 2011, there were no instances where actual expenditures exceeded the budget amounts.

Unexpended appropriations are reviewed at the end of the year. Any items that are expected to be liquidated are recorded as a current liability.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Adopted Pronouncements

The School District has adopted GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*." This Statement's objective is to enhance the usefulness of fund balance information. As a result of this Statement, the titles and definitions of governmental fund balances has changed.

The School District has adopted GASB Statement No. 59, "*Financial Instruments Omnibus*". The objective of this statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

Pending Pronouncements

GASB has issued Statement No. 61, "*The Financial Reporting Entity: Omnibus*," effective for periods beginning after June 15, 2012 (the School District's 2014 fiscal year). The objective of this statement is to improve financial reporting for a governmental financial reporting entity by modifying existing requirements for the assessment of potential component units. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*," effective for periods beginning after December 15, 2011 (the School District's 2013 fiscal year). This statement establishes accounting and financial reporting standards for the financial reporting statements of state and local governments by bringing together reporting literature in one place with the guidance modified as necessary. The effect of implementation of this statement has not yet been determined.

GASB has issued Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," effective for periods beginning after December 15, 2011 (the School District's 2013 fiscal year). This statement establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The effect of implementation of this statement has not yet been determined.

2. DEPOSITS AND INVESTMENTS

Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest funds consistent with sound business practices in the following types of investments and deposit accounts:

- Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

and Loan Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

- Shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 provided (a) the funds are invested in investments listed above, (b) the investment company is managed so as to maintain its share at a constant net asset value, and (c) the investment company is rated in the highest category by a nationally recognized rating agency.

The deposit and investment policy of the School District adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

Throughout the year ended June 30, 2011, the School District invested its funds only in one or more of the above-authorized investments. At June 30, 2011, the School District's deposits and investments were as follows:

	Deposits	CDs	U.S. Treasury Notes	Pooled Funds	Total
General Fund	\$ 3,015,780	\$ 16,400,000	\$ -	\$ 488,026	\$ 19,903,806
Capital Fund	34,020,852	15,408,093	18,113,834	11,599,642	79,142,421
Other Governmental Funds	93,469	-	-	1,693,037	1,786,506
Proprietary Fund	69,500	-	-	568,566	638,066
Trust and Agency Funds	168,042	-	-	88,957	256,999
	<u>\$ 37,367,643</u>	<u>\$ 31,808,093</u>	<u>\$ 18,113,834</u>	<u>\$ 14,438,228</u>	<u>\$ 101,727,798</u>

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

Pooled Funds	
Pennsylvania School District	
Liquid Asset Fund (PSDLAF)	\$ 1,145,770
Pennsylvania Local Government	
Investment Trust (PLGIT)	13,292,621
Total Pooled Funds	<u>\$ 14,438,391</u>
Carrying Value	<u>\$ 14,438,228</u>

The Pennsylvania School District Liquid Asset Fund and the Pennsylvania Local Government Investment Trust were established as common law trusts organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of these funds is to enable such governmental units to pool available funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. The School District's deposits in these pooled funds are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. These investments are reflected as cash and cash equivalents on the balance sheet. The fair value of the School District's position in the external investment pools is the same as the value of the pool shares. All investments in an external investment pool that is not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania.

Deposits

The following is a description of the School District's deposit risks:

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires deposits exceeding the Federal Deposit Insurance Corporation (FDIC) limits be collateralized. At year-end, \$37,677,697 of the School District's \$37,927,697 bank balance for its deposits was not covered by Federal Deposit Insurance. A separate collateral agreement was signed on April 8, 2009 to have all deposits at Citizens Bank beyond those FDIC-insured, kept separately in a safekeeping account at Bank of New York pledged for the benefit of the School District with such eligible collateral adjusted to market value daily.

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

Investments

The following is a description of the School District's investment risks:

Credit risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The School District's investment policy requires that investments be rated in the highest category by a nationally recognized rating agency. As of June 30, 2011, investments in PSDLAF and PLGIT (described above) have received a AAAM rating from Standard & Poor's. The investments in U.S. Treasury Notes are not rated.

Interest Rate Risk – The School District's investment policy does not place limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All of the School District's investments in PSDLAF, PLGIT, and U.S. Treasury Notes have a maturity of one year or less.

Concentration of Credit Risk – The risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District's investment policy requires that investments are made with an investment company that is managed so as to maintain its shares at a constant net asset value in accordance with 17 CFR 270 2a-7 (relating to money market funds). This policy does not apply to the School District's investments in government securities and external investment pools. The School District's investments comply with this policy.

3. PROPERTY TAXES

Assessed valuation of the School District is based upon 100% of market value, based upon assessed valuations provided by Allegheny County. The municipal tax collector bills and collects property taxes on behalf of the School District. The schedule for property taxes levied for fiscal year 2011 was as follows:

June 1, 2010	- tax levy date
Through July 31, 2010	- 2% discount period
Through September 30, 2010	- face payment period
Beginning October 1, 2010	- 10% penalty period
July 15, 2011	- lien filing date

The School District tax rate for all purposes in fiscal year 2011 was 26.63 mills (\$26.63 per \$1,000 assessed valuation) on a total assessed valuation of approximately \$2.2 billion.

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

4. ALLOWANCE FOR DOUBTFUL ACCOUNTS

General Fund property taxes receivables have been reported net of an allowance for doubtful accounts of \$1,217,296 at June 30, 2011.

5. LONG-TERM DEBT

2002 Series A General Obligation Bonds

The School District issued \$9,530,000 of 2002 Series A General Obligation Bonds (2002 Series A Bonds) for the purpose of currently refunding the outstanding 1998 General Obligation Bonds in the amount of \$9,330,000. No amounts are outstanding at June 30, 2011, as the bonds matured during the year.

2004 General Obligation Bonds

During fiscal year 2004, the School District issued \$12,945,000 of 2004 General Obligation Bonds (2004 Bonds) for the purpose of advance refunding the outstanding 2000 General Obligations Bonds in the principal amount of \$1,890,000, advance refunding the outstanding 2001 General Obligation Bonds in the amount of \$9,985,000, and to pay all costs and expenses incurred in connection with the issuance and sale of the 2004 Bonds. The 2004 Bonds bear interest semi-annually at rates ranging from 2.25% to 3.80% and mature in 2017. The 2004 Bonds were refunded with the issuance of 2011 General Obligation Bonds (2011 Bonds) described below. As such, no amounts are outstanding at June 30, 2011.

2005 General Obligation Bonds

During fiscal year 2006, the School District issued \$52,980,000 of 2005 General Obligation Bonds (2005 Bonds) for the purpose of advance refunding the outstanding 2003 General Obligations Bonds and to pay all costs and expenses incurred in connection with the issuance and sale of the 2005 Bonds. The 2005 Bonds bear interest semi-annually at rates ranging from 3.00% to 4.35% and mature in 2031. Future debt service payments on the 2005 Bonds are as follows:

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

Fiscal Year	Principal	Interest	Total
2012	\$ 165,000	\$ 2,308,618	\$ 2,473,618
2013	170,000	2,303,255	2,473,255
2014	175,000	2,297,560	2,472,560
2015	180,000	2,291,523	2,471,523
2016	185,000	2,285,133	2,470,133
2017-2021	12,765,000	10,509,790	23,274,790
2022-2026	19,185,000	6,814,625	25,999,625
2027-2031	20,020,000	2,369,609	22,389,609
	<u>\$ 52,845,000</u>	<u>\$ 31,180,113</u>	<u>\$ 84,025,113</u>

2009 General Obligation Bonds

During fiscal year 2009, the School District issued \$3,715,000 of 2009 General Obligation Bonds (2009 Bonds) for the purpose of currently refunding the outstanding 2002 General Obligations Bonds and to pay all costs and expenses incurred in connection with the issuance and sale of the 2009 Bonds. The 2009 Bonds bear interest semi-annually at rates ranging from 2.00% to 2.9% and mature in fiscal year 2017. Future debt service payments on the 2009 Bonds are as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 470,000	\$ 68,680	\$ 538,680
2013	480,000	59,180	539,180
2014	485,000	48,318	533,318
2015	500,000	35,693	535,693
2016	515,000	22,178	537,178
2017	525,000	7,613	532,613
	<u>\$ 2,975,000</u>	<u>\$ 241,662</u>	<u>\$ 3,216,662</u>

2009 Series A General Obligation Bonds

During fiscal year 2010, the School District issued \$69,000,000 of 2009 Series A General Obligation Bonds (2009 Series A Bonds) for the purpose of providing a portion of the funds for the School District's senior high school renovation project, to provide funds for various other capital projects throughout the School District, and to pay all costs and expenses incurred in connection with the issuance and sale of the 2009 Bonds. The 2009 Series A Bonds bear interest semi-annually at rates ranging

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

from 2.00% to 5.00% and mature in fiscal year 2034. Future debt service payments on the 2009 Series A Bonds are as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 1,795,000	\$ 3,328,163	\$ 5,123,163
2013	1,885,000	3,265,338	5,150,338
2014	1,955,000	3,171,088	5,126,088
2015	2,030,000	3,073,338	5,103,338
2016	2,105,000	2,971,838	5,076,838
2017-2021	11,895,000	13,434,240	25,329,240
2022-2026	14,755,000	10,255,738	25,010,738
2027-2031	18,520,000	6,203,500	24,723,500
2032-2034	13,360,000	1,357,000	14,717,000
	<u>\$ 68,300,000</u>	<u>\$ 47,060,243</u>	<u>\$ 115,360,243</u>

2011 General Obligation Bonds

During fiscal year 2011, the School District issued \$10,690,000 of 2011 General Obligation Bonds (2011 Bonds) for the purpose of refunding, on a current basis, the 2004 Bonds and to pay all costs and expenses incurred in connection with the issuance and sale of the 2011 Bonds. The 2011 Bonds bear interest semi-annually at rates ranging from 2.00% to 3.00% and mature in fiscal year 2017. The cash flow savings as a result of this transaction was approximately \$500,000. Future debt service payments on the 2011 Bonds are as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 1,175,000	\$ 271,400	\$ 1,446,400
2013	1,780,000	227,074	2,007,074
2014	1,830,000	182,075	2,012,075
2015	1,875,000	135,650	2,010,650
2016	1,930,000	78,575	2,008,575
2017	1,985,000	24,813	2,009,813
	<u>\$ 10,575,000</u>	<u>\$ 919,587</u>	<u>\$ 11,494,587</u>

At June 30, 2011, \$49,960,000 of defeased bonds is outstanding.

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

Changes to the School District's long-term debt were as follows:

	Balance at June 30, 2010	Issuance of Debt/ Additions	Repayment of Principal/ Deletions	Balance at June 30, 2011	Due within one year
Compensated absences	\$ 2,370,165	\$ 506,759	\$ (646,703)	\$ 2,230,221	\$ 774,847
OPEBs	1,518,025	885,876	(626,166)	1,777,735	-
General Obligation Bonds	137,730,000	10,690,000	(13,725,000)	134,695,000	3,605,000
Total long-term debt	<u>\$ 141,618,190</u>	<u>\$ 12,082,635</u>	<u>\$ (14,997,869)</u>	138,702,956	<u>\$ 4,379,847</u>
		Plus: unamortized premium		<u>6,773,789</u>	
		Total long-term debt (net)		<u>\$ 145,476,745</u>	

6. SPECIAL SCHOOLS

The School District is one of twelve member school districts of the Parkway West Career & Technology Center (Parkway). Parkway, which provides vocational-technical education and training for high school students, is controlled and governed by the Joint Board, which is composed of School Board members from all of the member school districts. Direct oversight of Parkway's operations is the responsibility of the Joint Committee, which consists of one representative from each participating school district.

In addition, the School District is one of five members of the Pathfinder School (Pathfinder). Pathfinder, which provides special education and training programs for exceptional children, is controlled and governed by the South Central Area Special Schools Committee, which is composed of representatives from each participating school district. The School District's share of annual operating and capital costs for Parkway and Pathfinder (collectively known as Special Schools) fluctuates based on the percentage enrollment in the applicable school and are reflected as expenditures of the General Fund. Amounts paid to Parkway and Pathfinder by the School District in the current fiscal year were approximately \$440,000 and \$460,000, respectively. The net current assets of the Special Schools at June 30, 2011 are to be used to fund future year's operations and are not significant.

The Special Schools' outstanding debt is secured by the rentals payable to the Special Schools by the member school districts. A prorata portion of the capital assets are recorded in the School District's government-wide financial statements. The balance at June 30, 2011 was \$446,250. Separate audited financial statements of the Special Schools are available in the School District's business office.

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

7. CAPITAL ASSETS

A summary of changes in capital assets during fiscal year 2011 are as follows:

	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011
Government Activities:				
Non-depreciable assets:				
Land	\$ 547,024	\$ -	\$ -	\$ 547,024
Construction in progress	4,013,121	1,876,466	-	5,889,587
Total non-depreciable assets	4,560,145	1,876,466	-	6,436,611
Depreciable assets:				
Buildings and improvements	101,735,518	473,437	-	102,208,955
Equipment, furniture, and fixtures	13,492,849	67,575	-	13,560,424
Total depreciable assets	115,228,367	541,012	-	115,769,379
Less: accumulated depreciation for:				
Buildings and improvements	(35,020,309)	(1,362,964)	-	(36,383,273)
Equipment, furniture, and fixtures	(13,730,958)	(1,157,308)	-	(14,888,266)
	(48,751,267)	(2,520,272)	-	(51,271,539)
Governmental activities capital assets, net	\$ 71,037,245	\$ (102,794)	\$ -	\$ 70,934,451
	Balance at June 30, 2010	Additions	Deletions	Balance at June 30, 2011
Business-Type Activities:				
Equipment	\$ 868,201	\$ -	\$ -	\$ 868,201
Less: accumulated depreciation	(804,005)	(12,082)	-	(816,087)
Business-type activities capital assets, net	\$ 64,196	\$ (12,082)	\$ -	\$ 52,114

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

Depreciation expense was charged to functions/programs of the School District as follows:

Governmental Activities:

Instructional services	\$ 1,516,482
Pupil services	116,127
Instructional support services	102,557
Administration	151,011
Pupil health services	27,247
Financial services	35,402
Operation and maintenance of plant	279,711
Student transportation services	40,540
Other support services	60,090
Student activities	68,099
Community services	12,974
Intergovernmental - special education	<u>110,032</u>
Total depreciation expense - governmental activities	<u>\$ 2,520,272</u>
Business-type activities:	
Food services	<u>\$ 12,082</u>

8. REVENUE COLLECTED IN ADVANCE/UNEARNED REVENUE

Revenue collected in advance/unearned revenue represents primarily receipts by the School District for property taxes collected prior to July 1, 2011, applicable to the following fiscal year, which will be recorded as revenue in the 2011-2012 school year.

9. RETIREMENT BENEFITS

Plan Description

Substantially, all full-time and part-time employees of the School District participate in the Public School Employees' Retirement System (PSERS), a governmental cost sharing, multiple employer defined benefit plan administered by the Public School Employees' Retirement System Board of Trustees under the authority of the Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. 8101-8535). PSERS provides retirement and disability benefits,

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants. PSERS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plan. That report may be obtained by making a request in writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125. The CAFR is also available on the publications page of the PSERS website.

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth of Pennsylvania. Active members who joined the system prior to July 22, 1983 are required to contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation. Members who joined the system on or after July 22, 1983 and who were active or inactive as of July 1, 2001 contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation. Members who joined the system after June 30, 2001 contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

School districts must contribute at rates based upon an actuarial valuation. For the fiscal year ended June 30, 2011, the rate of employer contributions was 5.64% of covered payroll. This rate is composed of a pension contribution rate of 5.00% for pension benefits and 0.64% for healthcare insurance premium assistance. The contribution rate for school districts will increase to 8.65% for fiscal year 2012. Although future years' rates have not yet been determined, it is projected that rates will increase to 12.19% in fiscal year 2013.

During fiscal year 2011, the School District contributed approximately \$2.1 million from the General Fund that was equal to its required contribution for the year. This contribution was recorded as expense in the General Fund, allocated across each function in a ratio consistent with related salary expense. In accordance with Act 29, the Commonwealth of Pennsylvania reimburses school districts for at least one-half of contributions made to PSERS. The School District received reimbursement from the Commonwealth of Pennsylvania approximating \$1.1 million. This reimbursement is recorded as revenue under the Social Security/retirement subsidies line in the General Fund. For fiscal years 2010 and 2009, the School District's contributions, net of the Commonwealth of Pennsylvania reimbursement, approximated \$944,000 and \$1,164,000, respectively, which were equal to its required contributions for each year.

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs)

PLAN DESCRIPTION

In addition to the pension benefits previously described, the School District provides the following postemployment benefits as part of its single-employer defined benefit plan:

- ✓ Teachers: medical and prescription drug, with an opt-out provision
- ✓ Administrators: medical and prescription drug for retiree and spouse, life insurance (if hired prior to fiscal year 1994)
- ✓ Secretarial or clerical employees covered under the collective bargaining unit: medical and prescription drug, life insurance (if hired before July 1, 1999)
- ✓ Administrative assistants and specialists: medical and life insurance
- ✓ Custodial and maintenance employees covered under the collective bargaining unit: medical and prescription drug
- ✓ Cafeteria employees: retiree may purchase health insurance, dental, and vision benefits

The benefit limits and employee and employer contributions are established through employee contracts and past practices. The plan is not accounted for as a trust fund, an irrevocable trust has not been established, the plan does not issue a separate report, and activity of the plan is reported in the School District's General Fund.

Fiscal year 2009 was the first year that the School District was required to record OPEBs in its financial statements. The School District elected to implement the standard prospectively, as retroactive recording was not required under GASB Statement No. 45.

Details of the benefits provided are as follows:

Teachers

The School District provides post-retirement medical insurance and prescription drug benefits to all eligible teacher retirees in accordance with the requirements set forth by the employee contract. The retiree must be at least age 55 with at least 25 years of PSERS service and at least 15 years of service with the School District. The School District pays for medical coverage, which shall continue until the earlier of when the retiree qualifies for Medicare (age 65) or 10 years after their retirement date if retired under a past contract. The retiree may purchase dependent health insurance, dental, and vision benefits with the School

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

District at the retiree's expense. The School District's cost is fixed at the amount payable at the time of retirement. The retiree is responsible for any premium increases after retirement.

A retiree who elects to opt out of the medical insurance plan shall be paid by the School District the sum of 1/2 the School District's annual premium paid semi-annually until the retiree qualifies for Medicare, or dies, whichever first occurs. In lieu of the benefits mentioned above, the retiree shall have the option to receive one lump sum payment for all the years of which the retiree is eligible (10 years or Medicare eligible) equal to 1/2 the dollar amount of the School District's current contribution rate. If this option is selected, the retiree will not be permitted the option to return to healthcare coverage with the School District.

Currently, 103 retirees meet the eligibility requirements to receive these medical benefits.

Administrators

The School District provides post-retirement medical insurance and prescription drug benefits to all eligible retired administrators in accordance with the requirements set forth by the employee contract. The retiree must be at least age 55 with 25 years of service. The School District pays for 93.5% of coverage for medical insurance and prescription drug benefits for both the retiree and his/her spouse. This coverage shall continue until the retiree and spouse qualifies for Medicare (age 65). The retiree pays the School District 6.5% of the premium cost.

If hired before the 1993-1994 school year, \$5,000 or equivalent is paid into a group term life insurance policy.

Currently, eight retirees meet the eligibility requirements to receive these medical benefits.

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

Secretarial or Clerical Employees Covered under the Collective Bargaining Unit

The School District provides post-retirement medical insurance and prescription drug benefits to all eligible secretarial or clerical retirees covered under the collective bargaining unit in accordance with the requirements set forth by the employee contract. The retiree must be at least age 62 with 10 years of service. The School District pays for such coverage, which shall continue for 36 months after the retirement date or when the retiree reaches Medicare eligibility (age 65), whichever occurs first. The retiree may purchase dependent health insurance, dental, and vision benefits with the School District at the retiree's expense. The retiree pays the School District \$100 per month for coverage.

If hired before July 1, 1999 upon age 62 with 10 years of service, \$3,000 or equivalent is paid into a group term life insurance policy.

Currently, three retirees meet the eligibility requirements to receive these medical benefits.

Administrative Assistants and Specialists

The School District provides post-retirement medical insurance to all eligible retired administrative assistants and specialists in accordance with the requirements set forth in agreement signed each year. The retiree must be at least age 62 with 10 years of service. The School District pays for such coverage, which shall continue until the retiree is age 65. The retiree pays the School District \$100 per month for coverage.

Upon age 62 with 10 years of service, \$3,000 or equivalent is paid into a group term life insurance policy.

Currently, two retirees meet the eligibility requirements to receive these medical benefits.

Custodial and Maintenance Employees Covered under the Collective Bargaining Unit

The School District provides post-retirement medical insurance and prescription drug benefits to all eligible custodial and maintenance retirees covered under the collective bargaining unit in accordance with the requirements set forth by the employee contract. The retiree must be at least age 62 with 12 years of service. The School District pays for such coverage, which shall continue for 36 months after the retirement date or when the retiree reaches Medicare eligibility (age 65),

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

whichever occurs first. The retiree may purchase dependent health insurance, dental, and vision benefits with the School District at the retiree's expense. The retiree pays the School District \$100 per month for coverage.

Currently, one retiree meets the eligibility requirements to receive these medical benefits.

Cafeteria Employees

Covered retirees include any full-time employee who retires into the Pennsylvania Public School Employees Retirement System (PSERS). The retiree may purchase health insurance, dental, and vision benefits with the District at the retiree's expense until the earlier of age 65 or Medicare eligibility.

FUNDING POLICY

The School District's General Fund expenditures for postemployment medical, prescription drug, dental, and vision benefits for all teachers, administrators, secretarial, clerical, administrative assistants and specialists, custodial and maintenance employees covered under the collective bargaining unit (as applicable) were \$626,166 (net of \$316,527 of retiree contributions) in 2011. These benefits are expensed when incurred and are financed on a pay-as-you-go basis.

The School District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a closed period not to exceed 30 years.

Two assumptions were updated for the June 2011 actuarial report that impacted the calculation of the ARC. The assumption change with the most significant effect relates to the removal of the age-adjusted subsidy. It was determined that the implicit rate subsidy on the School District's premium cost is negligible, as the School District participates in the Allegheny County Schools Health Insurance Consortium (ACSHIC). This change significantly reduced the resulting actuarial costs. The next most significant change in assumptions relates to future trends in health care rates, which increased the plan costs, but does not fully offset the removal of the implicit rate subsidy described earlier.

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

The following table shows the component of the School District's annual OPEB cost for the year, the amount actually contributed, and changes in the School District's net OPEB obligation:

Annual required contribution	\$ 910,759
Interest on net OPEB obligation	68,311
Adjustment to annual required contribution	<u>(93,194)</u>
Annual OPEB cost	885,876
Contributions made	<u>(626,166)</u>
Increase in net OPEB obligation	259,710
Net OPEB obligation - beginning of year	<u>1,518,025</u>
Net OPEB obligation - end of year	<u><u>\$ 1,777,735</u></u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation were as follows:

Fiscal Year Ending	Annual OPEB Cost	% of AOC Contributed	Net OPEB Obligation
June 30, 2011	\$ 885,876	70.68%	\$ 1,777,735
June 30, 2010	1,296,825	40.24%	1,518,025
June 30, 2009	1,263,390	41.19%	743,004

The ARC for the current year was computed as of July 1, 2010 using the following actuarial assumptions:

- actuarial cost method - entry age normal cost;
- amortization method - level dollar;
- amortization period - 30 years;
- discount rate - 4.5% compounded annually;
- mortality – RP-2000 Combined Mortality Table projected with 75% of scale AA; and
- health care cost trend rates - declining scale beginning with a 8.5% increase for 2011, with the rate decreasing by 0.5% each year thereafter to 5% for 2018 and later.

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

The schedule of funding progress for the OPEBs is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-PUC (b)	Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
July 1, 2010	\$ -	\$ 7,507,139	\$ 7,507,139	0.0%	\$35,163,420	21.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Healthcare cost trend assumptions are based on recent experience and anticipated future cost increases under the School District's medical plans. Amounts determined regarding the funded status and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress included as Required Supplementary Information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

11. HEALTH INSURANCE CONSORTIUM

The School District is one of forty-six members of the Allegheny County Schools Health Insurance Consortium (Consortium) which purchases health benefits on behalf of participating public school districts. The School District is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. The School District paid approximately \$8.1 million to the Consortium during fiscal year 2011.

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to or

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

responsible for a proportionate share of the Consortium net assets or deficiency in net assets, respectively, as determined on the fiscal year-end date after withdrawal. As of June 30, 2011, the Consortium had net assets of approximately \$56.9 million, of which approximately \$2.3 million is attributable to the School District.

12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables at June 30, 2011 are summarized below:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Major Funds:		
General	\$ 59,203	\$ -
Food Service	-	59,203
Total	<u>\$ 59,203</u>	<u>\$ 59,203</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers through June 30, 2011 are summarized below:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfers Out</u>
Major Funds:		
General	\$ 118,657	\$ 15,552,084
Capital	5,520,189	-
Debt service	9,990,082	-
Nonmajor Funds	-	118,657
Food Service	41,813	-
Total	<u>\$ 15,670,741</u>	<u>\$ 15,670,741</u>

Transactions between funds which are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected within the next fiscal year, the transactions are accounted for through the various due from and due to accounts.

Transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due,

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

(2) provide operating support to the cafeteria fund, (3) to fund future capital projects, and (4)) to repay the General Fund for expenses incurred on behalf of other funds.

13. LEASES

The School District has entered into non-cancelable operating leases for copiers, computers, and other equipment and software. Lease payments made during the fiscal year ended June 30, 2011 were approximately \$782,000. Future minimum lease rental payments are as follows for the fiscal years ending June 30:

2012	\$ 803,097
2013	769,796
2014	627,506
2015	526,795
2016	17,564
	<hr/>
	\$ 2,744,758
	<hr/>

14. CONTINGENCIES AND OTHER COMMITMENTS

Litigation

The School District is involved in several claims and lawsuits incidental to its operations. In the opinion of the Administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the School District.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

MT. LEBANON SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The School District maintains insurance through an independent insurance carrier for these types of business losses. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years. There have been no significant changes in insurance coverage since the prior fiscal year. Management believes the insurance coverage is sufficient to cover the School District against potential losses.

Other Commitments

There is an ongoing appeal process through which a taxpayer may contest the assessed value of their property. This process could result in reductions in tax revenues and refunds of taxes previously collected. Various appeals are outstanding at June 30, 2011. The ultimate outcome of these appeals is uncertain.

The School District has signed various contracts related to capital projects that began during fiscal year 2011, but were not completed as of June 30, 2011. The total amount of unpaid commitments on these contracts is approximately \$78,000 at June 30, 2011. It is anticipated that these projects will be completed during fiscal year 2012.

REQUIRED SUPPLEMENTARY INFORMATION

MT. LEBANON SCHOOL DISTRICT

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs) SCHEDULE OF FUNDING PROGRESS

FOR THE YEAR ENDED JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/10	\$ -	\$ 7,507,139	\$ 7,507,139	0%	\$ 35,163,420	21.3%
7/1/08	-	10,374,463	10,374,463	0%	35,652,310	29.1%
7/1/06	N/A	N/A	N/A	N/A	N/A	N/A

N/A - not applicable, as 2009 was the first year of implementation for GASB Statement No. 45

MT. LEBANON SCHOOL DISTRICT

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs) FACTORS AND TRENDS USED IN ACTUARIAL VALUATION

FOR THE YEAR ENDED JUNE 30, 2011

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the

Actuarial valuation date	7/1/2010
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Amortization period	30 years
Actuarial assumptions:	
Discount rate	4.50%
Healthcare cost trend rates:	

<u>Year</u>	<u>Medical/Rx</u>
2011	8.5%
2012	8.0%
2013	7.5%
2014	7.0%
2015	6.5%
2016	6.0%
2017	5.5%
2018 and later	5.0%

Premium Schedules (annual rates) as of July 1, 2010:

		<u>Medical/Rx</u>	
		<u>Keystone HMO</u>	<u>PPO</u>
Single	\$	5,275.44	\$ 5,541.60
Parent/Child		11,832.84	12,424.44
Parent/Children		13,016.04	13,666.80
Husband/Wife		14,331.24	15,054.12
Family		14,901.48	15,652.20



SUPPLEMENTARY INFORMATION

MT. LEBANON SCHOOL DISTRICT
DESCRIPTION OF DISTRICT FUNDS

MAJOR FUNDS

GENERAL FUND

The General Fund accounts for all transactions of the School District which are not required to be accounted for in other funds. The General fund is used to account for the ordinary operations of the School District which are financed from taxes and other local revenues. It also reflects transfers to the Debt Service, Capital Projects and Enterprise (Food Service) Funds.

CAPITAL FUND

The Capital Fund accounts for transactions related to major capital improvements in the District. Renovations to our Elementary Schools were the most recent projects reflected in this fund, and we now begin with renovations to the high school.

DEBT SERVICE FUND

The Debt Service Fund accounts for all payments on School District General Obligation Bond Issues.

MAJOR PROPRIETARY FUND

FOOD SERVICE FUND

The District has only one Business Type Fund, the Food Service Fund. This fund accounts for all transactions related to offering breakfast and lunch programs to our students.

OTHER GOVERNMENTAL FUNDS

FIDUCIARY FUNDS

The Student Activities Fund represents funds for student organizations for which the School District acts as custodian. These funds were obtained as a result of student fundraising activities and belong to the student groups.

The Private Purpose Trust Fund is used to account for resources held in trust for scholarships and fund raising events.

SPECIAL REVENUE FUND

This Fund is used to provide college scholarships to some graduating students.

ASBESTOS CAPITAL FUND

The Asbestos Fund is a Capital Fund funded from the settlement of a lawsuit. It is used for asbestos removal projects at the high school facility.

ATHLETIC DEVELOPMENT FUND

This Fund is for donations to enhance the Athletic facilities.

MT. LEBANON SCHOOL DISTRICT

COMBINING BALANCE SHEET OTHER GOVERNMENTAL FUNDS

JUNE 30, 2011

	Special Revenue Fund	Asbestos Capital Fund	Athletic Development Fund	Total
Assets				
Cash and cash equivalents	\$ 94,242	\$ 1,691,425	\$ 839	\$ 1,786,506
Due from other funds	-	-		-
Total Assets	<u>\$ 94,242</u>	<u>\$ 1,691,425</u>		<u>\$ 1,786,506</u>
Fund Balance				
Liabilities:				
Due to other funds	-	-		-
Fund Balance:				
Restricted	\$ 94,242	\$ -	\$ 839	\$ 95,081
Assigned	-	1,691,425	-	1,691,425
Total Fund Balance	<u>\$ 94,242</u>	<u>\$ 1,691,425</u>	<u>\$ 839</u>	<u>\$ 1,786,506</u>
Total Liabilities and Fund Balance	<u>\$ 94,242</u>	<u>\$ 1,691,425</u>		<u>\$ 1,786,506</u>

MT. LEBANON SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OTHER GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Fund	Asbestos Capital Fund	Athletic Development Fund	Total
Revenues:				
Investment earnings	\$ 143	\$ 1,705	\$ -	\$ 1,848
Gifts and grants	75,409	-	10	75,419
 Total revenues	 75,552	 1,705	 10	 77,267
Expenditures:				
Other support services	-	-	16,910	16,910
Student activities	26,013	-	-	26,013
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
 Total expenditures	 26,013	 -	 16,910	 42,923
Excess (Deficiency) of Revenues Over Expenditures	 49,539	 1,705	 (16,900)	 34,344
Other Financing Sources (Uses):				
Transfer out	(118,657)	-	-	(118,657)
Net Change in Fund Balance	(69,118)	1,705	(16,900)	(84,313)
Fund Balance:				
Beginning of year	163,360	1,689,720	17,739	1,870,819
End of year	\$ 94,242	\$ 1,691,425	\$ 839	\$ 1,786,506

MT. LEBANON SCHOOL DISTRICT

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES ALL AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

Student Activities:	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011
<hr/>				
Assets				
<hr/>				
Cash and cash equivalents	\$ 148,331	\$ 609,069	\$ 623,220	\$ 134,180
<hr/>				
Liabilities				
<hr/>				
Due to student organizations	\$ 148,331	\$ 609,069	\$ 623,220	\$ 134,180
<hr/>				

MT. LEBANON SCHOOL DISTRICT

**DETAILED SCHEDULE OF GENERAL FUND EXPENDITURES BY FUNCTION AND OBJECT
BUDGET AND ACTUAL (GAAP BASIS)**

Year ended June 30, 2011

INSTRUCTIONAL SERVICES

Regular Instruction

	Original Budget	Final Budget	Actual	Variance
Salaries	\$24,330,476	\$23,813,696	\$23,289,791	\$523,905
Employee Benefits	8,622,940	8,622,940	8,196,587	426,353
Contracted Services	687,352	66,946	44,719	22,227
Repair and Rental Services	20,887	20,887	19,134	1,753
Purchased Services	449,800	250,471	145,701	104,770
Supplies and Materials	1,140,352	1,397,038	1,397,037	1
Dues and Fees	9,905	12,834	12,834	0
Subtotal	<u>35,261,712</u>	<u>34,184,812</u>	<u>33,105,803</u>	<u>1,079,009</u>

Special Instruction

Salaries	3,921,295	4,013,283	4,013,282	1
Employee Benefits	1,386,024	1,386,024	1,256,571	129,453
Contracted Services	1,629,850	544,806	393,628	151,178
Supplies and Materials	106,550	162,493	162,491	2
Subtotal	<u>7,043,719</u>	<u>6,106,606</u>	<u>5,825,972</u>	<u>280,634</u>

Other Instructional Programs

Salaries	89,295	356,314	356,313	1
Employee Benefits	31,555	85,684	85,683	1
Repair and Rental Services	301,150	343,964	343,963	1
Supplies and Materials	170,000	5,000	1,509	3,491
Subtotal	<u>592,000</u>	<u>790,962</u>	<u>787,468</u>	<u>3,494</u>

Continuing Education

Salaries	123,400	123,400	115,992	7,408
Employee Benefits	43,604	43,604	33,612	9,992
Repair and Rental Services	26,100	26,100	8,799	17,301
Purchased Services \ Supplies	21,000	21,036	7,718	13,318
Subtotal	<u>214,104</u>	<u>214,140</u>	<u>166,121</u>	<u>48,019</u>

Total Instructional Services

43,111,535 41,296,520 39,885,364 1,411,156

Pupil Services

Salaries	2,284,910	2,284,910	2,268,172	16,738
Employee Benefits	807,424	807,424	728,972	78,452
Contracted Services	65,350	65,350	19,924	45,426
Purchased Services	7,210	7,160	3,449	3,711
Supplies and Materials	28,500	33,763	33,762	1
Dues and Fees	1,820	1,820	0	1,820
Subtotal	<u>\$3,195,214</u>	<u>\$3,200,427</u>	<u>\$3,054,279</u>	<u>\$146,148</u>

(Continued)

MT. LEBANON SCHOOL DISTRICT

**DETAILED SCHEDULE OF GENERAL FUND EXPENDITURES BY FUNCTION AND OBJECT
BUDGET AND ACTUAL (GAAP BASIS)**

Year ended June 30, 2011

Instructional Support Services	Original Budget	Final Budget	Actual	Variance
Salaries	\$1,719,011	\$1,719,011	\$1,714,485	\$4,526
Employee Benefits	789,511	789,511	696,463	93,048
Contracted Services	10,600	18,798	18,796	2
Repair and Rental Services	4,992	5,142	5,141	1
Purchased Services	67,686	67,686	30,316	37,370
Supplies and Materials	228,113	244,228	232,163	12,065
Subtotal	2,819,913	2,844,376	2,697,364	147,012
Administration				
Salaries	2,672,426	2,682,833	2,682,832	1
Employee Benefits	998,927	998,927	881,766	117,161
Contracted Services	431,650	183,650	87,495	96,155
Purchased Services	321,265	321,265	279,635	41,630
Supplies and Materials	56,876	56,876	34,694	22,182
Dues and Fees	10,000	10,000	5,356	4,644
Subtotal	4,491,144	4,253,551	3,971,778	281,773
Pupil Health Services				
Salaries	558,597	558,597	527,058	31,539
Employee Benefits	197,391	197,391	167,163	30,228
Contracted Services	10,800	10,958	10,756	202
Supplies and Materials	12,339	12,339	11,640	699
Subtotal	779,127	779,285	716,617	62,668
Financial Services				
Salaries	445,078	447,433	447,433	0
Employee Benefits	157,280	157,280	142,884	14,396
Contracted Services	10,000	10,000	6,905	3,095
Repair and Rental Services	471,252	471,252	320,665	150,587
Purchased Services	5,000	5,000	2,142	2,858
Supplies and Materials	23,000	23,000	11,077	11,923
Subtotal	1,111,610	1,113,965	931,106	182,859
Operation & Maintenance				
Salaries	3,303,780	3,304,459	3,234,429	70,030
Employee Benefits	1,190,780	1,190,780	1,040,285	150,495
Contracted Services	865,371	656,031	656,031	0
Repair and Rental Services	572,659	572,659	465,825	106,834
Purchased Services	337,458	339,588	339,585	3
Supplies and Materials	2,145,077	1,704,812	1,620,409	84,403
Subtotal	\$8,415,125	\$7,768,329	\$7,356,564	\$411,765

(Continued)

MT. LEBANON SCHOOL DISTRICT

**DETAILED SCHEDULE OF GENERAL FUND EXPENDITURES BY FUNCTION AND OBJECT
BUDGET AND ACTUAL (GAAP BASIS)**

Year ended June 30, 2011

Student Transportation Services	Original Budget	Final Budget	Actual	Variance
Salaries	\$223,993	\$223,993	\$223,433	\$560
Employee Benefits	79,153	79,153	71,931	7,222
Repair and Rental Services	1,493	1,493	0	1,493
Purchased Services	760,326	744,506	732,906	11,600
Supplies and Materials	31,841	37,971	37,970	1
Subtotal	<u>1,096,806</u>	<u>1,087,116</u>	<u>1,066,240</u>	<u>20,876</u>
Other Support Services				
Salaries	635,310	635,310	557,880	77,430
Employee Benefits	225,490	225,490	178,546	46,944
Contracted Services	204,000	204,000	199,236	4,764
Repair and Rental Services	222,100	222,100	189,971	32,129
Purchased Services	95,000	11,380	11,375	5
Supplies and Materials	43,245	43,245	30,205	13,040
Dues and Fees	383,500	416,845	413,240	3,605
Subtotal	<u>1,808,645</u>	<u>1,758,370</u>	<u>1,580,453</u>	<u>177,917</u>
Student Activities				
Salaries	1,165,807	1,192,432	1,192,427	5
Employee Benefits	413,032	413,032	356,200	56,832
Contracted Services	101,430	101,430	66,606	34,824
Repair and Rental Services	27,976	27,976	12,686	15,290
Purchased Services	24,750	27,026	27,025	1
Supplies and Materials	136,122	136,922	107,995	28,927
Dues and Fees	24,690	28,156	28,153	3
Subtotal	<u>1,893,807</u>	<u>1,926,974</u>	<u>1,791,092</u>	<u>135,882</u>
Community Services				
Salaries	272,437	272,437	258,641	13,796
Employee Benefits	97,685	97,685	82,322	15,363
Contracted Services	1,600	1,600	35	1,565
Supplies and Materials	900	900	223	677
Dues and Fees	0	0	0	0
Subtotal	<u>372,622</u>	<u>372,622</u>	<u>341,221</u>	<u>31,401</u>
Debt Service				
Debt Service	10,266,892	10,066,892	15,552,084	(5,485,192)
Capital Outlay				
Equipment	0	0	0	0
Intergovernmental				
Special Education	0	2,244,558	2,244,558	0
Other	0	649,455	649,455	0
Subtotal	<u>0</u>	<u>2,894,013</u>	<u>2,894,013</u>	<u>0</u>
Total General Fund Expenditures	<u>\$79,362,440</u>	<u>\$79,362,440</u>	<u>\$81,838,175</u>	<u>(\$2,475,735)</u> (Concluded)

STATISTICAL SECTION

MT. LEBANON SCHOOL DISTRICT

DESCRIPTION OF STATISTICAL SECTION

This section of the Mt. Lebanon School District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the School District's overall financial health.

CONTENTS

PAGE(S)

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the School District's financial performance and well-being have changed over time.

84-92

REVENUE CAPACITY

These schedules contain information to help the reader assess the School District's most significant local revenue sources, the property tax, the earned income tax, federal, and state subsidies.

93-100

DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the School District's ability to issue additional debt in the future.

101-106

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer economic and demographic indicators to help the reader understand the environment within which the School District's financial activities take place.

107-111

OPERATING INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides.

112-122

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

MT. LEBANON SCHOOL DISTRICT

EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE

LAST EIGHT FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental Activities:								
Instruction	\$33,625,709	\$36,310,481	\$36,595,877	\$39,477,948	\$40,896,970	\$42,446,094	\$42,142,150	\$41,641,578
Pupil Services	2,252,008	2,770,348	2,649,479	2,786,187	2,834,745	3,066,825	3,139,349	3,170,406
Instructional Support Services	2,592,351	2,804,733	2,528,704	2,601,467	2,585,990	2,822,607	2,738,888	2,799,921
Administration	3,622,279	4,294,251	3,730,685	4,206,344	4,158,999	4,210,571	4,418,809	4,122,789
Pupil Health Services	454,288	528,037	563,746	639,379	705,864	754,463	775,048	743,864
Fiscal Services	934,183	948,989	995,127	1,005,912	1,059,409	1,065,416	1,080,999	972,508
Operation and Maintenance of Plant	7,754,805	8,171,020	7,865,535	8,028,573	8,231,826	7,912,981	8,328,024	7,798,144
Pupil Transportation Services	806,340	880,271	813,013	1,105,252	1,026,084	1,066,162	1,088,955	1,106,780
Other Support Services	1,212,315	1,661,290	1,676,193	1,652,964	1,761,358	2,023,463	1,726,041	1,657,453
Student Activities	1,602,123	1,676,808	1,791,872	1,941,750	1,932,049	1,850,420	2,006,483	1,885,204
Community Services	306,001	312,697	444,095	466,947	492,207	500,092	470,938	354,195
Intergovernmental	2,136,565	2,199,866	2,254,349	2,747,704	2,771,884	2,339,387	2,462,844	3,004,045
Interest on Long-Term Debt	3,129,765	3,372,302	2,917,589	3,210,927	3,157,005	3,165,682	3,230,992	6,971,523
Business Type Activities:								
Food Services	1,238,180	1,283,827	1,399,801	1,428,146	1,420,230	1,479,616	1,549,887	1,629,145
Loss on Disposal on Capital Assets	0	0	1,756,851	0	0	0	0	0
Total Primary Government Expenses	61,666,912	67,214,920	67,982,916	71,299,500	73,034,620	74,703,779	75,159,407	77,857,555
Program Revenues								
Governmental Activities:								
Charges for Services								
Instructional Services	201,882	118,880	234,921	309,658	199,791	243,918	306,016	287,674
Operating Grants and Contributions	5,691,535	6,612,473	6,673,574	8,291,325	8,463,526	8,277,635	9,281,671	9,730,294
Capital Grants and Contributions	0	0	0	0	0	0	0	0
Business Type Activities:								
Food Services	1,077,762	1,086,370	1,158,739	1,209,952	1,224,161	1,307,096	1,287,939	1,388,183
Operating Grants and Contributions	87,464	98,970	108,581	95,488	120,287	162,707	189,835	274,040
Total Primary Government Program Revenues	7,058,643	7,916,693	8,175,815	9,906,423	10,007,765	9,991,356	11,065,461	11,680,191
Net (Expense)/Revenue								
Total Primary Government	(\$54,608,269)	(\$59,298,227)	(\$59,807,101)	(\$61,393,077)	(\$63,026,855)	(\$64,712,423)	(\$64,093,946)	(\$66,177,364)

The District began to report accrual information when it implemented GASB Statement 34 in 2004.

MT. LEBANON SCHOOL DISTRICT

GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS

LAST EIGHT FISCAL YEARS

	2004	2005	2006	2007	2008	2009	2010	2011
Net (Expense)/Revenue								
Total Primary Government Net Expense	(\$54,608,269)	(\$59,298,227)	(\$59,807,101)	(\$61,393,077)	(\$63,026,855)	(\$64,712,423)	(\$64,093,946)	(\$66,177,364)
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes								
Property Taxes Levied for General Purposes	41,613,860	47,285,517	48,815,733	49,693,130	50,522,332	49,018,157	51,755,572	54,724,426
Other Taxes Levied for General Purposes	5,956,638	5,871,491	6,256,248	6,550,873	6,850,652	6,553,815	6,645,443	6,786,259
Unrestricted Grants and Contributions	5,117,650	5,170,251	5,426,002	5,563,847	5,687,113	5,584,093	5,020,923	4,761,007
Investment Earnings	928,688	1,041,514	1,571,818	2,026,129	1,619,858	1,077,973	645,949	500,453
Other Income	127,450	115,779	80,326	120,461	107,910	98,541	90,979	85,355
Miscellaneous	29,926	(1,329,325)	33,273	0	0	0	0	0
State Property Tax Reduction	0	0	0	0	0	1,700,448	1,698,235	1,698,323
Change in Investment in Joint Venture	69,093	0	(72,078)	0	0	1,635	48,596	22,779
Total Primary Government	53,843,305	58,155,227	62,111,322	63,954,440	64,787,865	64,034,662	65,905,697	68,578,602
Change in Net Assets								
Total Primary Government	(\$764,964)	(\$1,143,000)	\$2,304,221	\$2,561,363	\$1,761,010	(\$677,761)	\$1,811,751	\$2,401,238

The District began to report accrual information when it implemented GASB Statement 34 in 2004.

MT. LEBANON SCHOOL DISTRICT

NET ASSETS BY COMPONENT

LAST EIGHT FISCAL YEARS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental Activities								
Invested in capital assets, net of related debt	(\$1,048,937)	(\$357,763)	(\$544,086)	\$178,361	(\$882,436)	\$1,829,898	\$2,257,530	\$3,458,794
Unrestricted	12,126,291	10,321,205	12,864,173	13,845,338	17,292,173	13,868,514	15,274,102	16,483,089
Restricted	0	0	0	892,317	243,928	205,597	181,099	95,081
Subtotal Governmental Activities	<u>11,077,354</u>	<u>9,963,442</u>	<u>12,320,087</u>	<u>14,916,016</u>	<u>16,653,665</u>	<u>15,904,009</u>	<u>17,712,731</u>	<u>20,036,964</u>
Business Type Activities								
Invested in capital assets, net of related debt	276,166	223,786	160,228	126,332	84,490	76,140	64,196	52,114
Unrestricted	360,384	383,676	394,810	394,140	459,343	539,588	554,561	643,648
Subtotal Business Type Activities	<u>636,550</u>	<u>607,462</u>	<u>555,038</u>	<u>520,472</u>	<u>543,833</u>	<u>615,728</u>	<u>618,757</u>	<u>695,762</u>
Total Activities								
Invested in capital assets, net of related debt	(772,771)	(133,977)	(383,858)	304,693	(797,946)	1,906,038	2,321,726	3,510,908
Unrestricted	12,486,675	10,704,881	13,258,983	14,239,478	17,751,516	14,408,102	15,828,663	17,126,737
Restricted	0	0	0	892,317	243,928	205,597	181,099	95,081
Total Net Assets	<u><u>\$11,713,904</u></u>	<u><u>\$10,570,904</u></u>	<u><u>\$12,875,125</u></u>	<u><u>\$15,436,488</u></u>	<u><u>\$17,197,498</u></u>	<u><u>\$16,519,737</u></u>	<u><u>\$18,331,488</u></u>	<u><u>\$20,732,726</u></u>

The District began to report accrual information when it implemented GASB Statement 34 in 2004.

MT. LEBANON SCHOOL DISTRICT

CHANGES IN NET ASSETS

LAST EIGHT FISCAL YEARS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental Funds:								
Net Assets:								
Beginning of Year	\$11,832,011	\$11,077,354	\$9,963,442	\$12,320,087	\$14,916,016	\$16,653,665	\$15,904,009	\$17,712,731
End of Year	<u>11,077,354</u>	<u>9,963,442</u>	<u>12,320,087</u>	<u>14,916,016</u>	<u>16,653,665</u>	<u>15,904,009</u>	<u>17,712,731</u>	<u>20,036,964</u>
Change in Net Assets	(754,657)	(1,113,912)	2,356,645	2,595,929	1,737,649	(749,656)	1,808,722	2,324,233
Business Type Funds:								
Net Assets:								
Beginning of Year	646,857	636,550	607,462	555,038	520,472	543,833	615,728	618,757
End of Year	<u>636,550</u>	<u>607,462</u>	<u>555,038</u>	<u>520,472</u>	<u>543,833</u>	<u>615,728</u>	<u>618,757</u>	<u>695,762</u>
Change in Net Assets	(10,307)	(29,088)	(52,424)	(34,566)	23,361	71,895	3,029	77,005
Total-All Funds								
Net Assets:								
Beginning of Year	12,478,868	11,713,904	10,570,904	12,875,125	15,436,488	17,197,498	16,519,737	18,331,488
End of Year	<u>11,713,904</u>	<u>10,570,904</u>	<u>12,875,125</u>	<u>15,436,488</u>	<u>17,197,498</u>	<u>16,519,737</u>	<u>18,331,488</u>	<u>20,732,726</u>
Change in Net Assets	(\$764,964)	(\$1,143,000)	\$2,304,221	\$2,561,363	\$1,761,010	(\$677,761)	\$1,811,751	\$2,401,238

The District began to report accrual information when it implemented GASB Statement 34 in 2004.

MT. LEBANON SCHOOL DISTRICT

GOVERNMENTAL FUNDS REVENUES

LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Federal Resources:										
Federal Grants	\$340,810	\$289,852	\$342,426	\$414,112	\$290,511	\$648,038	\$688,350	\$702,079	\$1,827,167	\$2,359,372
Total Federal Sources	340,810	289,852	342,426	414,112	290,511	648,038	688,350	702,079	1,827,167	2,359,372
State Sources:										
Basic Education Subsidies	4,567,965	4,889,923	4,913,252	5,034,709	5,135,391	5,315,129	5,421,501	5,584,093	5,020,923	4,761,007
Social Security/ Retirement Subsidies	1,389,863	1,541,900	1,970,477	2,012,680	2,000,312	2,579,865	2,841,218	2,559,271	2,540,080	2,612,487
Special Education Subsidies	2,224,810	2,400,788	2,266,890	2,353,469	2,367,508	2,506,694	2,598,029	2,538,943	2,560,695	2,589,760
Construction Subsidies	217,220	325,574	463,049	784,507	936,167	931,795	823,726	942,121	919,584	794,738
Transportation Subsidies	75,761	89,166	71,797	75,772	76,932	81,194	107,780	105,944	124,437	154,886
Property Tax Reduction Allocation	0	0	0	0	0	0	0	1,700,448	1,698,235	1,698,323
Medical, Dental and Nurse Care Subsidies	130,000	130,000	130,000	130,000	125,000	125,000	85,994	91,807	120,607	118,327
State Grants and Other	104,677	0	56,904	365,443	359,559	898,718	814,078	532,460	382,587	356,721
Total State Sources	8,710,296	9,377,351	9,872,369	10,756,580	11,000,869	12,438,395	12,692,326	14,055,087	13,367,148	13,086,249
Local Sources:										
Real Estate Taxes	37,561,000	37,573,362	41,510,168	46,985,258	48,883,771	49,557,411	50,589,807	49,032,399	51,697,076	55,130,569
Earned Income Taxes	4,804,088	4,772,005	5,018,226	5,069,541	5,294,788	5,695,884	6,053,990	5,879,153	5,783,167	6,094,304
Occupation Taxes	0	0	0	0	40,179	48,018	26,083	26,150	0	0
Realty Transfer Taxes	764,454	656,697	859,893	744,112	842,257	720,672	689,115	564,684	736,767	574,866
Public Utility Taxes	78,392	66,909	78,519	57,838	79,024	86,299	81,464	74,808	80,728	79,608
Investment Earnings	1,074,677	692,339	924,284	1,033,243	1,555,499	2,002,510	1,601,451	1,065,427	639,969	498,339
Rental of Facilities	161,525	138,058	127,450	115,779	80,326	120,461	94,273	98,541	85,869	80,829
Tuition from Patrons	395,300	271,722	201,882	118,880	234,921	309,658	199,791	243,918	306,016	287,674
Gifts and Grants	2,050	7,900	79,505	80,034	110,728	114,402	146,579	274,968	162,912	130,164
Other Revenues	266,409	437,601	514,885	531,998	697,468	654,337	623,384	539,062	693,493	655,846
Total Local Sources	45,107,895	44,616,593	49,314,812	54,736,683	57,818,961	59,309,652	60,105,937	57,799,110	60,185,997	63,532,199
Total Revenues	<u>\$54,159,001</u>	<u>\$54,283,796</u>	<u>\$59,529,607</u>	<u>\$65,907,375</u>	<u>\$69,110,341</u>	<u>\$72,396,085</u>	<u>\$73,486,613</u>	<u>\$72,556,276</u>	<u>\$75,380,312</u>	<u>\$78,977,820</u>

MT. LEBANON SCHOOL DISTRICT

GENERAL SCHOOL DISTRICT EXPENDITURES BY FUNCTION

LAST TEN FISCAL YEARS

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Current Expenditures:										
Instructional Services	\$29,831,814	\$30,839,461	\$31,865,675	\$33,806,943	\$34,991,557	\$37,771,733	\$38,713,912	\$39,448,922	\$39,809,966	\$40,005,330
Pupil Services	2,072,869	2,097,406	2,179,574	2,666,147	2,561,997	2,692,590	2,738,026	2,959,471	3,026,765	3,054,279
Instructional Support Services	2,099,277	2,457,083	2,508,876	2,690,636	2,445,210	2,514,075	2,497,759	2,723,802	2,640,665	2,697,364
Administration	3,013,236	3,457,780	3,499,685	4,121,261	3,601,617	4,057,999	4,009,161	4,055,938	4,252,527	3,971,778
Pupil Health	374,541	413,210	439,675	505,666	545,132	617,900	681,781	728,053	747,253	716,617
Financial Services	806,264	846,800	904,037	911,760	962,269	972,120	1,023,263	1,028,121	1,042,232	937,106
Operation and Maintenance of Plant	6,418,338	6,957,195	7,497,061	7,853,433	7,597,946	7,750,846	7,942,944	7,980,553	8,032,424	7,517,574
Student Transportation Services	793,236	812,193	779,839	841,427	784,238	1,068,123	991,075	1,027,967	1,048,684	1,066,240
Other Support Services	514,261	817,288	1,170,806	1,591,527	1,618,243	1,593,609	1,696,841	1,660,595	1,657,663	1,597,363
Student Activities	1,285,807	1,472,428	1,551,992	1,614,610	1,735,070	1,880,490	1,870,165	1,931,031	1,940,256	1,791,092
Scholarships	2,500	0	0	0	0	0	0	2,589	1,300	26,013
Community Services	291,858	327,384	296,161	300,549	429,432	451,261	475,413	482,585	454,049	341,221
Intergovernmental	2,056,036	2,036,914	2,136,547	2,199,866	2,254,349	2,747,704	2,771,884	2,339,387	2,462,844	2,894,013
Subtotal Noncapital Expenditures	49,560,037	52,535,142	54,829,928	59,103,825	59,527,060	64,118,450	65,412,224	66,369,014	67,116,628	66,615,990
Capital Outlay:										
Capitalized	3,491,377	7,356,745	18,346,297	20,019,822	11,706,822	1,100,260	1,440,822	1,376,695	1,822,593	2,417,478
Non-Capitalized	0	0	676,127	1,009,151	303,280	258,007	802,367	461,385	2,475,279	859
Subtotal Capital Outlay	3,491,377	7,356,745	19,022,424	21,028,973	12,010,102	1,358,267	2,243,189	1,838,080	4,297,872	2,418,337
Debt Service:										
Principal	1,115,000	1,180,000	1,335,000	1,650,000	1,845,000	1,890,000	1,940,000	2,000,000	1,950,000	2,930,000
Interest	1,206,682	1,224,089	3,277,634	3,308,634	2,871,272	3,063,885	3,012,109	2,987,326	2,818,938	7,060,082
Issuance Costs	240,625	617,066	195,564	0	672,306	0	0	69,378	438,300	73,819
Subtotal Debt Service	2,562,307	3,021,155	4,808,198	4,958,634	5,388,578	4,953,885	4,952,109	5,056,704	5,207,238	10,063,901
Total Expenditures	\$55,613,721	\$62,913,042	\$78,660,550	\$85,091,432	\$76,925,740	\$70,430,602	\$72,607,522	\$73,263,798	\$76,621,738	\$79,098,228
Debt Service as a Percentage of Noncapital Expenditures	4.68%	4.58%	8.41%	8.39%	7.92%	7.73%	7.57%	7.51%	7.11%	15.00%

MT. LEBANON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES BY OBJECT
 LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Salaries	\$33,274,895	\$33,873,912	\$34,338,344	\$36,317,334	\$36,039,333	\$38,034,370	\$38,887,197	\$40,019,113	\$40,889,621	\$40,882,168
Fringe Benefits	6,493,132	7,458,700	9,566,593	11,058,456	11,732,145	12,888,868	13,637,624	13,460,617	13,557,523	13,918,985
Contracted Services	3,195,438	3,360,038	21,700,725	3,439,497	13,413,439	2,204,496	3,414,145	3,370,837	3,393,295	3,230,294
Repair and Rental Services	2,670,067	6,791,380	1,430,254	21,153,147	1,464,842	1,276,462	1,312,310	1,315,242	1,236,939	1,022,221
Purchased Services	2,261,522	2,721,405	2,535,535	2,429,956	2,494,074	3,028,335	2,891,787	2,986,113	3,074,266	3,023,557
Supplies	1,471,550	1,429,136	1,404,655	1,286,845	1,605,642	1,361,552	1,324,768	1,470,224	1,314,291	1,275,316
Utilities	1,395,112	1,524,345	1,394,184	1,555,144	1,539,553	1,710,506	1,844,809	1,746,295	1,466,297	1,315,435
Books	640,847	665,503	610,464	731,976	481,122	764,987	794,302	802,938	774,402	715,520
Equipment	1,006,595	1,997,267	791,928	1,497,554	881,964	1,232,738	1,076,139	882,784	721,626	773,089
Dues and Fees	214,673	668,828	61,790	61,458	56,448	59,355	71,785	64,297	62,063	63,626
Debt Service	2,321,682	2,422,531	4,826,078	4,958,634	5,388,578	4,953,885	4,952,109	5,562,331	4,838,100	9,990,082
Other	668,208	-	-	601,431	1,828,600	2,915,048	2,400,547	1,583,007	5,293,315	2,887,935
Total Expenditures	\$55,613,721	\$62,913,045	\$78,660,550	\$85,091,432	\$76,925,740	\$70,430,602	\$72,607,522	\$73,263,798	\$76,621,738	\$79,098,228

Source: All Governmental Fund Expenditures. Prior to 2003, the amounts presented also included expenditures from Expendable Trust Funds.

MT. LEBANON SCHOOL DISTRICT

**OTHER FINANCING SOURCES AND USES AND NET CHANGE IN
FUND BALANCES, GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Excess of Revenues Over (Under) Expenditures	(\$1,454,720)	(\$8,629,246)	(\$19,130,943)	(\$19,184,057)	(\$7,815,399)	\$1,965,483	\$879,091	(\$707,522)	(\$1,241,426)	(\$120,408)
Other Financing Sources (Uses)										
General Long-Term Debt Issued	15,750,000	60,116,751	12,945,000	-	53,013,273	-	-	3,715,000	69,000,000	10,690,000
Payments to Refund Bond Escrow Agent	(5,672,280)	(9,330,000)	(12,703,947)	-	(52,873,972)	-	-	(3,615,000)	-	(10,982,821)
Premium on Issuance of Bonds	-	-	-	-	540,580	-	-	-	6,451,200	366,640
Proceeds from Sale of Land	-	-	98,705	-	-	-	-	-	-	-
Transfers In	2,321,682	12,623,096	4,660,490	6,283,419	6,368,110	9,138,939	7,724,246	5,493,169	4,768,938	15,628,928
Transfers Out	(2,435,384)	(12,678,937)	(4,718,733)	(6,344,547)	(6,431,848)	(9,203,460)	(7,791,345)	(5,562,331)	(4,838,100)	(15,670,741)
Total Other Financing Sources (Uses)	9,964,018	50,730,910	281,515	(61,128)	616,143	(64,521)	(67,099)	30,838	75,382,038	32,006
Net Change in Fund Balances	<u>\$8,509,298</u>	<u>\$42,101,664</u>	<u>(\$18,849,428)</u>	<u>(\$19,245,185)</u>	<u>(\$7,199,256)</u>	<u>\$1,900,962</u>	<u>\$811,992</u>	<u>(\$676,684)</u>	<u>\$74,140,612</u>	<u>(\$88,402)</u>

MT. LEBANON SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$1,341,443	\$1,476,724	\$1,857,558	\$5,567,501	\$1,969,863	\$2,005,053	\$1,874,699	\$1,316,414	\$1,088,787	-
Unreserved	8,268,297	6,444,454	5,595,023	1,848,243	8,262,018	7,025,346	7,131,622	8,216,680	11,929,586	-
Nonspendable	-	-	-	-	-	-	-	-	-	1,090,055
Assigned	-	-	-	-	-	-	-	-	-	4,050,512
Unassigned	-	-	-	-	-	-	-	-	-	4,700,870
Total General Fund	9,609,740	7,921,178	7,452,581	7,415,744	10,231,881	9,030,399	9,006,321	9,533,094	13,018,373	9,841,437
All Other Governmental Funds										
Reserved	9,248,652	52,307,648	33,926,817	14,718,469	4,703,076	2,485,603	2,008,067	2,190,056	74,372,577	-
Unreserved	-	-	-	-	-	5,319,917	6,633,523	5,248,077	3,720,889	-
Nonspendable	-	-	-	-	-	-	-	-	-	598,298
Restricted	-	-	-	-	-	-	-	-	-	70,492,308
Assigned	-	-	-	-	-	-	-	-	-	10,091,394
Total All Other Governmental Funds	9,248,652	52,307,648	33,926,817	14,718,469	4,703,076	7,805,520	8,641,590	7,438,133	78,093,466	81,182,000
Grand Total General and All Other Governmental Fund Balances	<u>\$18,858,392</u>	<u>\$60,228,826</u>	<u>\$41,379,398</u>	<u>\$22,134,213</u>	<u>\$14,934,957</u>	<u>\$16,835,919</u>	<u>\$17,647,911</u>	<u>\$16,971,227</u>	<u>\$91,111,839</u>	<u>\$91,023,437</u>

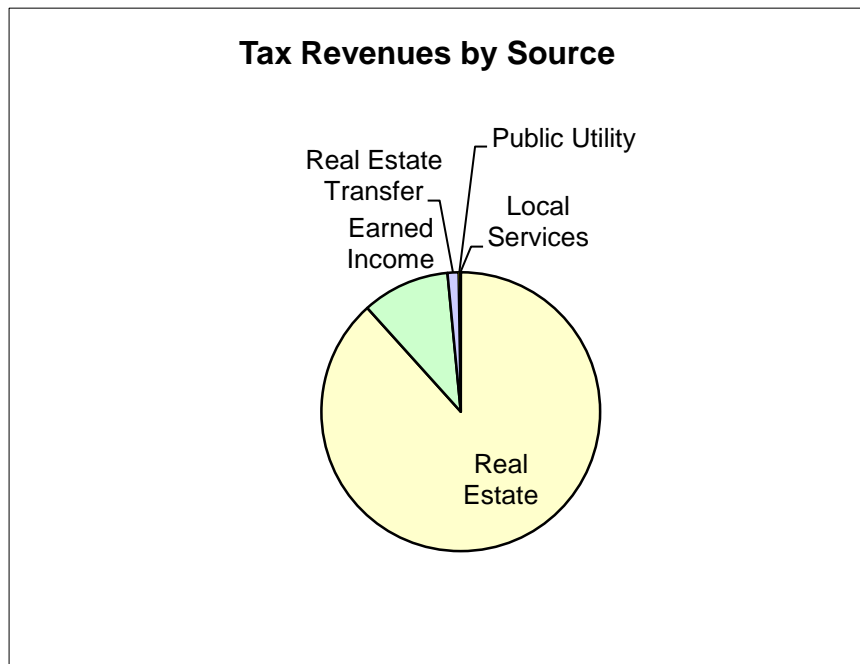
The District implemented GASB Statement #54 in 2011, which changed the fund balance classifications.

MT. LEBANON SCHOOL DISTRICT

TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS

Fiscal Year Ended	Real Estate Taxes	Earned Income Tax	Real Estate Transfer Tax	Public Utility Tax	Local Service Tax	Total Taxes
2002	\$37,561,000	\$4,804,088	\$764,454	\$78,392	-	\$43,207,934
2003	37,573,362	4,772,005	656,697	66,909	-	43,068,973
2004	41,510,168	5,018,226	859,893	78,519	-	47,466,806
2005	46,985,258	5,069,541	744,112	57,838	-	52,856,749
2006	48,883,771	5,294,788	842,257	79,024	40,719	55,140,559
2007	49,557,411	5,695,884	720,672	86,299	48,018	56,108,284
2008	50,589,807	6,053,990	689,115	81,464	26,083	57,440,459
2009	49,032,399	5,879,153	564,684	74,808	26,150	55,577,194
2010	51,697,076	5,783,167	736,767	80,728	44,781	58,342,519
2011	55,130,569	6,094,304	574,866	79,608	37,481	61,916,828



MT. LEBANON SCHOOL DISTRICT
ASSESSED VALUE AND PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

Tax Rates (per \$1,000 of Assessed Valuation)

<u>Year</u>	<u>Municipal</u>	<u>School</u>	<u>County</u>	<u>Total</u>	<u>Assessed Valuation</u>
2002	4.35	20.76	4.72	29.83	\$1,855,927,051
2003	3.99	18.12	4.69	26.80	2,122,631,133
2004	3.99	20.16	4.69	28.84	2,141,508,681
2005	4.34	22.76	4.69	31.79	2,113,921,663
2006	4.57	23.18	4.69	32.44	2,171,329,944
2007	4.79	23.56	4.69	33.04	2,164,018,756
2008	4.97	23.56	4.69	33.22	2,154,641,502
2009	4.97	23.81	4.69	33.47	2,171,398,932
2010	4.89	24.11	4.69	33.69	2,175,275,286
2011	4.89	26.63	4.69	36.21	2,159,216,301

Source: Municipal information is from the Municipal Finance Office. County information is from the Allegheny County Annual Financial Reports.

Note: Allegheny County assessment records do not allow categorization by class, use or ownership. Mt. Lebanon does not tax personal property.

MT. LEBANON SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS

Fiscal Year	Adjusted Total Tax Levy*	Face Value of Current Tax Collections	Percent of Total Tax Levy Collected	Collected at Discount	Percent of Total Levy at Discount	Outstanding Delinquent Taxes	Delinquent Taxes as Percent of Levy	Collections in Subsequent Years	Collections to Date	Percentage Collected to Date
2002	\$38,021,202	\$37,903,029	99.7%	\$33,017,569	86.8%	\$785,986	2.1%	\$706,573	\$706,573	99.77%
2003	37,753,757	38,188,066	101.2%	33,781,000	89.5%	717,221	1.9%	573,752	573,752	99.58%
2004	42,650,866	47,129,323	110.5%	41,354,031	97.0%	814,872	1.9%	164,458	164,458	98.46%
2005	48,511,605	47,217,522	97.3%	41,851,854	86.3%	1,592,336	3.3%	716,155	716,155	97.98%
2006	50,015,412	48,732,909	97.4%	42,595,386	85.2%	970,715	1.9%	883,604	883,604	99.80%
2007	50,837,893	49,063,088	96.5%	43,156,898	84.9%	1,681,061	3.3%	1,222,260	1,222,260	98.98%
2008	51,091,456	49,383,562	96.7%	42,532,136	83.2%	1,385,830	2.7%	1,106,490	1,106,490	99.36%
2009	51,936,184	48,678,765	93.7%	41,026,145	79.0%	3,257,419	6.3%	1,157,326	1,157,326	95.26%
2010	50,345,459	49,271,523	97.9%	42,944,333	85.3%	1,073,936	2.1%	737,213	737,213	99.24%
2011	55,786,664	54,796,333	98.2%	48,682,008	87.3%	990,331	1.8%	82,093	82,093	98.17%

Source: Mt. Lebanon Tax Office

*Adjusted tax levy as of June 30th reflects additions and exonerations granted to property owners.

MT. LEBANON SCHOOL DISTRICT
PROPERTY TAX LEVIES* BY GOVERNMENTAL UNIT
 LAST TEN FISCAL YEARS

<u>Year</u>	<u>Municipal</u>	<u>School</u>	<u>County (1)</u>	<u>Total</u>
2002	\$8,150,807	\$38,929,334	\$8,864,347	\$55,944,488
2003	8,462,482	38,454,624	10,158,403	57,075,509
2004	8,467,233	42,813,734	9,960,139	61,241,106
2005	9,265,241	48,597,926	9,716,849	67,580,016
2006	9,804,097	49,753,167	9,703,796	69,261,060
2007	10,421,757	51,285,409	10,209,192	71,916,358
2008	10,671,034	51,356,440	10,082,120	72,109,594
2009	10,644,640	52,483,059	10,029,272	73,156,971
2010	10,646,040	56,278,107	9,911,540	76,835,687
2011	10,289,825	55,841,535	10,138,504	76,269,864

(1) County Real Estate Tax on Mt. Lebanon Properties.

*Original amount levied. Does not reflect subsequent exonerations and additions.

Source: Municipal information is from the Municipal Finance Office. County information is from the Allegheny County Annual Financial Reports.

MT. LEBANON SCHOOL DISTRICT

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Year	Assessed Value	Exempt Real Property	Total	Estimated Actual Value (1)	Mt. Lebanon School Millage Rate
2002	\$1,855,927,051	\$256,617,348	\$2,112,544,399	\$1,596,225,400	20.76
2003	2,122,631,133	271,486,070	2,394,117,203	1,971,124,441	18.12
2004	2,141,508,681	209,900,160	2,351,408,841	1,857,861,100	20.16
2005	2,113,921,663	209,979,260	2,323,900,923	2,046,675,967	22.76
2006	2,171,329,944	219,487,540	2,390,817,484	1,908,474,300	23.18
2007	2,164,018,756	218,095,440	2,382,114,196	1,993,089,900	23.56
2008	2,154,641,502	279,749,900	2,434,391,402	1,938,043,900	23.56
2009	2,171,398,932	213,444,340	2,384,843,272	2,027,186,300	23.81
2010	2,175,275,286	224,737,840	2,400,013,126	2,048,807,500	24.11
2011	2,159,216,301	224,767,840	2,383,984,141	2,149,416,467	26.63

(1) Data provided by State Tax Equalization Board

Notes: Allegheny County assessment records do not allow categorization by class, use or ownership.

Mt. Lebanon does not tax personal property.

Sources: Mt. Lebanon Tax Office

Mt. Lebanon School District Comprehensive Annual Financial Report

MT. LEBANON SCHOOL DISTRICT
PRINCIPAL REAL ESTATE TAXPAYERS

6/30/11 AND 6/30/02

Taxpayer	June 30, 2011			June 30, 2002		
	Estimated Actual Values of Real Property (1)	Rank	Percentage of Total Assessed Valuation	Estimated Actual Values of Real Property (1) (2)	Rank	Percentage of Total Assessed Valuation
The Galleria	\$30,400,000	1	1.41%	\$23,182,400	1	1.2%
Brookdale Senior Housing	17,000,000	2	0.78	17,703,600	2	0.94
Bower Hill Development	11,699,700	3	0.54	11,193,400	4	0.60
Concordia Luthern	8,489,416	4	0.39	-	-	-
IHP/Bower Hill LLC	6,831,700	5	0.32	6,503,000	5	0.35
650 Washington Road Associates (The Cyclops Building)	6,193,900	6	0.29	6,193,900	6	0.33
Asbury Health	5,879,498	7	0.27	20,543,429	2	1.09
St. Clair Memorial Hospital	5,831,220	8	0.27	5,840,730	7	0.31
Jon Pan Realty Inc.	5,555,000	9	0.26	-	-	-
Pendale Towers	5,253,200	10	0.24	5,000,000	6	0.27
900 Washington Corporation	-		-	4,578,600	8	0.24
Independence Court of Mt. Lebanon Associates	-		-	4,550,300	9	0.24
Total	<u>\$103,133,634</u>		<u>4.77%</u>	<u>\$105,289,359</u>		<u>5.67%</u>
Total Taxable Assessed Valuation	<u>\$2,159,216,301</u>			<u>\$1,855,927,051</u>		

(1) Assessed valuation based on the valuation of property for taxes collected in 2011 and 2002 respectively, and a review of the 10 largest taxpayers for the Municipality.

(2) Assessment valuations were converted to 100% value.

Source: Mt. Lebanon Tax Office.

Mt. Lebanon Comprehensive Annual Financial Reports.

MT. LEBANON SCHOOL DISTRICT

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	2010			2001		
	Employees	Rank	Percentage of Total Municipal Employment	Employees	Rank	Percentage of Total Municipal Employment
St. Clair Memorial Hospital	2,065	1	27.20%	1,691	1	17.29%
Mt. Lebanon School District	667	2	8.79	878	2	8.98
Asbury Health Center	334	3	4.40	288	4	2.95
Mt. Lebanon Municipality	256	5	3.37	404	3	4.13
Baptist Homes	243	4	3.20	223	5	2.28
Keystone Oaks School District	174	6	2.29	221	6	2.26
Giant Eagle	147	7	1.94	159	8	1.63
Family Hospice	146	8	1.92	-	-	-
Devonshire of South Hills	138	9	1.82	-	-	-
Houlihan's	127	10	1.67	-	-	-
Super Value Holding	-	-	-	192	7	1.96
Mt. Lebanon Manor	-	-	-	148	9	1.51
Catholic Diocese of Pittsburgh	-	-	-	117	10	1.20
Total	4,297		56.60%	4,321		42.99%
Total Employees	7,591			9,779		

Source: Mt. Lebanon Tax Office for the calendar year for year 2010 and 2001.

MT. LEBANON SCHOOL DISTRICT

**MT. LEBANON SCHOOL DISTRICT EARNED INCOME TAX
REVENUE BASE AND COLLECTIONS**

LAST TEN YEARS

Calendar Year	Tax Rate	Net Earned Income Tax Collected	Refunds	Total Earned Income Tax Collected
2001	0.5%	\$4,596,789	(\$207,299)	\$4,804,088
2002	0.5	4,535,054	(236,951)	4,772,005
2003	0.5	4,673,673	(344,553)	5,018,226
2004	0.5	4,761,576	(307,965)	5,069,541
2005	0.5	5,003,430	(291,358)	5,294,788
2006	0.5	5,409,415	(286,469)	5,695,884
2007	0.5	5,787,283	(266,707)	6,053,990
2008	0.5	5,879,153	(352,068)	6,231,221
2009	0.5	5,783,167	(440,606)	6,223,773
2010	0.5	6,094,304	(350,280)	6,444,584

Source: Mt. Lebanon Tax Office.

MT. LEBANON SCHOOL DISTRICT
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 YEAR ENDED JUNE 30, 2011

Direct Debt	Percentage of Applicable Debt	Face Amount Outstanding
General Obligation Bonds & Unamortized Premiums	100.0%	\$141,468,789
Total Direct Debt		<u>141,468,789</u>
Overlapping Debt		
Allegheny County	4.00%	24,527,850 (1) (2)
Mt. Lebanon, Pennsylvania	100.0%	<u>27,075,000 (2)</u>
Total Overlapping Debt		<u>51,602,850</u>
Total Direct and Overlapping Debt		<u><u>\$193,071,639</u></u>

RATIOS

<u>Direct Debt To:</u>		<u>Direct and Overlapping Debt To:</u>	
Assessed Value	6.6%	Assessed Value	8.9%
Market Value	6.6%	Market Value	9.0%
Per Capita	\$4,285	Per Capita	\$5,848
		Assessed Value	\$2,159,216,301
		Market Value	\$2,149,416,467
		Population	33,017

(1) 4.0% of total debt based on Mt. Lebanon's assessed value as a percentage of Allegheny County's assessed value.

(2) As of December 31, 2010.

Source: Municipal and Parking Authority information from the Municipal Finance Office.
 County information from the County Finance Office.

MT. LEBANON SCHOOL DISTRICT

COMPUTATION OF NONELECTORAL DEBT MARGIN*

AS OF JUNE 30, 2010

Formula for Debt Limit	Fiscal Year Ended June 30		
	2009	2010	2011
Total General Fund Revenues, Food Service Revenues and Interest on Bond Proceeds	\$73,805,091	\$76,422,211	\$80,248,732
Less: Required Deductions Included in Total Revenues			
a. Construction Subsidies	942,121	919,584	794,738
b. Receipts Pledged to Self-Liquidating Debt or Payments under Leases or Guaranties	-	-	-
c. Interest Earned on Sinking Fund	-	-	-
d. Grant Payments for Special Projects	-	-	-
e. Sale of Property and Nonrecurring Revenues	-	-	-
Net Revenues	72,862,970	75,502,627	79,453,994
Total Net Revenues for Three Years	227,819,591		
Borrowing Base - Average Net Revenues for Three-Year Period	75,939,864		
Multiplier	225%		
Total Nonelectoral Debt Limit	170,864,693		
Less: Amount of Debt Applicable to Debt Limit	145,476,745		
	<u>\$25,387,948</u>		

*Note: Act 50 of 1998 amended Section 8022 of the Local Government Unit Debt Act to set the Nonelectoral Debt Limit at 225% of the district's borrowing base as calculated above.

MT. LEBANON SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$114,802,907	\$117,906,490	\$123,562,632	\$132,361,993	\$146,313,417	\$155,747,202	\$161,449,886	\$164,246,971	\$166,534,694	\$170,864,693
Total Net Debt Applicable to Limit	<u>28,160,000</u>	<u>77,180,000</u>	<u>77,472,938</u>	<u>75,801,982</u>	<u>76,935,265</u>	<u>75,023,642</u>	<u>73,062,019</u>	<u>71,140,396</u>	<u>144,437,189</u>	<u>145,476,745</u>
Legal Debt Margin	<u>\$86,642,907</u>	<u>\$40,726,490</u>	<u>\$46,089,694</u>	<u>\$56,560,011</u>	<u>\$69,378,152</u>	<u>\$80,723,560</u>	<u>\$88,387,867</u>	<u>\$93,106,575</u>	<u>\$22,097,505</u>	<u>\$25,387,948</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	24.53%	65.46%	62.70%	57.27%	52.58%	48.17%	45.25%	43.31%	86.73%	85.14%

MT. LEBANON SCHOOL DISTRICT

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES**

LAST TEN FISCAL YEARS

Fiscal Year	Principal	Interest	Total Debt Service	Total Governmental Funds Expenditures	Ratio of Debt Service to General Expenditures
2002	\$1,115,000	\$1,206,682	\$2,321,682	\$55,613,721	4.2
2003	**1,180,000	1,224,089	*2,404,089	62,913,042	3.8
2004	**1,335,000	3,277,634	*4,612,634	78,660,550	5.9
2005	1,650,000	3,308,634	4,958,634	85,091,432	5.8
2006	1,845,000	2,803,567	4,648,567	76,925,740	7.8
2007	1,890,000	3,063,885	4,953,885	70,430,602	7.0
2008	1,940,000	3,012,109	4,952,109	72,607,522	6.8
2009	**2,000,000	2,987,326	*4,987,326	73,263,798	6.8
2010	1,950,000	2,818,938	4,768,938	76,621,738	6.2
2011	**2930000	7,060,082	*9,990,082	79,098,228	12.6

*Excludes issue costs.

**Excludes payments related to refunded bonds.

MT. LEBANON SCHOOL DISTRICT

**RATIO OF NET BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA**

LAST TEN FISCAL YEARS

Fiscal Year	Population	Assessed Value	Estimated Actual Value	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita	Ratio of Net Bonded Debt to Estimated Actual Value
2002	33,017	\$1,855,927,051	\$1,596,225,400	\$28,160,000	0	\$28,160,000	1.5%	\$853	1.8%
2003	33,017	2,122,631,133	1,971,124,441	77,180,000	52,939	77,127,061	3.6%	2,336	3.9%
2004	33,017	2,141,508,681	1,857,861,100	76,915,000	52,939	76,862,061	3.6%	2,345	4.1%
2005	33,017	2,113,921,663	2,046,675,967	75,265,000	52,939	75,212,061	3.6%	2,294	3.7%
2006	33,017	2,171,329,944	1,908,474,300	76,935,265	52,939	76,882,326	3.5%	2,314	4.0%
2007	33,017	2,164,018,756	1,993,089,900	75,023,642	52,939	74,970,703	3.5%	2,271	3.8%
2008	33,017	2,154,641,502	1,938,043,900	73,062,019	52,939	73,009,080	3.4%	2,211	3.8%
2009	33,017	2,171,398,932	2,027,186,300	71,140,396	0	71,140,396	3.3%	2,155	3.5%
2010	33,017	2,175,275,286	2,048,807,500	144,437,189	0	144,437,189	6.6%	4,375	7.0%
2011	33,017	2,159,216,301	2,149,416,467	141,468,789	0	141,468,789	6.6%	4,285	6.6%

* 1995-2004, Official U.S. Census

MT. LEBANON SCHOOL DISTRICT

OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1994 General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
1995 General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
1996 General Obligation Bonds	440,000	-	-	-	-	-	-	-	-	-
1997 General Obligation Bonds	-	-	-	-	-	-	-	-	-	-
1998 General Obligation Bonds	9,960,000	-	-	-	-	-	-	-	-	-
2000 General Obligation Bonds	2,010,000	1,950,000	-	-	-	-	-	-	-	-
2001 General Obligation Bonds	9,995,000	9,990,000	-	-	-	-	-	-	-	-
2002 General Obligation Bonds	5,755,000	5,710,000	5,385,000	5,050,000	4,705,000	4,355,000	3,995,000	-	-	-
2002 Series A General Obligation Bonds	-	9,530,000	8,590,000	7,320,000	6,025,000	4,690,000	3,320,000	1,910,000	460,000	-
2003 General Obligation Bonds	-	50,000,000	49,995,000	49,990,000	-	-	-	-	-	-
2004 General Obligation Bonds	-	-	12,945,000	12,905,000	12,705,000	12,505,000	12,300,000	12,095,000	11,880,000	-
2005 General Obligation Bonds	-	-	-	-	52,975,000	52,970,000	52,965,000	52,960,000	52,955,000	52,845,000
2005 Unamortized Bond Premium	-	-	-	-	525,265	503,642	482,019	460,396	6,707,189	-
2009 General Obligation Bonds	-	-	-	-	-	-	-	3,715,000	3,435,000	2,975,000
2009 A General Obligation Bonds	-	-	-	-	-	-	-	-	69,000,000	68,300,000
2011 General Obligation Bonds	-	-	-	-	-	-	-	-	-	10,575,000
Total Debt	\$28,160,000	\$77,180,000	\$76,915,000	\$75,265,000	\$76,935,265	\$75,023,642	\$73,062,019	\$71,140,396	\$144,437,189	\$134,695,000
Ratio of Debt to Personal Income	2.5%	6.9%	6.9%	6.8%	6.9%	6.8%	6.6%	6.4%	13.0%	12.1%
Debt Per Capita	\$853	\$2,336	\$2,345	\$2,294	\$2,314	\$2,272	\$2,213	\$2,155	\$4,375	\$4,080

MT. LEBANON SCHOOL DISTRICT

HISTORICAL SCHEDULE OF TAX RATES AND STATISTICS

LAST 30 YEARS

<u>Fiscal Year</u>	<u>Assessed Valuation</u>	<u>Millage Rate</u>	<u>Earned Income Tax Rate</u>	<u>Realty Transfer Tax Rate</u>	<u>School Buildings In Use</u>	<u>Enrollment</u>
1982	\$184,256,610	72.25	1/2	1/2	10	5,864
1983	200,845,724	79.25	1/2	1/2	10	5,559
1984	201,681,630	82.5	1/2	1/2	9	5,331
1985	204,554,280	82.5	1/2	1/2	9	5,138
1986	227,028,845	82.5	1/2	1/2	9	5,031
1987	228,065,160	82.5	1/2	1/2	8	4,940
1988	232,065,680	82.5	1/2	1/2	8	4,903
1989	239,415,420	82.5	1/2	1/2	8	4,889
1990	249,651,570	88.25	1/2	1/2	8	4,900
1991	264,528,535	92.75	1/2	1/2	8	4,947
1992	271,208,015	98.5	1/2	1/2	8	5,008
1993	281,925,660	98.5	1/2	1/2	8	5,040
1994	289,355,500	98.5	1/2	1/2	8	5,229
1995	339,035,520	90.5	1/2	1/2	8	5,364
1996	340,838,695	90.5	1/2	1/2	8	5,435
1997	338,378,140	90.5	1/2	1/2	8	5,546
1998	336,504,000	91	1/2	1/2	8	5,659
1999	340,928,320	94.9	1/2	1/2	10	5,751
2000	347,621,185	96.4	1/2	1/2	10	5,728
2001	353,449,835	98.65	1/2	1/2	10	5,672
2002	1,878,039,596	20.76	1/2	1/2	10	5,616
2003	2,165,966,865	18.12	1/2	1/2	10	5,616
2004	2,135,256,841	20.16	1/2	1/2	10	5,576
2005	2,113,921,663	22.76	1/2	1/2	10	5,505
2006	2,171,329,944	23.18	1/2	1/2	10	5,454
2007	2,068,748,983	23.56	1/2	1/2	10	5,436
2008	2,154,641,502	23.56	1/2	1/2	10	5,416
2009	2,171,398,932	23.81	1/2	1/2	10	5,294
2010	2,175,275,286	24.11	1/2	1/2	10	5,302
2011	2,159,216,301	26.63	1/2	1/2	10	5,268

Source: School District Finance Office.

MT. LEBANON SCHOOL DISTRICT
SCHEDULE OF TOTAL EXPENDITURES PER PUPIL

LAST TEN FISCAL YEARS

Fiscal Year	Expenditures	Enrollment	Cost Per Pupil	Cost Per Pupil General Fund	Percent Increase(Decrease) General Fund
2002	\$55,613,721	5,616	\$9,903	\$8,937	6.6%
*2003	62,913,042	5,616	11,202	9,367	4.8%
*2004	78,660,550	5,576	14,107	9,814	4.8%
*2005	85,091,432	5,505	15,457	10,725	9.3%
*2006	76,925,740	5,454	14,104	10,914	1.7%
2007	70,430,602	5,436	12,956	11,773	7.9%
2008	72,607,522	5,416	13,406	12,056	2.4%
2009	73,263,798	5,294	13,839	12,479	3.5%
2010	76,621,738	5,302	14,451	12,544	0.5%
2011	79,098,228	5,268	15,015	12,583	0.3%

*Reflects the elementary school renovations.

Source: All Governmental Fund Expenditures or General Fund Expenditures as noted.

MT. LEBANON SCHOOL DISTRICT

PUPIL/TEACHER RATIO AND ATTENDANCE

LAST TEN FISCAL YEARS

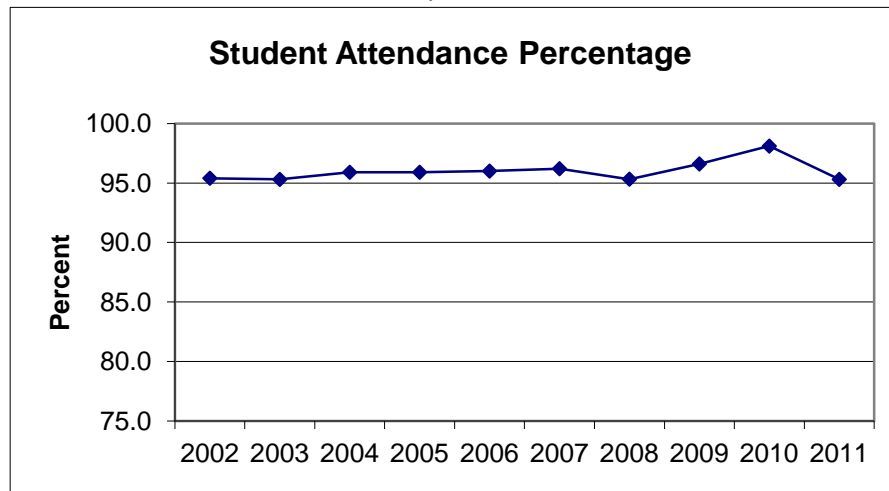
Fiscal Year	Enrollment	Teaching Staff*	Pupil/Teacher Ratio	Student Attendance Percentage	Number of Free & Reduced**	Percentage of Free & Reduced**
2002	5,616	407	13.8	95.4%	133	2.37%
2003	5,616	404	13.9	95.3%	172	3.06%
2004	5,576	423	13.2	95.9%	175	3.14%
2005	5,505	431	12.8	95.9%	210	3.81%
2006	5,454	424	12.9	96.0%	223	4.09%
2007	5,436	424	12.8	96.2%	235	4.32%
2008	5,416	426	12.7	95.3%	247	4.56%
2009	5,294	421	12.6	96.6%	249	4.70%
2010	5,302	423	12.5	98.1%	335	6.32%
2011	5,268	423	12.5	95.3%	***431	8.19%

*Reflects full-time equivalents for professional staff excluding Administrators, but including all special subject areas.

**These are students eligible under Federal guidelines for free or reduced price lunches. All numbers were taken from the month of October for the years which information is available.

***This is the first school year all 10 schools participated in the National School Lunch Program.

Source: School District Human Resource Department and Finance Office.



MT. LEBANON SCHOOL DISTRICT
INFORMATION ON TEACHING STAFF
LAST EIGHT YEARS*

Fiscal Year		Education						Average Salary/ Total
		Bachelors	Bachelors +15	Masters	Masters+30	Masters+60	Ph D	
2004	Salary Range	\$37,429-75,703	\$37,911-77,522	\$38,391-81,174	\$39,173-82,158	\$40,136-83,375	\$40,857-83,662	\$57,989
	Number of Teachers	29	80	264	24	13	3	413
2005	Salary Range	\$38,429-77,248	\$38,911-79,067	\$39,391-82,719	\$40,173-83,703	\$41,136-84,920	\$41,857-85,207	\$57,093
	Number of Teachers	43	86	260	28	11	4	432
2006	Salary Range	\$38,903-79,394	\$39,825-81,275	\$41,659-85,019	\$42,141-86,003	\$42,738-87,220	\$42,878-87,507	\$58,770
	Number of Teachers	42	89	257	26	13	4	431
2007	Salary Range	\$39,955-81,540	\$40,907-83,483	\$42,786-87,319	\$43,268-88,303	\$43,865-89,520	\$44,005-89,807	\$60,414
	Number of Teachers	34	102	253	30	11	5	435
2008	Salary Range	\$41,006-83,686	\$41,989-85,691	\$43,913-89,619	\$44,395-90,603	\$44,992-91,820	\$45,132-92,107	\$62,599
	Number of Teachers	30	91	265	36	11	4	437
2009	Salary Range	\$42,057-85,832	\$43,071-87,899	\$45,040-91,919	\$45,522-92,903	\$46,119-94,120	\$46,259-94,407	\$64,448
	Number of Teachers	25	82	274	38	11	4	434
2010	Salary Range	\$43,989-87,978	\$45,054-90,107	\$47,110-94,219	\$47,602-95,203	\$48,210-96,420	\$48,354-96,707	\$66,875
	Number of Teachers	17	84	280	42	10	3	436
2011	Salary Range	\$45,000-89,600	\$46,000-91,900	\$48,000-96,000	\$48,500-97,000	\$49,000-98,200	\$49,500-98,600	\$66,726
	Number of Teachers	16	81	280	42	10	4	433

*Only eight years of historical data is available. As additional years become available, they will be added to this summary.

Source: School District Human Resource Department.

MT. LEBANON SCHOOL DISTRICT
FULL-TIME EQUIVALENT EMPLOYEES

LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Supervisory										
Central Administration	6.00	6.00	8.00	7.00	6.00	7.00	6.00	6.00	6.00	6.00
Supervisors Of Instruction	5.20	5.20	6.20	7.60	7.60	7.60	8.00	8.00	8.00	8.00
Principals	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Assistant Principals/Athletic Director	5.00	5.00	5.00	6.00	6.50	6.50	6.50	6.50	6.50	6.50
Total Supervisory	26.20	26.20	29.20	30.60	30.10	31.10	30.50	30.50	30.50	30.50
Instruction										
Elementary Classroom Teachers	107.50	109.00	106.50	107.00	104.00	102.50	104.00	102.00	104.00	105.50
Secondary Classroom Teachers	167.50	166.40	169.10	173.10	171.80	174.90	173.70	169.20	166.70	164.90
Other Classroom Teachers*	97.90	99.40	96.44	106.66	107.40	109.20	111.70	110.50	114.60	112.00
Total Instruction	372.90	374.80	372.04	386.76	383.20	386.60	389.40	381.70	385.30	382.40
Student Services										
Guidance Counselors	18.40	18.40	18.40	22.90	22.90	22.90	22.50	22.50	22.50	22.50
Psychologists	4.00	4.00	4.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00
Nurses	5.00	5.00	5.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Librarians	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Total Student Services	37.40	37.40	37.40	42.90	42.90	42.90	42.50	43.50	43.50	43.50
Support and Administration										
Clerical/Secretarial	58.88	58.28	59.20	60.49	61.56	61.56	61.56	61.56	61.58	60.83
Administrative Assistant/Specialists	21.00	21.00	22.00	24.50	23.50	25.00	29.00	30.50	31.50	30.50
Other Support Staff**	59.53	45.53	39.53	39.53	40.03	43.53	44.50	45.50	45.50	46.00
Service Workers***	94.17	93.68	93.68	93.68	94.50	94.60	97.60	99.64	100.14	99.93
Total Support and Administration	233.58	218.49	214.41	218.20	219.59	224.69	232.66	237.20	238.72	237.26
TOTAL	670.08	656.89	653.05	678.46	675.79	685.29	695.06	692.90	698.02	693.66

*Other Classroom Teachers = Art, Music, PE, Sp. Ed., Speech/Lang, GAT, Fed. Programs, Strive, FLES.

**Other Support Staff = PCA, Health Aides.

***Service workers = Custodians, Head Custodians, Skilled Trades, Cafeteria.

Source: School District Human Resource Department.

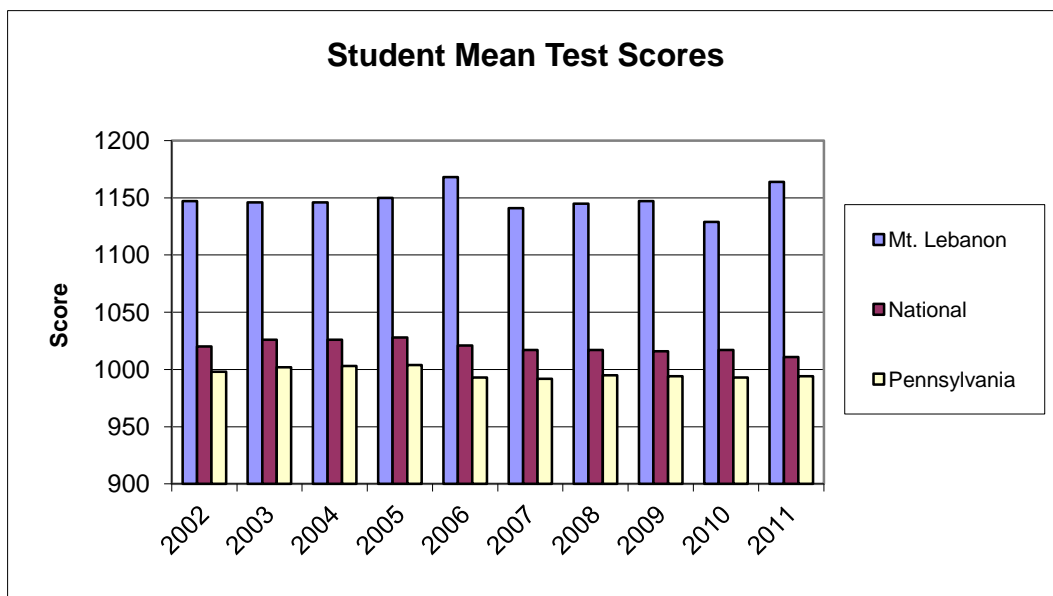
MT. LEBANON SCHOOL DISTRICT

STUDENT MEAN TEST SCORES

LAST TEN YEARS

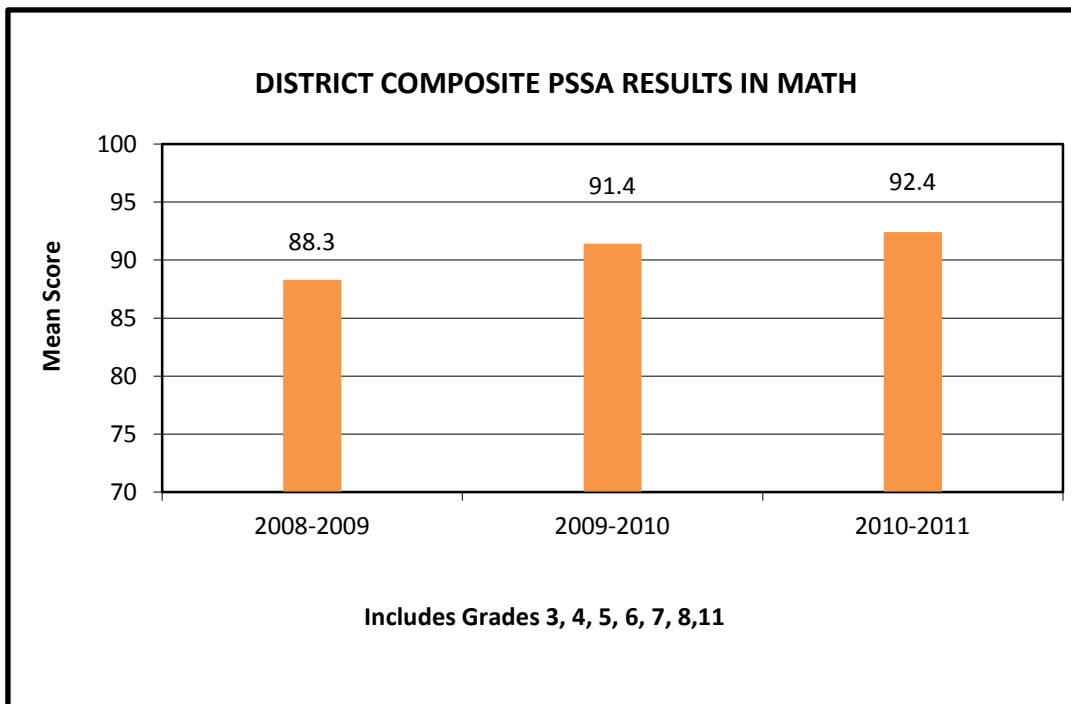
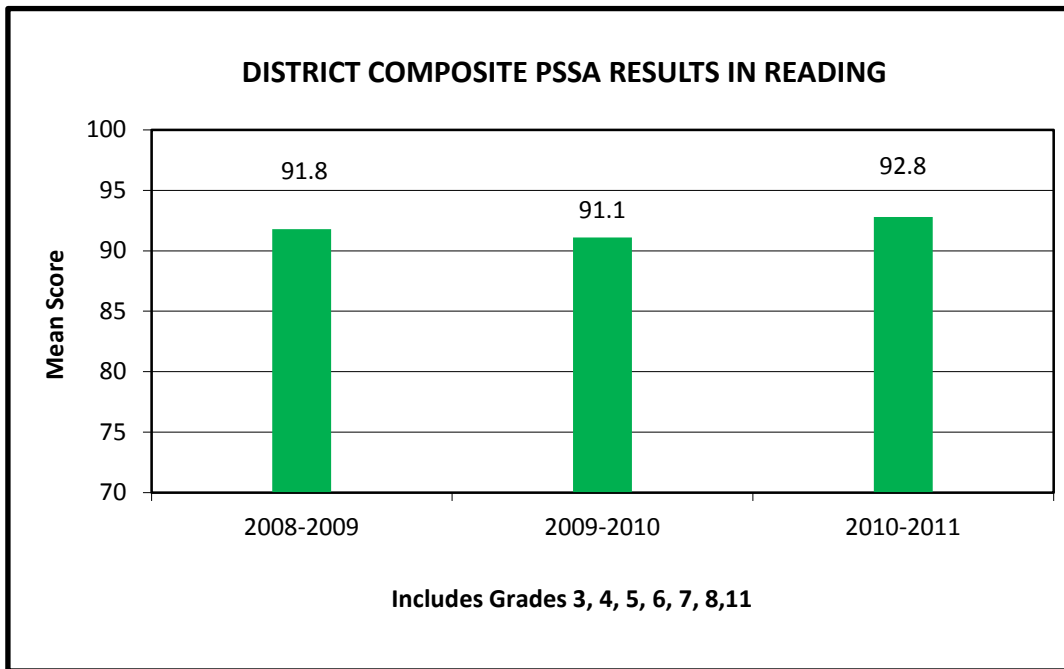
Graduation Year	Scholastic Aptitude Test - SAT 1			National Merit Results	
	Mt. Lebanon	National	Pennsylvania	Number Semi-Finalists	Number Commended
2002	1147	1020	998	13	28
2003	1146	1026	1002	13	20
2004	1146	1026	1003	11	27
2005	1150	1028	1004	7	15
2006	1168	1021	993	13	17
2007	1141	1017	992	13	23
2008	1145	1017	995	8	22
2009	1147	1016	994	5	12
2010	1129	1017	993	12	19
2011	1164	1011	994	7	13

Source: School District Guidance Office.

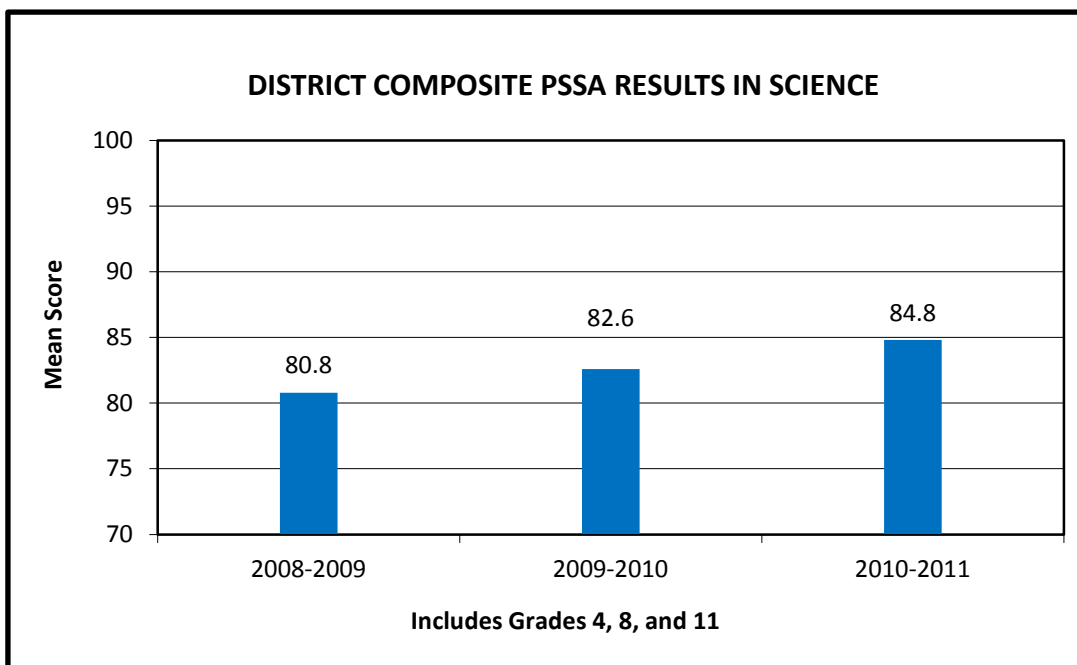
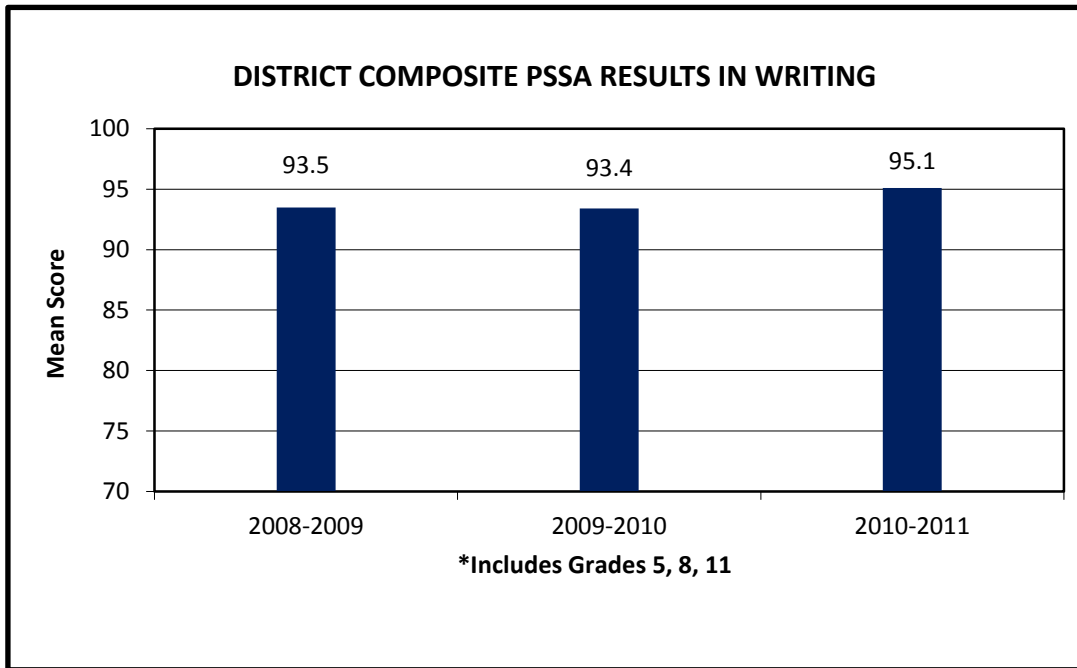


MT. LEBANON SCHOOL DISTRICT

PSSA tests are state mandated tests required by all students in Pennsylvania.



MT. LEBANON SCHOOL DISTRICT



MT. LEBANON SCHOOL DISTRICT

PROGRAM RESULTS

Student achievement is the best indicator of the success of a school system. Student objectives and various standardized scores are monitored to assure that we continue to meet the needs of our students, and continue to provide an effective program in a variety of subject areas.

According to available statistics, 98% of Mt. Lebanon's class of 2011 is continuing its education at a:

- | | |
|--|-----|
| • Four-year college | 86% |
| • Junior or community college | 9% |
| • Vocational, technical or professional school | 2% |
| • Armed services | 1% |

During the 2010-2011 school year, students participated in 899 Advanced Placement (college equivalent) courses and 320 students took 517 Advanced Placement exams. Advanced Placement course offerings included 18 course offerings: Biology, Calculus BC, Chemistry, English Literature & Composition, English Language & Composition, Environmental Science, European History, Languages (French, German, Spanish), Music Theory, Physics (Mechanics and Electricity & Magnetism) Psychology, Statistics, Studio Art, United States Government & Politics and United States History.

The Mt. Lebanon class of 2011 SAT Reasoning average score, including Critical Reading and Mathematics, was 1164 with approximately ninety-three percent of the class taking the exam. This score is 153 points more than the national average and 170 points more than the Pennsylvania average. The mean score for the writing test for Mt. Lebanon students was 573. This is 84 points higher than the national mean and 94 points higher than the Pennsylvania mean. Mt. Lebanon students' participation rate was 46 percentage points higher than the national average (47%) and 22 percentage points higher than the Pennsylvania state average (71%) in 2011. Students of all abilities at Mt. Lebanon are taking the SAT Reasoning test and are being accounted for in very favorable national and state comparisons.

Of the 58% of the class of 2011 who took the ACT exam, the average composite score was 25.8 compared to the national average of 21.1 and Pennsylvania state average of 22.3. Average composite scores include English, Mathematics, Reading and Science results. Mt. Lebanon students exceeded national and state averages in all four content areas.

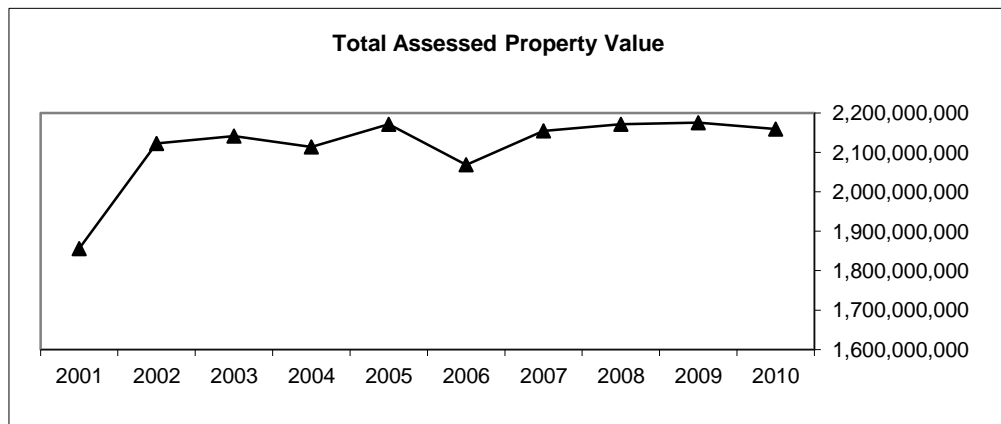
MT. LEBANON SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN YEARS

Calendar Year	Population (1)	Total Personal Income (2)	Per Capita Personal Income (1)	Median Household Income (1)	Median Age (1)
2011	33,017	\$1,111,088,084	\$33,652	\$60,783	41.8
2010	33,017	1,111,088,084	33,652	60,783	41.8
2009	33,017	1,111,088,084	33,652	60,783	41.8
2008	33,017	1,111,088,084	33,652	60,783	41.8
2007	33,017	1,111,088,084	33,652	60,783	41.8
2006	33,017	1,111,088,084	33,652	60,783	41.8
2005	33,017	1,111,088,084	33,652	60,783	41.8
2004	33,017	1,111,088,084	33,652	60,783	41.8
2003	33,017	1,111,088,084	33,652	60,783	41.8
2002	33,017	1,111,088,084	33,652	60,783	41.8

(1) Source: U.S. Census, Census of population, 2000 Federal Census

(2) Computation of per capita personal income multiplied by population



NOTE: As of January 1, 2001, the assessed value on all real property was changed from 25% to 100% of market value.

(Continued)

MT. LEBANON SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS

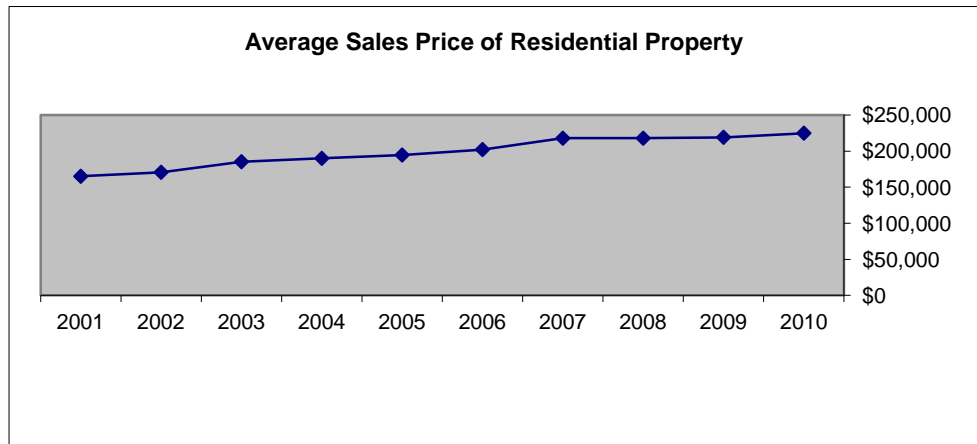
LAST TEN YEARS

Educational Attainment Bachelor's Degree or higher	School Enrollment (3)	Unemployment Rate (4)	Average Sales Price of Residential Property (5)	Total Assessed Property Value (5)
61.0%	5,268	5.3%	\$225,237	\$2,159,216,301
61.0	5,302	5.0	224,979	2,175,275,286
61.0	5,294	3.5	219,228	2,171,398,932
61.0	5,416	3.4	217,963	2,154,641,502
61.0	5,436	3.4	217,963	2,164,018,756
61.0	5,454	3.6	202,249	2,171,329,944
61.0	5,505	4.1	194,654	2,113,921,663
61.0	5,576	4.1	190,040	2,141,508,681
61.0	5,616	4.1	185,381	2,122,631,133
61.0	5,616	3.2	170,723	1,855,927,051

(3) Enrollment as of September 1 of the Calendar Year Noted

(4) Source: US Dept. of Labor & PA Center for Workforce Information & Analysis

(5) Source: Mt. Lebanon Tax Office



(Concluded)

MT. LEBANON SCHOOL DISTRICT

MUNICIPALITY CONSTRUCTION COSTS AND PROPERTY VALUES

LAST TEN CALENDAR YEARS

Calendar Year	Building Permits Issued	Estimated Value of Construction(1)	Occupancy Permits Issued	Total Property Value	<u>Property Value (2)</u>	
					Taxable	Exempt
2001	493	\$53,316,040	125	\$2,139,778,184	\$1,878,039,596	\$261,738,588
2002	552	31,754,665	145	2,443,016,165	2,165,966,865	277,049,300
2003	570	36,694,757	126	2,421,547,131	2,135,256,841	286,290,290
2004	873	35,789,688	130	2,402,250,931	2,134,847,021	267,403,910
2005	667	28,465,410	107	2,390,817,484	2,171,329,944	219,487,540
2006	657	23,672,730	78	2,382,114,196	2,164,018,756	218,095,440
2007	705	22,865,653	93	2,434,391,402	2,154,641,502	279,749,900
2008	604	15,542,003	67	2,384,843,272	2,171,398,932	213,444,340
2009	689	14,855,044	127	2,400,013,126	2,175,275,286	224,737,840
2010	733	36,463,804	50	2,383,984,141	2,159,216,301	224,767,840

(1) Construction detail obtained from Mt. Lebanon Inspection Office.

(2) Assessed valuation per Tax Office (as of billing date).

Notes: Bank deposit data is not available. All banks and savings institutions located in Mt. Lebanon are branch offices. Allegheny County assessment records do not allow categorization by use or ownership.

MT. LEBANON SCHOOL DISTRICT

BUILDING INFORMATION

YEAR ENDED June 30, 2011

Building	Year of Construction		Classrooms	Enrollment	Capacity	Percentage of Capacity Used	Staffing		Building Square Footage	Site Acreage
	Original	Latest Renovation					Professional	Support		
Elementary Schools										
Washington	1921	2005	25	398	434	91.7%	29	15	74,428	7.5 (3)
Lincoln	1925	2004	28	411	510	80.6%	35	15	74,510	3.5
Markham	1929	2004	29	336	432	77.8%	28	13	42,513	6.1
Howe	1929	2003	29	352	468	75.2%	27	13	65,662	7.1
Foster	1940	2003	25	269	389	69.2%	22	13	53,560	5.4
Jefferson	1950	2004	23	297	343	86.6%	26	12	51,519	17.7 (1)
Hoover	1963	2005	21	239	342	69.9%	21	12	68,661	5.9
Secondary Schools										
Jefferson	1959	1998	61	571	833	68.5%	56	21	100,835	17.7 (1)
Mellon	1938	1998	59	628	840	74.8%	63	22	111,566	7.5 (3)
Senior High (inc. Stadium)	1930	1995	163	1767	2250	78.5%	159	138	545,255	28.6 (2)

(1) The Jefferson Elementary and the Jefferson Middle School share a joint site totaling 17.7 acres.

(2) The Senior High Facility houses the central administration and district support services totaling 23 professional and 35 support staff.
Also included are 22 cafeteria employees and 40 custodial/maintenance employees.

(3) The Mellon Middle School and Washington Elementary share a joint site totaling 7.5 acres.

Source: School District Human Resource Department, Finance Office and Facilities Department.

MT. LEBANON SCHOOL DISTRICT

AWARDS AND RECOGNITIONS

Pittsburgh Business Times' ranked the Mt. Lebanon School District #3 in the region in the 2011 Pittsburgh Guide to Western Pennsylvania Schools.

Pittsburgh Business Times' ranked Mt. Lebanon High School #2 in the region in the 2011 Pittsburgh Guide to Western Pennsylvania Schools.

Mt. Lebanon School District Named Among "Best 100 Communities for Music Education" for 2011 by the NAMM Foundation — a nationwide survey that identifies school districts committed to music education as a conduit for success in school and in life.

The Frick Art and History Center selected the Mt. Lebanon School District for the 2010 Roy A. Hunt Foundation Award for Commitment to Education in the Arts and Humanities. This was the first time an entire school district was honored with this award.

Washington Post High School Challenge ranked Mt. Lebanon High School among the top high schools in the nation in 2011.

Newsweek Magazine named Mt. Lebanon High School on the list of "Top U.S. High Schools" in 2010.

U.S. News and World Report named Mt. Lebanon High School as one of "America's Best High Schools" in the 2009 ranking of the nation's top high schools.

Washington Elementary School was awarded a National Blue Ribbon by the U. S. Department of Education in 2003-04.

Lincoln Elementary School was awarded a National Blue Ribbon by the U.S. Department of Education in 2000-2001 and 2002-2003.

Mt. Lebanon High School was awarded a National Blue Ribbon the U.S. Department of Education in 1983-84; 1990-91; and 1997-98.

The Class of 2011 has 12 National Merit Semifinalists and 19 Commended Students.

The Class of 2010 graduated 470 students, 95 percent went on to pursue full-time or Armed Service education.

Girls Basketball 2011 PIAA Champions

Boys Tennis 2011 WPIAL Champions

Boys Lacrosse 2011 WPIAL Champions

MT. LEBANON SCHOOL DISTRICT

OTHER INFORMATION

In 1902, the first trolley line from Pittsburgh enabled the Mt. Lebanon area to begin development. Ten years later, the citizens of the Mt. Lebanon area of Scott Township voted to incorporate what is now Mt. Lebanon under the legislative act providing for establishment of "First Class Township" government.

It was in July of 1912 that the Mt. Lebanon School District came into legal existence, established by decree of the Court of Quarter Sessions. At that time, the School District was considered a fourth-class district with a five-member School Board.

In 1912, the school housing consisted of a six-room frame building at the corner of Washington Road and Cedar Boulevard, and a one-room frame building at Beadling Road. The close of World War I signaled the beginning of a planned program of expansion including site selections and bond issues for the building of the ten schools that now reside in the District.

Completion of the Liberty Tubes in 1924 marked a period of rapid growth in the community. By 1961, Mt. Lebanon's population had grown to 35,361 from 1,705 in 1912, thus changing its rating to a second-class school district with nine School Board members.

Throughout its history, Mt. Lebanon residents have always given top priority to their school system, which has enjoyed an excellent national reputation for education of its children. Currently, about 90% of the District's seniors enter some type of post-secondary education and the number of students chosen as National Merit Finalists has continued to place Mt. Lebanon as one of the top high schools in the country.

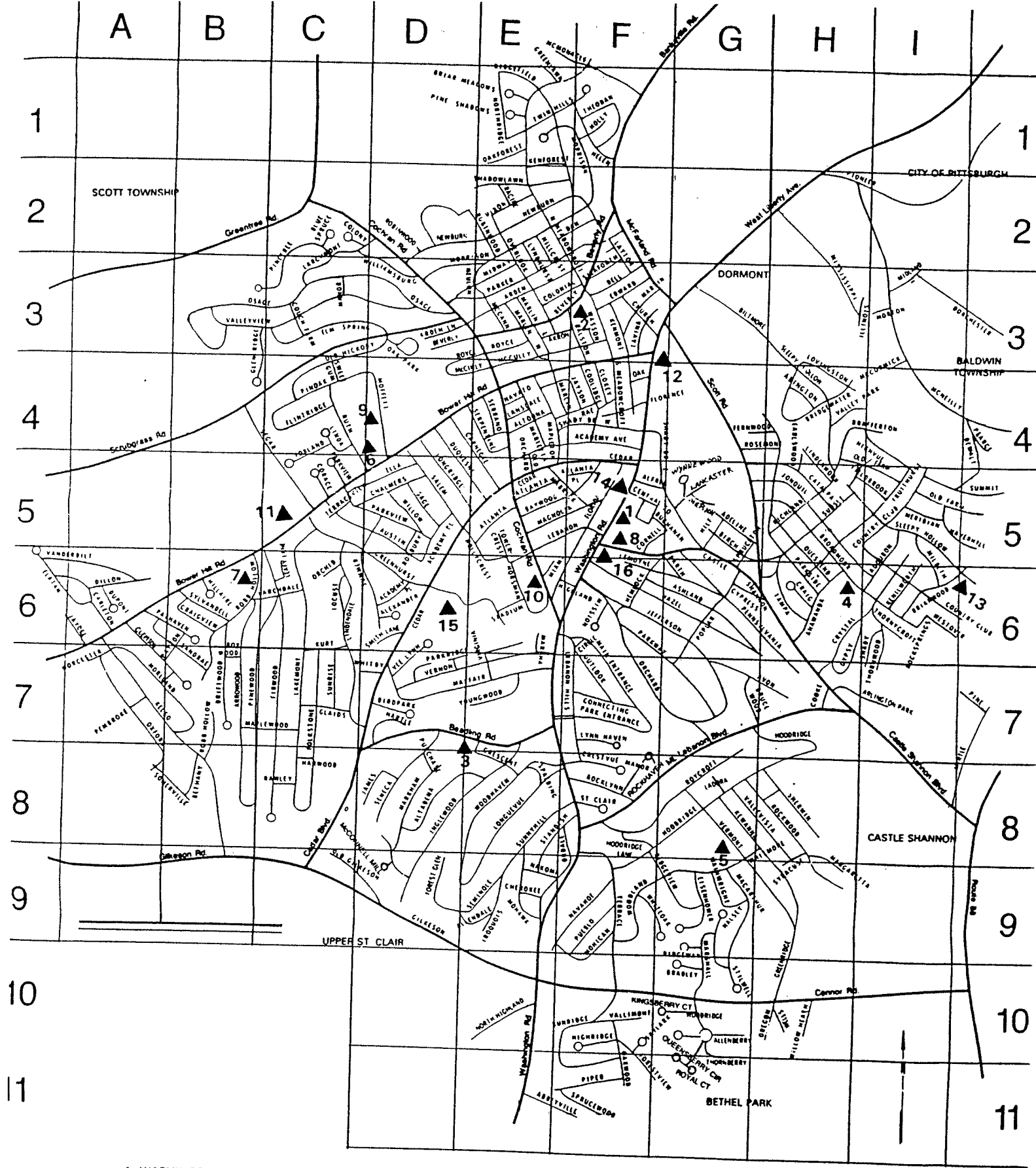
Enrichment programs occur at every educational level for most children. Advanced placement courses at the High School often permit college-bound students to receive credit toward their freshman year.

Within the six square miles of the community, there are seven elementary schools, two middle schools and one Senior High School. The structure of the schools is K-5, 6-8 and 9-12. All schools are located in areas which permit all, except exceptional children, to walk to school.

The nine-member elected School Board annually establishes the School District budget and millage rate. Each member serves a four-year term with elections occurring every two years for expired terms. Board meetings are usually held the second and third Monday of each month.

The 2010-11 school staff includes 422.90 certificated classroom teachers with an average salary in fiscal 2011 of \$66,726. Of these teachers, 77% hold masters degrees or doctorates. Average class size at the elementary level is 21.82 students per classroom teacher. At the secondary level, average class size ranges from 21.41 to 25.42 students per teacher, excluding special subjects.

The School District encourages the active involvement of parents, residents and community groups. Voluntary ad hoc advisory committees for various topics provide valuable information and assistance to the District throughout the year. An active PTA makes possible a wide variety of activities and services not provided through the general School District budget.



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|---------------------|--------------------|------------------------|-------------------------|
| 1. WASHINGTON ELEM. | 5. FOSTER ELEM. | 9. JEFFERSON JUNIOR | 13. ST. WINIFRED SCHOOL |
| 2. LINCOLN ELEM. | 6. JEFFERSON ELEM. | 10. HIGH SCHOOL | 14. MUNICIPAL BUILDING |
| 3. MARKHAM ELEM. | 7. HOOVER ELEM. | 11. ST. CLAIR HOSPITAL | 15. RECREATION CENTER |
| 4. HOWE ELEM. | 8. MELLON JUNIOR | 12. ST. BERNARD SCHOOL | 16. PUBLIC LIBRARY |