

***HOLLOW ROCK – BRUCETON
SPECIAL SCHOOL DISTRICT***

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
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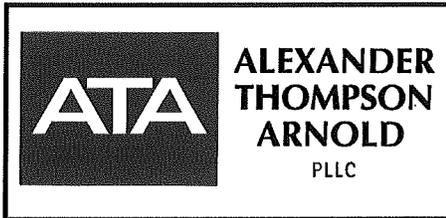
INTRODUCTORY SECTION

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2009**

Board Chairman	Sondra Kee
Board Vice-Chairman	Brad Hurley
Board Member	Tim Runions
Board Member	Joseph Robinson
Board Member	Randy Kelley
Board Member	Joyce Noles
Board Member	Dan Young

Superintendent	Rod Sturdivant
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FINANCIAL SECTION



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AICPA Center for Public Company Audit Firms
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Independent Auditor's Report

Board of Education
Hollow Rock - Bruceton Special School District
Bruceton, Tennessee

We have audited the accompanying financial statements of the governmental activities, each major fund including the budgetary comparison statements and the aggregate remaining fund information of the Hollow Rock - Bruceton Special School District, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2009, and the respective changes in financial position and the budgetary comparison for the general purpose fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions, laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The required supplementary information on page 28 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The District has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

McKenzie, TN
Milan, TN
Murray, KY
Paris, TN
Trenton, TN
Union City, TN

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the combining and individual fund financial statements and additional schedules listed in the table of contents as other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Hollow Rock – Bruceton Special School District. The accompanying schedule of expenditures of federal awards on page 40 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual fund statements and additional schedules as listed in the table of contents as other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects to the basic financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

Alexander Thompson Arnold PLLC

Martin, Tennessee
January 8, 2010

BASIC FINANCIAL STATEMENTS

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS

Cash and cash equivalents	\$	2,674,041
Taxes receivable		626,002
Due from other governmental agencies		120,114
Accounts receivable		899
Inventory		1,957
Capital assets:		
Land		94,000
Buildings and improvements		5,412,794
Other fixed assets		13,876
Less accumulated depreciation		(2,356,126)
Deferred charges, net of accumulated amortization		<u>61,386</u>
Total Assets		<u><u>6,648,943</u></u>

LIABILITIES

Other accrued expenses		328,349
Deferred revenue - taxes		626,002
Long-term liabilities:		
Due within one year		235,000
Due in more than one year		<u>4,074,620</u>
Total Liabilities		<u><u>5,263,971</u></u>

NET ASSETS

Invested in capital assets, net of related debt		(1,083,690)
Restricted for		
Career Ladder		16,338
Food Service		29,337
Debt Service		228,259
Unrestricted		<u>2,194,728</u>
Total Net Assets	\$	<u><u>1,384,972</u></u>

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular education	\$ 2,469,906	\$ -	\$ 31,324	\$ (2,438,582)
Special education	403,714	-	363,673	(40,041)
Vocational education	126,781	-	18,356	(108,425)
Support Services:				
Student support	238,952	-	-	(238,952)
Instructional staff	230,332	-	-	(230,332)
General administration	174,019	-	-	(174,019)
School administration	142,007	-	-	(142,007)
Business administration	39,528	-	-	(39,528)
Operation and maintenance of plant	559,519	-	-	(559,519)
Noninstructional Services				
Food service	355,135	100,427	325,253	70,545
Early Childhood Education	97,524	-	90,284	(7,240)
Capital outlay	7,540	-	-	(7,540)
Debt service	292,641	-	-	(292,641)
Total District	\$ 5,137,598	\$ 100,427	\$ 828,890	(4,208,281)

General Revenues:

Local taxes	359,961
Property taxes	675,177
Intergovernmental:	
Basic Education Program	3,276,551
Other	88,117
Interest	51,841
Other miscellaneous revenues	35,634
Total general revenues	4,487,281

Change in net assets 279,000

Net assets, beginning 1,105,972

Net assets, ending \$ 1,384,972

FUND FINANCIAL STATEMENTS

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,353,724	\$ 231,592	\$ 88,725	\$ 2,674,041
Taxes receivable	413,287	212,715	-	626,002
Due from other governmental agencies	117,630	2,484	-	120,114
Accounts receivable	-	-	899	899
Inventory	-	-	1,957	1,957
Total Assets	\$ 2,884,641	\$ 446,791	\$ 91,581	\$ 3,423,013
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Other accrued expenses	\$ 328,349	\$ -	\$ -	\$ 328,349
Deferred revenue - taxes	413,287	212,715	-	626,002
Total Liabilities	741,636	212,715	-	954,351
 FUND BALANCES				
Reserved:				
Career Ladder	16,338	-	-	16,338
Food Service	-	-	89,624	89,624
Food Service - inventory	-	-	1,957	1,957
Unreserved:				
Undesignated	2,126,667	234,076	-	2,360,743
Total Fund Balances	2,143,005	234,076	91,581	2,468,662
Total Liabilities and Fund Balances	\$ 2,884,641	\$ 446,791	\$ 91,581	\$ 3,423,013

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009**

Total Governmental Fund Balances	\$ 2,468,662
Amounts reported for governmental activities on the statement of net assets are different because of the following:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	3,164,544
Long-term liabilities, including bonds, are not due and payable in the current period and therefore, are not reported in the funds	<u>(4,248,234)</u>
Net Assets of Governmental Activities	<u>\$ 1,384,972</u>

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 826,210	\$ 208,928	\$ -	\$ 1,035,138
Intergovernmental	3,520,861	-	682,374	4,203,235
Meal sales	-	-	100,427	100,427
Interest earnings	47,323	4,394	124	51,841
Miscellaneous	25,843	-	116	25,959
Total Revenues	<u>4,420,237</u>	<u>213,322</u>	<u>783,041</u>	<u>5,416,600</u>
EXPENDITURES				
Instruction	2,677,050	-	289,547	2,966,597
Support services	1,216,394	-	59,676	1,276,070
Food services	-	-	354,326	354,326
Non-instructional services	370,770	314,955	-	685,725
Total Expenditures	<u>4,264,214</u>	<u>314,955</u>	<u>703,549</u>	<u>5,282,718</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>156,023</u>	<u>(101,633)</u>	<u>79,492</u>	<u>133,882</u>
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	4,340,000	-	4,340,000
Payment of refunded bonds	-	(4,200,000)	-	(4,200,000)
Discount on bond issuance	-	(32,550)	-	(32,550)
Operating transfers in	17,248	-	-	17,248
Operating transfers out	-	-	(17,248)	(17,248)
Total Other Financing Sources (Uses)	<u>17,248</u>	<u>107,450</u>	<u>(17,248)</u>	<u>107,450</u>
Net Change in Fund Balance	173,271	5,817	62,244	241,332
FUND BALANCE, BEGINNING	1,969,734	228,259	29,207	2,227,200
Increase in inventory	-	-	130	130
FUND BALANCE, ENDING	<u>\$ 2,143,005</u>	<u>\$ 234,076</u>	<u>\$ 91,581</u>	<u>\$ 2,468,662</u>

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Net Change in Fund Balances - Total Governmental Funds	\$ 241,332
 Amounts reported for governmental activities on the statement of activities are different because:	
 The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities	
	153,321
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.”	
	(6,555)
 The increase (decrease) in inventory is reported as a direct change to beginning fund balance. However, in the statement of activities this change is reported in expense based on the consumption method.	
	130
 Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation for the current year. There were no capital outlay expenditures during the current period.	
	<u>(109,228)</u>
 Change in Net Assets of Governmental Activities	 <u>\$ 279,000</u>

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL PURPOSE FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual	Variance Over (Under)
UES				
Option sales tax	\$ 315,000	\$ 315,000	\$ 359,467	\$ 44,467
State telecommunications tax	725	725	494	(231)
Special School District:				
Current property tax	360,000	360,000	381,120	21,120
One year's property tax	11,975	11,975	68,093	56,118
Interest and penalty	1,800	1,800	2,900	1,100
Payment in lieu of taxes	9,000	9,000	14,136	5,136
Total Taxes	<u>698,500</u>	<u>698,500</u>	<u>826,210</u>	<u>127,710</u>
Governmental:				
Fees and Permits:				
Marriage licenses	500	500	230	(270)
State Revenues:				
State Education Funds:				
Basic Education Program	3,276,093	3,276,093	3,276,551	458
Other state education funds	97,553	97,553	118,056	20,503
Career Ladder	26,000	26,000	22,126	(3,874)
Career Ladder - extended contract	53,713	53,713	41,300	(12,413)
Total State Education Revenue	<u>3,453,359</u>	<u>3,453,359</u>	<u>3,458,033</u>	<u>4,674</u>
Other State Revenues:				
Mixed drink tax	250	250	334	84
On Behalf Payments for Fringe Benefits	-	-	33,804	33,804
Total Other State Revenue	<u>250</u>	<u>250</u>	<u>34,138</u>	<u>33,888</u>
Total State Revenues	<u>3,453,609</u>	<u>3,453,609</u>	<u>3,492,171</u>	<u>38,562</u>
Federal Revenues:				
Federal Funds Received Through State:				
Other Federal through State	-	28,460	28,460	-
Total Intergovernmental	<u>3,454,109</u>	<u>3,482,569</u>	<u>3,520,861</u>	<u>38,292</u>
Local revenues:				
Interest earned	16,000	16,000	47,323	31,323
Pages recovered from individuals	-	-	134	134
Contributions	-	-	24,127	24,127
Other local revenues	35,069	35,069	1,582	(33,487)
Total Other Local Revenues	<u>51,069</u>	<u>51,069</u>	<u>73,166</u>	<u>22,097</u>
Total Revenues	<u>4,203,678</u>	<u>4,232,138</u>	<u>4,420,237</u>	<u>188,099</u>

(Continued)

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - (Cont.)
GENERAL PURPOSE FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance Over (Under)
EXPENDITURES				
Instruction:				
Regular Education:				
Teachers	1,586,087	1,586,087	1,578,341	(7,746)
Career ladder program	17,000	17,000	17,000	-
Career ladder - extended contract	54,313	42,250	44,850	2,600
Homebound teachers	2,000	550	527	(23)
Teacher assistants	41,406	41,406	39,270	(2,136)
Bonus payments	-	24,500	37,206	12,706
Other salaries and wages	4,500	4,500	3,600	(900)
Substitute teachers	-	-	1,032	1,032
Non-certified substitute teachers	25,000	25,000	20,554	(4,446)
Social security	98,107	98,107	95,476	(2,631)
State retirement	110,685	110,685	108,252	(2,433)
Medical insurance	147,332	147,332	140,108	(7,224)
Unemployment compensation	441	441	504	63
Medicare	22,945	22,945	22,677	(268)
Maintenance and repair - equipment	6,000	6,000	6,674	674
Other contracted services	28,095	45,995	47,627	1,632
Instructional supplies/materials	84,050	84,050	84,457	407
Textbooks	45,000	45,000	45,000	-
Fee waivers	1,000	100	92	(8)
Other charges	4,700	4,700	603	(4,097)
Equipment	51,704	51,704	30,454	(21,250)
Total Regular Education	<u>2,330,365</u>	<u>2,358,352</u>	<u>2,324,304</u>	<u>(34,048)</u>
Special Education:				
Teachers	140,122	140,122	140,098	(24)
Career Ladder program	3,000	3,000	3,000	-
Teacher assistants	29,262	29,262	29,316	54
Bonus payments	-	3,500	4,655	1,155
Non-certified substitute teacher	1,000	1,000	1,548	548
Social security	9,797	9,797	10,420	623
State retirement	12,135	12,135	12,884	749
Medical insurance	19,651	19,651	14,527	(5,124)
Unemployment compensation	41	41	64	23
Medicare	2,291	2,291	2,437	146
Contracts with other school systems	19,011	34,981	18,136	(16,845)
Maintenance and repair - equipment	500	500	203	(297)
Other contracted services	1,000	7,000	956	(6,044)
Instructional supplies/materials	2,600	9,090	2,902	(6,188)
Total Special Education	<u>240,410</u>	<u>272,370</u>	<u>241,146</u>	<u>(31,224)</u>

(Continued)

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - (Cont.)
GENERAL PURPOSE FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance Over (Under)
EXPENDITURES (Cont.)				
Instruction (Cont.):				
Vocational Education:				
Teachers	82,836	82,836	82,835	(1)
Career Ladder program	1,000	1,000	1,000	-
Bonus payments	-	1,000	1,578	578
Substitute teachers	600	600	835	235
Social security	4,665	4,665	4,568	(97)
State retirement	5,369	5,369	5,483	114
Medical insurance	10,401	10,401	9,486	(915)
Unemployment compensation	20	20	22	2
Medicare	1,088	1,088	1,068	(20)
Maintenance and repair - equipment	1,000	1,000	824	(176)
Instructional supplies	3,800	3,800	3,598	(202)
Other Charges	500	500	(197)	(697)
Equipment	500	500	500	(1,000)
Total Vocational Education	<u>111,779</u>	<u>112,779</u>	<u>111,600</u>	<u>(2,179)</u>
Total Instruction	<u>2,682,554</u>	<u>2,743,501</u>	<u>2,677,050</u>	<u>(67,451)</u>
Support Services:				
Student Support:				
Attendance:				
Director	56,365	56,365	56,532	167
Bonus payments	-	500	789	289
Social security	3,098	3,098	3,156	58
State retirement	3,619	3,619	3,724	105
Medical insurance	6,393	6,393	5,867	(526)
Unemployment compensation	9	9	11	2
Medicare	724	724	738	14
Travel	400	400	535	135
Other supplies and materials	200	200	169	(31)
Other charges	500	500	304	(196)
Total Attendance	<u>71,308</u>	<u>71,808</u>	<u>71,825</u>	<u>17</u>
Health Services:				
Other contracted services	34,163	34,163	32,271	(1,892)
Drugs and medical supplies	200	200	79	(121)
Other supplies/materials	200	200	-	(200)
Other charges	800	800	448	(352)
Total Health Services	<u>35,363</u>	<u>35,363</u>	<u>32,798</u>	<u>(2,565)</u>

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - (Cont.)
GENERAL PURPOSE FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual	Variance Over (Under)
EXPENDITURES (Cont.)				
Support Services (Cont.):				
Other Student Support:				
Career Ladder program	2,000	2,000	1,000	(1,000)
Guidance personnel	82,875	82,875	81,380	(1,495)
Bonus payments	-	1,000	1,578	578
Other salaries and wages	-	-	1,950	1,950
Social security	4,814	4,814	4,857	43
State retirement	5,449	5,449	5,658	209
Medical insurance	7,225	8,825	8,768	(57)
Unemployment compensation	19	19	21	2
Medicare	1,126	1,126	1,136	10
Evaluation/testing	4,200	4,200	2,672	(1,528)
Maintenance and repair	2,000	2,000	544	(1,456)
Other supplies/materials	2,000	2,000	1,243	(757)
Other charges	19,300	19,300	18,008	(1,292)
Total Other Student Support	<u>131,008</u>	<u>133,608</u>	<u>128,815</u>	<u>(4,793)</u>
Total Student Support	<u>237,679</u>	<u>240,779</u>	<u>233,438</u>	<u>(7,341)</u>
Instructional Staff:				
Regular Education:				
Director	34,308	34,308	33,681	(627)
Career Ladder program	2,000	2,000	1,000	(1,000)
Librarian(s)	46,070	43,120	43,120	-
Instructional computer personnel	22,386	22,386	22,386	-
Secretary	16,238	16,238	16,123	(115)
Aides	-	9,795	9,794	(1)
Bonus payments	-	2,500	3,078	578
Social security	6,995	6,995	7,896	901
State retirement	6,707	9,981	9,657	(324)
Medical insurance	7,186	2,136	2,103	(33)
Unemployment compensation	21	21	(21)	(42)
Medicare	1,636	1,636	1,897	261
Maintenance and repair	4,000	4,000	2,126	(1,874)
Travel	2,000	2,000	1,490	(510)
Library books	6,000	6,000	6,000	-
Periodicals	2,000	2,000	2,000	-
Other charges	3,500	3,500	2,975	(525)
Total Regular Education	<u>161,047</u>	<u>168,616</u>	<u>165,305</u>	<u>(3,311)</u>

(Continued)

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - (Cont.)
GENERAL PURPOSE FUND
FOR THE YEAR ENDED JUNE 30, 2009**

EXPENDITURES (Cont.)	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Support Services (Cont.):				
Instructional Staff:				
Special Education:				
Director	3,570	3,570	3,570	-
Secretary	1,600	1,600	1,600	-
Clerical personnel	1,600	1,600	1,600	-
Social security	309	309	309	-
State retirement	521	521	521	-
Medical insurance	151	151	151	-
Unemployment compensation	2	2	2	-
Medicare	73	73	73	-
Travel	750	750	17	(733)
Total Special Education	<u>8,576</u>	<u>8,576</u>	<u>7,843</u>	<u>(733)</u>
Vocational Education:				
Director	1,840	1,840	1,840	-
Career Ladder - extended contract	775	775	775	-
Social security	157	157	113	(44)
State retirement	189	189	118	(71)
Medical insurance	73	73	-	(73)
Medicare	37	37	26	(11)
Travel	550	550	150	(400)
Total Vocational Education	<u>3,621</u>	<u>3,621</u>	<u>3,022</u>	<u>(599)</u>
Total Instructional Staff	<u>173,244</u>	<u>180,813</u>	<u>176,170</u>	<u>(4,643)</u>
General Administration:				
Board of Education Services:				
Audit services	8,000	8,000	7,950	(50)
Dues and memberships	2,388	2,138	841	(1,297)
Legal services	500	500	631	131
Travel	6,000	6,000	4,318	(1,682)
Liability insurance	15,000	12,700	12,629	(71)
Premium on surety bond	630	630	630	-
Trustee commissions	11,000	11,000	10,942	(58)
Workmen's compensation insurance	19,843	15,509	15,509	-
Other charges	4,000	4,000	3,962	(38)
Total Board of Education Services	<u>67,361</u>	<u>60,477</u>	<u>57,412</u>	<u>(3,065)</u>

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - (Cont.)
GENERAL PURPOSE FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual	Variance Over (Under)
EXPENDITURES (Cont.)				
Support Services (Cont.):				
Office of the Superintendent:				
County official/administrative officer	71,410	71,410	72,410	1,000
Career Ladder program	1,000	1,000	-	(1,000)
Secretary(s)	17,433	17,433	17,133	(300)
Bonus payments	-	1,000	1,289	289
Social security	5,098	5,098	5,196	98
State retirement	6,176	6,176	6,442	266
Medical insurance	7,608	7,608	6,828	(780)
Unemployment compensation	26	26	21	(5)
Medicare	1,192	1,192	1,215	23
Communication	1,500	1,500	1,565	65
Dues and memberships	641	641	1,250	609
Maintenance and repair	300	300	230	(70)
Postal charges	1,200	1,200	612	(588)
Travel	1,700	1,700	776	(924)
Office supplies	1,500	1,500	1,325	(175)
Other charges	500	500	315	(185)
Total Office of the Superintendent	<u>117,284</u>	<u>118,284</u>	<u>116,607</u>	<u>(1,677)</u>
Total General Administration	<u>184,645</u>	<u>178,761</u>	<u>174,019</u>	<u>(4,742)</u>
School Administration:				
Office of the Principal:				
Principals	126,202	93,902	93,832	(70)
Career ladder program	1,000	1,000	1,000	-
Career Ladder - extended contract	-	-	1,789	1,789
Assistant(s)	720	720	720	-
Secretary(s)	16,238	16,238	16,351	113
Social security	8,274	4,474	4,405	(69)
State retirement	9,551	5,651	5,630	(21)
Medical insurance	10,059	3,759	3,720	(39)
Unemployment compensation	36	36	31	(5)
Medicare	1,870	1,870	1,542	(328)
Communication	4,500	3,400	3,381	(19)
Dues and memberships	960	960	-	(960)
Maintenance and repair	1,500	1,500	1,114	(386)
Postal charges	1,200	1,200	1,241	41
Travel	450	450	450	-
Other contracted services	-	-	2,500	2,500
Office supplies	3,500	3,500	2,792	(708)
Other charges	1,500	1,500	1,509	9
Total School Administration	<u>187,560</u>	<u>140,160</u>	<u>142,007</u>	<u>1,847</u>

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - (Cont.)
GENERAL PURPOSE FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance Over (Under)
EXPENDITURES (Cont.)				
Support Services (Cont.):				
Business Administration:				
Fiscal Services:				
Accountants/bookkeepers	29,580	29,580	28,580	(1,000)
Bonus payments	-	500	500	-
Social security	1,658	1,658	1,691	33
State retirement	2,701	2,701	2,714	13
Medical insurance	2,836	2,836	2,730	(106)
Unemployment compensation	18	18	10	(8)
Medicare	386	386	395	9
Travel	1,500	1,500	1,466	(34)
Other contracted services	3,438	2,038	38	(2,000)
Office supplies	1,200	1,200	1,219	19
Other charges	600	600	185	(415)
Total Business Administration	<u>43,917</u>	<u>43,017</u>	<u>39,528</u>	<u>(3,489)</u>
Operation and Maintenance of Plant:				
Operation of Plant:				
Supervisor/director	22,190	22,190	21,930	(260)
Custodial personnel	15,265	13,143	12,907	(236)
Bonus payments	-	1,500	1,500	-
Other salaries and wages	9,000	6,800	6,702	(98)
Social security	2,880	2,880	2,847	(33)
State retirement	2,026	2,026	2,048	22
Unemployment compensation	40	40	42	2
Medicare	673	673	666	(7)
Other contracted services	113,120	126,070	126,053	(17)
Custodial supplies	12,000	12,000	12,727	727
Electricity	97,900	97,900	97,084	(816)
Natural gas	32,000	28,700	28,869	169
Water and sewer	28,000	24,230	25,534	1,304
Other supplies and materials	16,000	16,000	15,747	(253)
Building and contents insurance	30,000	18,200	18,200	-
Other charges	1,000	1,000	1,986	986
Total Operation of Plant	<u>382,094</u>	<u>373,352</u>	<u>374,842</u>	<u>1,490</u>
Maintenance of Plant:				
Maintenance and repair	10,000	18,350	18,350	-
Other contracted services	8,780	46,100	45,951	(149)
Other charges	6,500	14,000	12,089	(1,911)
Total Maintenance of Plant	<u>25,280</u>	<u>78,450</u>	<u>76,390</u>	<u>(2,060)</u>
Total Operation and Maintenance of Plant	<u>407,374</u>	<u>451,802</u>	<u>451,232</u>	<u>(570)</u>
Total Support Services	<u>1,234,419</u>	<u>1,235,332</u>	<u>1,216,394</u>	<u>(18,938)</u>

(Continued)

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - (Cont.)
GENERAL PURPOSE FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance Over (Under)
EXPENDITURES (Cont.)				
Non-Instructional Services:				
Early Childhood Education:				
Director	1,460	1,460	1,460	-
Principals	3,482	3,482	3,482	-
Teachers	32,868	32,868	32,868	-
Guidance personnel	2,485	2,485	2,485	-
Librarians	2,950	2,950	2,950	-
Medical personnel	846	846	846	-
Aides	9,618	9,618	10,118	500
Custodial personnel	3,000	3,000	3,000	-
Other salaries and wages	2,380	2,380	2,380	-
Non-certified substitute teachers	500	500	584	84
Social security	2,665	2,665	2,759	94
State retirement	2,990	2,990	3,057	67
Medical insurance	6,807	6,807	6,073	(734)
Unemployment compensation	6	6	49	43
Medicare	624	624	690	66
Communication	2,000	2,000	1,999	(1)
Postal charges	1,000	1,000	1,000	-
Printing, stationery and forms	1,000	1,000	1,000	-
Travel	500	500	500	-
Natural gas	2,000	2,000	2,000	-
Water and sewer	1,000	1,000	1,000	-
Electricity	4,000	4,000	4,000	-
Instructional supplies	6,872	6,872	6,872	-
In-service/staff development	1,000	1,000	852	(148)
Custodial supplies	500	500	500	-
Building improvements	5,000	5,000	5,000	-
Total Early Childhood Education	<u>97,553</u>	<u>97,553</u>	<u>97,524</u>	<u>(29)</u>
Capital Outlay:				
Building improvements	4,000	7,300	7,265	(35)
Site development	1,000	300	275	(25)
Total Capital Outlay	<u>\$ 5,000</u>	<u>\$ 7,600</u>	<u>\$ 7,540</u>	<u>\$ (60)</u>
On Behalf Payments:				
State On Behalf Payments for Fringe Benefits	-	-	33,804	33,804

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - (Cont.)
GENERAL PURPOSE FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Debt Service:				
Interest on bonds	<u>190,000</u>	<u>190,000</u>	<u>231,902</u>	<u>41,902</u>
Total Non-Instructional Services	<u>292,553</u>	<u>295,153</u>	<u>370,770</u>	<u>75,617</u>
Total Expenditures	<u>4,209,526</u>	<u>4,273,986</u>	<u>4,264,214</u>	<u>(10,772)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,848)</u>	<u>(41,848)</u>	<u>156,023</u>	<u>177,327</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>8,500</u>	<u>8,500</u>	<u>17,248</u>	<u>8,748</u>
Net Change in Fund Balance	<u>\$ 2,652</u>	<u>\$ (33,348)</u>	<u>173,271</u>	<u>\$ 206,619</u>
FUND BALANCE, BEGINNING			<u>1,969,734</u>	
FUND BALANCE, ENDING			<u>\$ 2,143,005</u>	

HOLLOW ROCK – BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Hollow Rock - Bruceton Special School District (District) is a school district separately chartered by the State Legislature.

The seven-member school board, which is the governing authority, is elected by the public, approves its own budgets and controls surpluses and deficits, has the authority to issue debt and to levy taxes, and has control over hiring and firing employees.

As required by generally accepted accounting principles, these financial statements present all funds which comprise the District. There are no component units, or entities for which the District is considered financially accountable, which should be included in this report.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. 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.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. 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 government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. 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 and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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 government.

The District reports the following major governmental funds:

The General Purpose Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund is used to record revenues and expenditures related to the debt issues which are not recorded in the General Purpose Fund.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

HOLLOW ROCK – BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Assets, Liabilities, and Net Assets/Fund Balance

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition. State statutes authorize the District to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements and the state's investment pool.

Investments for the District are reported at fair value. The State Local Government Investment Pool operated in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds".

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1, and become delinquent on March 1. The property taxes are collected by the Trustee of Carroll County and remitted to the District. District property tax revenues are recognized in the period for which they are levied.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources", since they do not represent net current assets. Recognition of governmental fund type revenues represented by non-current receivables is deferred in the governmental fund statements until they become current receivables.

For the purpose of operating and maintaining the District, the private act creating the District authorized an annual property tax on every one hundred dollar (\$100) assessment of real and personal property located within the District. The current property tax is \$1.66 on every \$100 of real and personal property located within the District.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

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

Capital Assets

Capital assets, which include land, buildings and improvements, and other fixed assets, are reported in the applicable district-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 (amount not rounded) or more and an estimated useful life in excess of two years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**HOLLOW ROCK – BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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

D. Assets, Liabilities, and Net Assets or Equity (Cont.)

Capital Assets (Cont.)

Property, plant, and equipment of the District is depreciated using the straight line method over the following useful lives:

Buildings and improvements	20 – 50 years
Machinery and equipment	4 – 20 years

Deferred Revenue

Deferred revenue represents amounts that were receivable and measurable at June 30, 2009 but were not available to finance expenditures for the year ended June 30, 2009. Deferred revenues primarily include unearned or unavailable revenues.

On-Behalf Payments for Fringe Benefits

The District receives on-behalf payments from the State of Tennessee to be used for postemployment health insurance benefits for employees not yet eligible for Medicare. Such payments are recorded as intergovernmental revenue and instruction expenses/expenditures in the GAAP basis district-wide and general purpose fund financial statements, but are not budgeted and, therefore, are not included in the general purpose fund budgetary basis financial statements.

Compensated Absences

No provision for compensated absences has been shown in the financial statements presented. District employees do not have a right to receive any unpaid vacation and/or sick leave upon leaving employment or retirement.

Long-term Liabilities

In the district-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 –RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the District-wide Statement of Net Assets

The financial statements include a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the district-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due in the current period and, therefore, are not reported in the funds.” The details of this \$4,248,234 are as follows:

Bonds payable	\$ 4,340,000
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(61,386)
Less: Issuance discount (to be amortized as interest expense)	<u>(30,380)</u>
	<u>\$ 4,248,234</u>

HOLLOW ROCK – BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the District-wide Statement of Activities

One element of the reconciliation between the net change in governmental fund balances and the change in net assets states that “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$153,321 difference are as follows:

Debt issued:	
School Bonds Payable, Series 2009	\$ 4,340,000
Less discount and issuance costs	<u>(98,321)</u>
	4,241,679
Principal repayments:	
School Bonds Payable, Series 1998	<u>(4,395,000)</u>
	<u>\$ (153,321)</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.” The details of this \$6,555 difference are as follows:

Amortization of bond issuance costs	\$ 4,385
Amortization of bond discount	<u>2,170</u>
	<u>\$ 6,555</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. These include the general purpose, federal projects, and cafeteria funds. The District approves a budget for the education capital projects fund based on the project. It is not an annual budget, and; therefore, no budget to actual comparative statement is presented for the education capital projects fund. The Board of Education approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal year end. Each budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

As an extension of the formal budgetary process, the Board of Education may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. The District’s policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Board of Education. Line item transfers within major categories are made upon the recommendation of the Superintendent and approval by the Board.

The Debt Service fund (a nonmajor fund) had expenditures in excess of appropriations of \$83,455 for the year ended June 30, 2009.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District’s policies limit deposits and investments to those instruments allowed by applicable state laws as described in Note 1. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District’s agent in the District’s name, or by the Federal Reserve Banks acting as third-party agents. State statutes also authorize the District to invest in bonds, note or treasury bills of the

HOLLOW ROCK – BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2009, all bank deposits were fully collateralized or insured.

The following is a summary of cash and cash equivalents as of June 30, 2009:

Cash in bank	\$ 412,672
Certificates of deposit	<u>2,261,369</u>
Total cash and cash equivalents	<u>\$2,674,041</u>

B. Receivables

Receivables at year end consist of taxes and intergovernmental receivables as shown on the balance sheet and statement of net assets. No allowance for uncollectible receivables was recorded as of June 30, 2009. Amounts in the General Fund due from other governmental agencies represent the normal amounts due from state and county governments for shared revenues and tax allocations.

C. Capital Assets

Capital asset activity for the year end June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 94,000	\$ -	\$ -	\$ 94,000
Capital assets, being depreciated				
Buildings	5,412,794	-	-	5,412,794
Other fixed assets	<u>13,876</u>	<u>-</u>	<u>-</u>	<u>13,876</u>
Total capital assets being depreciated	<u>5,426,670</u>	<u>-</u>	<u>-</u>	<u>5,426,670</u>
Less accumulated depreciation for:				
Buildings	2,242,654	107,802	-	2,350,456
Other fixed assets	<u>4,244</u>	<u>1,426</u>	<u>-</u>	<u>5,670</u>
Total accumulated depreciation	<u>2,246,898</u>	<u>109,228</u>	<u>-</u>	<u>2,356,126</u>
Total capital assets being depreciated, net	<u>3,179,772</u>	<u>(109,228)</u>	<u>-</u>	<u>3,070,544</u>
Governmental activities capital assets, net	<u>\$ 3,273,772</u>	<u>\$ (109,228)</u>	<u>\$ -</u>	<u>\$ 3,164,544</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Operation of Plant	\$ 108,289
Food Service	<u>939</u>
Total depreciation expense - governmental activities	<u>\$ 109,228</u>

**HOLLOW ROCK – BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

D. Long-term Debt

Long-term debt consists of school refunding bonds, Series 2009, in the amount of \$4,340,000. These bonds require interest payments semi-annually on April 1 and October 1 as long as the bonds remain outstanding, beginning October 1, 2009. Bond principal is payable on April 1 of each year. The annual requirements to amortize the bonds as of June 30, 2009 are as follows:

Years Ending June 30,	<u>School Refunding Bonds</u>		Total
	<u>Series 2009</u>		
	<u>Principal</u>	<u>Interest</u>	
2010	\$ 235,000	\$ 86,800	\$ 321,800
2011	235,000	123,150	358,150
2012	250,000	116,100	366,100
2013	250,000	108,600	358,600
2014	260,000	101,100	361,100
2015 - 2019	1,420,000	433,600	1,853,600
2020 - 2024	1,690,000	205,791	1,895,791
	<u>\$ 4,340,000</u>	<u>\$ 1,175,141</u>	<u>\$ 5,515,141</u>

The District issued the Series 2009 bonds for a current refunding of the Series 1998 Capital Outlay Bonds. The refunding was undertaken to reduce total future debt service payments by approximately \$850,000.

The following is a summary of long-term debt transactions for the year ended June 30, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Governmental activities:					
Capital Outlay Bonds, Series 1998	\$ 4,395,000	\$ -	\$(4,395,000)	\$ -	\$ -
Refunding Bonds, Series 2009	-	4,340,000	-	4,340,000	235,000
Less deferred amount for bond discount	-	(32,550)	2,170	(30,380)	n/a
	<u>\$ 4,395,000</u>	<u>\$ 4,307,450</u>	<u>\$(4,392,830)</u>	<u>\$ 4,309,620</u>	<u>\$ 235,000</u>

NOTE 5 – OTHER INFORMATION

A. Pensions

Political Subdivision Pension Plan

Plan Description

Employees of Hollow Rock - Bruceton Special School District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Hollow Rock - Bruceton Special School District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

**HOLLOW ROCK – BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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

Funding Policy

Hollow Rock - Bruceton Special School District requires employees to contribute 5.0 percent of earnable compensation. Hollow Rock - Bruceton Special School District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 9.13% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hollow Rock - Bruceton Special School District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2009, Hollow Rock - Bruceton Special School District's annual pension cost of \$27,949 to TCRS was equal to Hollow Rock - Bruceton Special School District's required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hollow Rock - Bruceton Special School District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 14 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$27,949	100.00%	\$0
6/30/08	\$18,165	100.00%	\$0
6/30/07	\$16,558	100.00%	\$0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 81.77% percent funded. The actuarial accrued liability for benefits was \$532 thousand, and the actuarial value of assets was \$435 thousand, resulting in an unfunded actuarial accrued liability (UAAL) of \$97 thousand. The covered payroll (annual payroll of active employees covered by the plan) was \$251 thousand, and the ratio of the UAAL to the covered payroll was 38.65% percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

**HOLLOW ROCK – BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/01/07	\$435	\$532	\$97	81.77%	\$251	38.65%

dollar amounts in thousands

State Employees, Teachers, and Higher Education Employees Pension Plan

Plan Description

The Hollow Rock - Bruceton Special School District contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the members were in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34 - 37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increase less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Hollow Rock - Bruceton Special School District is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2009 was 6.42% of annual covered payroll. The employer's contribution requirement for the Hollow Rock - Bruceton Special School District is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2009, 2008, and 2007 were \$153,328, \$147,033, and \$142,080, respectively, equal to the required contributions for each year.

B. Contingent Liabilities and Losses

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

C. Risk Management

The District is exposed to various risks related to workers' compensation, general liability, automobile liability, and property. The District felt it was more economically feasible to join public entity risk pools as opposed to purchasing commercial insurance for these areas. The District is a member of the Tennessee Municipal League Risk Management Pool (Pool), which is a public entity risk pool, established in 1979 by the Tennessee Municipal League. The District is also a member of the Tennessee School Boards Workmen's Compensation Trust (TSB-WCT) which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The District pays an annual premium to

HOLLOW ROCK – BRUCETON SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

these pools for coverage under the above areas. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. TSB-WCT reinsures through commercial insurance companies for claims in excess of \$100,000 for each uninsured event. The District's premiums are calculated based on its claims history. The District continues to carry commercial insurance for all other risks of loss, including public officials' bond. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

D. On-Behalf Payments for Postretirement Insurance Benefits

The District recognizes as revenues and expenses contributions made by the State of Tennessee to the Teacher Group Plan and Medicare Plan on behalf of the District's employees. For the year ended June 30, 2009, the State made contributions of \$30,114 to the Teacher Group Plan and \$3,690 to the Medicare Plan.

REQUIRED SUPPLEMENTARY INFORMATION

The required supplementary information section of this report includes information required to be included in the Basic Financial Statements.

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2009**

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	\$435	\$532	\$97	81.77%	\$251	38.65%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

OTHER SUPPLEMENTARY INFORMATION

The other supplementary information section of this report includes information that is not required to be included in the Basic Financial Statements, but is provided for the purpose of additional analysis.

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
 COMBINING BALANCE SHEET -
 SPECIAL REVENUE FUNDS
 JUNE 30, 2009**

	<u>Federal Projects Fund</u>	<u>Centralized Cafeteria Fund</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 88,725	\$ 88,725
Accounts receivable	-	899	899
Inventory	-	1,957	1,957
	<u>-</u>	<u>1,957</u>	<u>1,957</u>
Total Assets	<u>\$ -</u>	<u>\$ 91,581</u>	<u>\$ 91,581</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
	\$ -	\$ -	\$ -
FUND BALANCES			
Reserved for inventory	-	1,957	1,957
Reserved	-	89,624	89,624
	<u>-</u>	<u>89,624</u>	<u>89,624</u>
Total Fund Balances	<u>-</u>	<u>91,581</u>	<u>91,581</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 91,581</u>	<u>\$ 91,581</u>

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES -
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009**

	Federal Projects Fund	Centralized Cafeteria Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Charges for current services	\$ -	\$ 100,427	\$ 100,427
Other local revenues	-	240	240
State revenue	-	4,110	4,110
Federal revenue	<u>357,121</u>	<u>321,143</u>	<u>678,264</u>
Total Revenues	<u>357,121</u>	<u>425,920</u>	<u>783,041</u>
EXPENDITURES			
Current:			
Instruction	289,547	-	289,547
Support services	59,676	-	59,676
Food services	<u>-</u>	<u>354,326</u>	<u>354,326</u>
Total Expenditures	<u>349,223</u>	<u>354,326</u>	<u>703,549</u>
Excess of Revenues Over Expenditures	7,898	71,594	79,492
OTHER FINANCING SOURCES (USES)			
Operating transfers out	<u>(7,898)</u>	<u>(9,350)</u>	<u>(17,248)</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	-	62,244	62,244
FUND BALANCE, BEGINNING	-	29,207	29,207
Increase (decrease) in inventory	<u>-</u>	<u>130</u>	<u>130</u>
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ 91,581</u>	<u>\$ 91,581</u>

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SCHOOL FEDERAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
REVENUES				
Federal through State:				
Vocational program improvement - Carl D. Perkins	\$ 11,931	\$ 18,356	\$ 18,356	\$ -
Title I	137,832	137,832	137,832	-
Education of the Handicapped - IDEA	151,130	151,130	151,130	-
Education of the Handicapped - Preschool	16,956	17,006	17,006	-
Eisenhower	32,804	32,804	29,245	(3,559)
Other federal through state - Safe and Drug Free	-	-	1,240	1,240
State Safe and Drug Free Schools grant	-	-	2,312	2,312
Total Revenues	<u>350,653</u>	<u>357,128</u>	<u>357,121</u>	<u>(7)</u>
EXPENDITURES				
Instruction:				
Regular Instruction:				
Teachers	59,880	59,880	59,880	-
Social security	3,712	3,712	3,712	-
State retirement	3,845	3,845	3,845	-
Medical insurance	8,120	7,420	7,420	-
Unemployment compensation	26	26	26	-
Medicare	869	869	869	-
Instructional supplies	32,267	31,967	32,273	306
Other supplies and materials	3,500	3,500	3,500	-
Other charges	300	300	273	(27)
Total Regular Instruction	<u>112,519</u>	<u>111,519</u>	<u>111,798</u>	<u>279</u>
Special Education Program:				
Teachers	16,154	16,154	16,154	-
Other salaries and wages	-	-	1,940	(1,940)
Social security	805	805	1,157	352
State retirement	966	966	1,228	262
Medical insurance	3,177	3,177	3,177	-
Unemployment compensation	11	11	15	4
Medicare	189	189	270	81
Contracts with other school systems	81,152	81,202	96,269	15,067
Other contracted services	37,000	37,000	37,000	-
Instructional supplies	5,545	5,545	5,358	(187)
Total Special Education	<u>144,999</u>	<u>145,049</u>	<u>162,568</u>	<u>(1,428)</u>

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (Cont.)
SCHOOL FEDERAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
EXPENDITURES (Cont.)				
Instruction (Cont.):				
Vocational Education:				
Travel	2,500	3,400	3,400	-
Other supplies and materials	3,581	3,681	3,681	-
Other charges	400	700	700	-
Equipment	3,000	7,400	7,400	-
Total Vocational Education	<u>9,481</u>	<u>15,181</u>	<u>15,181</u>	<u>-</u>
Total Instruction	<u>266,999</u>	<u>271,749</u>	<u>289,547</u>	<u>(1,149)</u>
Support Services:				
Other Student Support:				
Other salaries and wages	1,700	1,700	1,700	-
Social security	105	105	105	-
State retirement	110	110	110	-
Unemployment compensation	2	2	2	-
Travel	1,750	1,750	1,750	-
Other supplies and materials	500	500	422	(78)
In-service/staff development	700	1,425	1,425	-
Total Other Student Support	<u>4,867</u>	<u>5,592</u>	<u>5,514</u>	<u>(78)</u>
Regular Instruction:				
Supervisor/director	15,000	15,000	15,000	-
Other salaries and wages	462	2,462	7,678	5,216
Social security	930	930	1,394	464
State retirement	963	963	1,444	481
Unemployment compensation	18	18	25	7
Medicare	218	218	327	109
Travel	7,750	8,750	7,736	(1,014)
Library books/media	2,000	2,000	2,600	600
Other supplies and materials	600	600	-	(600)
In-service-staff development	23,992	21,992	16,521	(5,471)
Total Regular Instruction	<u>51,933</u>	<u>52,933</u>	<u>52,725</u>	<u>(208)</u>

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (Cont.)
SCHOOL FEDERAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
EXPENDITURES (Cont.)				
Support Services (Cont.):				
Special Education Program:				
Travel	2,000	2,000	1,437	(563)
Total Support Services	<u>58,800</u>	<u>60,525</u>	<u>59,676</u>	<u>(849)</u>
Total Expenditures	<u>325,799</u>	<u>332,274</u>	<u>349,223</u>	<u>(1,998)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>24,854</u>	<u>24,854</u>	<u>7,898</u>	<u>(16,956)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(4,594)	(4,594)	(7,898)	(3,304)
Indirect costs	<u>(3,767)</u>	<u>(3,767)</u>	<u>-</u>	<u>3,767</u>
Total Other Financing Sources (Uses)	<u>(8,361)</u>	<u>(8,361)</u>	<u>(7,898)</u>	<u>463</u>
Net Change in Fund Balance	<u>\$ 16,493</u>	<u>\$ 16,493</u>	<u>-</u>	<u>\$ (16,493)</u>
FUND BALANCE, BEGINNING			<u>-</u>	
FUND BALANCE, ENDING			<u>\$ -</u>	

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
CENTRALIZED CAFETERIA
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
REVENUES				
Charges for Current Services:				
Lunch payments - children	\$ 121,779	\$ 121,779	\$ 85,701	\$ (36,078)
Lunch payments - adults	-	-	658	658
Income from breakfast	2,405	2,405	1,084	(1,321)
A la carte sales	30,200	30,200	12,984	(17,216)
Other charges for services	2,000	2,000	-	(2,000)
Total Charges for Current Services	<u>156,384</u>	<u>156,384</u>	<u>100,427</u>	<u>(55,957)</u>
Other Local Revenues:				
Miscellaneous refunds	310	310	-	(310)
Other local revenues	-	-	116	116
Interest earned	140	140	124	(16)
Total Other Local Revenues	<u>450</u>	<u>450</u>	<u>240</u>	<u>(210)</u>
State Education Funds:				
School Food Services	3,962	3,962	4,110	148
Federal through State:				
USDA - Lunch	176,000	176,000	192,771	16,771
USDA - Breakfast	92,300	92,300	104,671	12,371
USDA - Other	820	820	3	(817)
USDA - Commodities	-	-	23,698	23,698
Total Federal through State	<u>269,120</u>	<u>269,120</u>	<u>321,143</u>	<u>52,023</u>
Total Revenues	<u>429,916</u>	<u>429,916</u>	<u>425,920</u>	<u>(3,996)</u>
EXPENDITURES				
Current Expenditures:				
Food Services:				
Cafeteria personnel	113,000	113,000	101,553	(11,447)
Social security	7,006	7,006	5,804	(1,202)
State retirement	10,043	10,043	8,278	(1,765)
Medicare liability	82	82	87	5
Unemployment compensation	1,603	1,603	1,357	(246)
Communication	685	685	680	(5)
Maintenance and repair - equipment	2,000	2,000	2,897	897
Postal charges	82	82	84	2
Travel	480	480	326	(154)
Other contracted services	2,100	2,100	1,650	(450)
Food supplies	240,100	240,100	197,282	(42,818)
Office supplies	1,000	1,000	845	(155)

(Continued)

**HOLLOW ROCK BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (Cont.)
CENTRALIZED CAFETERIA
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
EXPENDITURES (Cont.)				
Current Expenditures (Cont.):				
Food Services (Cont.):				
Other supplies and materials	36,000	36,000	9,785	(26,215)
Other charges	1,500	1,500	-	(1,500)
Equipment	1,000	1,000	-	(1,000)
Commodities used	-	-	23,698	23,698
Total Expenditures	<u>416,681</u>	<u>416,681</u>	<u>354,326</u>	<u>(62,355)</u>
Excess of Revenues Over Expenditures	<u>\$ 13,235</u>	<u>\$ 13,235</u>	71,594	<u>\$ 58,359</u>
OTHER FINANCING SOURCES (USES)				
Indirect costs	<u>(9,350)</u>	<u>(9,350)</u>	<u>(9,350)</u>	<u>-</u>
Net Change in Fund Balance	3,885	3,885	62,244	58,359
FUND BALANCE, BEGINNING			29,207	
Increase in inventory			<u>130</u>	
FUND BALANCE, ENDING			<u>\$ 91,581</u>	

**HOLLOW ROCK BRUCETON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
REVENUES				
Other local revenues:				
Property taxes	\$ 226,000	\$ 226,000	\$ 208,928	\$ (17,072)
Interest earned	5,500	5,500	4,394	(1,106)
Total Revenues	<u>231,500</u>	<u>231,500</u>	<u>213,322</u>	<u>(18,178)</u>
EXPENDITURES				
Current Expenditures:				
Noninstructional Services				
Education Debt Service:				
Principal on bonds	185,000	185,000	195,000	10,000
Interest on bonds	45,000	45,000	53,664	8,664
Refunding bond issuance costs	-	-	65,771	65,771
Other debt service	1,500	1,500	520	(980)
Total Expenditures	<u>231,500</u>	<u>231,500</u>	<u>314,955</u>	<u>83,455</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(101,633)</u>	<u>(101,633)</u>
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	4,340,000	4,340,000
Payment of refunded bonds	-	-	(4,200,000)	4,200,000
Discount on bond issuance	-	-	(32,550)	32,550
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>107,450</u>	<u>107,450</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	5,817	<u>\$ 5,817</u>
FUND BALANCE, BEGINNING			<u>228,259</u>	
FUND BALANCE, ENDING			<u>\$ 234,076</u>	

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS -
GENERAL OBLIGATION DEBT
JUNE 30, 2009**

Year Ended June 30,	Bonds Payable Series 2009	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 235,000	\$ 86,800
2011	235,000	123,150
2012	250,000	116,100
2013	250,000	108,600
2014	260,000	101,100
2015	270,000	93,300
2016	270,000	96,560
2017	285,000	89,950
2018	290,000	79,975
2019	305,000	73,815
2020	315,000	64,220
2021	320,000	55,000
2022	340,000	42,200
2023	350,000	29,315
2024	<u>365,000</u>	<u>15,056</u>
	<u>\$ 4,340,000</u>	<u>\$ 1,175,141</u>

HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF SALARIES AND BONDS
JUNE 30, 2009

	<u>Salary</u>	<u>Bond</u>	
Superintendent	<u>\$ 72,410</u>	<u>\$185,000</u>	*

*All other employees of the school district are covered by a fidelity bond of \$185,000 for each occurrence.

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
 SCHEDULE OF TRANSFERS - ALL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Operating Transfers

<u>Transfer In</u>	<u>Amount</u>	<u>Transfer Out</u>	<u>Amount</u>
General Purpose	\$ 17,248	Centralized Cafeteria	\$ (9,350)
		Federal Projects	<u>(7,898)</u>
Total	<u>\$ 17,248</u>	Total	<u>\$ (17,248)</u>

**HOLLOW ROCK - BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

	Federal CFDA Number	Agency or Pass-through Number	Balance 7/1/08	Cash Receipts	Transfers In (Out)	Expenditures/ Amount Earned/ Amount Issued	Balance Unearned (Receivable) 6/30/09
U.S. DEPARTMENT OF EDUCATION							
Pass-through the Tennessee Department of Education							
Special Education Grants to States							
IDEA Program	84.027*	09.01	\$ -	\$ 196,596	\$ -	\$ 196,596	\$ -
Title I, Grants to Local Education Agencies	84.010	09.01	-	137,832	-	137,832	-
Vocational Education - Basic Grants to States	84.048	09.01	-	18,356	-	18,356	-
Title IV, Safe and Drug Free Schools	84.186A	09.01	-	2,312	-	2,312	-
Title II, Teacher and Principal Training and Recruiting	84.367A	09.01	-	29,245	-	29,245	-
Title II, Enhancing Education through Technology	84.318X	09.01	-	1,240	-	1,240	-
<u>Total Pass-through Tennessee Department of Education</u>			-	385,581	-	385,581	-
U.S. DEPARTMENT OF AGRICULTURE							
Pass-through the Tennessee Department of Agriculture							
School Breakfast Program	10.553	n/a	-	104,671	-	104,671	-
School Snack Program	10.555	n/a	-	3	-	3	-
National School Lunch Program	10.555	n/a	-	192,771	-	192,771	-
<u>Total Cash Federal Awards</u>			-	683,026	-	683,026	-
U.S. DEPARTMENT OF AGRICULTURE							
Pass-through the Tennessee Department of Agriculture							
Food-Distribution - Commodities	10.555	N/A	-	23,698	-	23,698	-
Total Federal Awards			\$ -	\$ 706,724	\$ -	\$ 706,724	\$ -

* major program

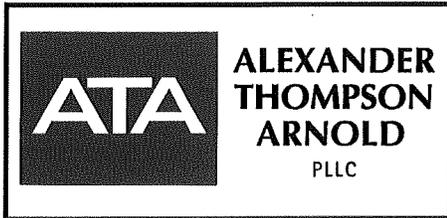
Note - The above schedule of expenditures of federal awards and state financial assistance is prepared on the modified accrual basis of accounting.

See independent auditor's report

**HOLLOW ROCK-BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

	Contract Number	Balance 7/1/08	Cash Receipts	Expenditures/ Amount Earned/ Amount Issued	Balance Unearned (Receivable) 6/30/09
Early Childhood	09.01	\$ -	\$ 90,284	\$ 90,284	\$ -
SAFE School Grant	09.01	-	4,600	4,600	-
CEO Supplement	08.01	-	1,139	1,139	-
CEO Supplement	09.01	-	1,141	1,141	-
Total State Awards		<u>\$ -</u>	<u>\$ 97,164</u>	<u>\$ 97,164</u>	<u>\$ -</u>

INTERNAL CONTROL AND COMPLIANCE SECTION



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Hollow Rock - Bruceton Special School District
Bruceton, Tennessee

We have audited the accompanying financial statements of the governmental activities, each major fund including the budgetary comparison statements and the aggregate remaining fund information of Hollow Rock - Bruceton Special School District, as of and for the year ended June 30, 2009, which collectively comprise Hollow Rock-Bruceton Special School District's basic financial statements and have issued our report thereon dated January 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hollow Rock - Bruceton Special School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of providing an opinion on the effectiveness of Hollow Rock-Bruceton Special School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hollow Rock - Bruceton Special School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Martin, TN

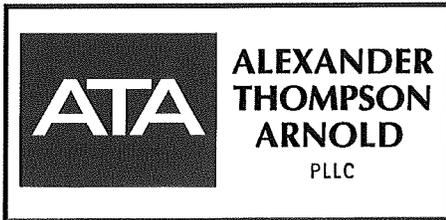
McKenzie, TN
Milan, TN
Murray, KY
Paris, TN
Trenton, TN
Union City, TN

Board of Education
Hollow Rock - Bruceton Special School District

This report is intended solely for the information and use of the Superintendent, board of education, management, the State of Tennessee Comptroller's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Alexander Thompson Arnold PLLC

Martin, Tennessee
January 8, 2010



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Hollow Rock – Bruceton Special School District
Bruceton, Tennessee

Compliance

We have audited the compliance of the Hollow Rock-Bruceton Special School District, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The Hollow Rock-Bruceton Special School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Hollow Rock-Bruceton Special School District's management. Our responsibility is to express an opinion on the Hollow Rock-Bruceton Special School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hollow Rock-Bruceton Special School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Hollow Rock-Bruceton Special School District's compliance with those requirements.

In our opinion, the Hollow Rock-Bruceton Special School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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Trenton, TN
Union City, TN

Board of Education
Hollow Rock - Bruceton Special School District

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of management, board of education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Alexander Thompson Arnold PLLC

Martin, Tennessee
January 8, 2010

**HOLLOW ROCK – BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009**

SECTION A – SUMMARY OF AUDITOR’S RESULTS

1. The “Independent Auditor’s Report” expresses an unqualified opinion on the general purpose financial statements of the Hollow Rock-Bruceton Special School District.
2. No significant deficiencies in internal control over financial reporting were identified during the audit of the financial statements that were considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of the Hollow Rock-Bruceton Special School District were disclosed during the audit of the financial statements.
4. There were no significant deficiencies disclosed during the audit of the major federal award programs.
5. The auditor’s report on compliance for the major federal award programs of the Hollow Rock-Bruceton Special School District expresses an unqualified opinion.
6. There were no audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133.
7. The programs tested as major programs were the following:

<u>Program Name</u>	<u>CFDA No.</u>
U.S. Department of Education	
IDEA, Part B	84.027
IDEA Preschool	84.173

8. The threshold for distinguishing Type A from Type B programs was \$300,000.
9. The low-risk auditee criteria was not applied to the Hollow Rock-Bruceton Special School District.

**HOLLOW ROCK – BRUCETON SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009**

***SECTION B – FINDINGS RELATIVE TO THE AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***

Current year findings - none

**HOLLOW ROCK – BRUCETON SPECIAL SCHOOL DISTRICT
SUMMARY OF PRIOR YEAR FINDINGS
JUNE 30, 2009**

Prior year audit findings – none.