SOUTH CARROLL SPECIAL SCHOOL DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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INTRODUCTORY SECTION

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2009

Title	Name
Board Chairman	Philip Moore
Vice-Chairman	Marty McKnight
Secretary	Andrew Stokes
Treasurer	Tony Hunley
Vice-Treasurer	Kevin Hart
Director of Schools	Diana Collins

FINANCIAL SECTION

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Independent Auditor's Report

Board of Education
South Carroll Special School District
Clarksburg, Tennessee

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Carroll Special School District (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 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 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 the 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, 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, the school federal projects fund and the capital projects 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 April 23, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 37 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.

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
South Carroll Special School District
Clarksburg, Tennessee

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 and the additional information 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 South Carroll Special School District. The accompanying schedule of expenditures of federal awards 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 of the District. The other supplementary information including the schedule of expenditures of federal awards 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 in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Alexander Thompson Arnold PLLC

Martin, Tennessee
April 23, 2010

BASIC FINANCIAL STATEMENTS

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS	
Cash and cash equivalents	$ 1,113,633
Taxes receivable	322,380
Accounts receivable	4,351
Due from other governmental agencies	45,022
Due from other governmental agencies - grants	118,964
Inventory	6,422
Capital assets, not being depreciated	
Land	275,000
Construction in process	2,686,707
Capital assets, net of accumulated depreciation	
Buildings and improvements	2,069,901
Other fixed assets	106,540
Total Assets	6,748,920
LIABILITIES	
Accounts payable	15,037
Other accrued expenses	66,267
Unearned revenue	7,706
Due to other governmental agencies - grants	51
Deferred revenue - taxes	322,380
Deferred revenue	1,285
Note payable - First Bank	2,529,366
Noncurrent liabilities:	
Due within one year	30,000
Due in more than one year	884,000
Total Liabilities	3,856,092
NET ASSETS	
Invested in capital assets, net of related debt	1,694,782
Restricted for	
Career Ladder	4,164
Food services - inventory	6,422
Unrestricted	1,187,460
Total Net Assets	$ 2,892,828

The accompanying notes are an integral part of the financial statements.

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets
Governmental activities:				
Instruction:				
Regular education	$ 1,238,660	$ 3,000	$ 278,536	$ (957,124)
Alternate education	5,090	-	-	(5,090)
Special education	195,107	-	89,558	(105,549)
Vocational education	158,006	-	6,425	(151,581)
Early Childhood Education	97,336	-	97,336	-
Support Services:				
Student support	292,406	-	-	(292,406)
Instructional staff	136,239	-	-	(136,239)
General administration	129,591	-	-	(129,591)
School administration	150,185	-	-	(150,185)
Business administration	64,303	-	-	(64,303)
Operation and maintenance of plant	249,875	-	-	(249,875)
Student transportation	595	-	-	(595)
Noninstructional Services				
Food service	203,961	70,021	130,346	(3,594)
Debt service	65,458	-	-	(65,458)
Total District	$ 2,986,812	$ 73,021	$ 602,201	(2,311,590)

General Revenues:	
Local taxes	210,235
Property taxes	447,162
Basic Education Program	1,779,000
Other State revenue	59,852
Interest	7,306
Other miscellaneous revenues	36,677
Total General Revenues	2,540,232
Change in Net Assets	228,642
Net Assets, Beginning	2,664,186
Net Assets, Ending	$ 2,892,828

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Purpose	Federal Projects	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 1,083,104	$ -	$ -	$ 30,529	$ 1,113,633
Taxes receivable	322,380	-	-	-	322,380
Accounts receivable	-	-	4,263	88	4,351
Due from other funds	78,659	142	-	-	78,801
Due from other governmental agencies	43,247	-	-	1,775	45,022
Due from other governmental agencies - grants	20,103	90,784	-	8,077	118,964
Inventory	-	-	-	6,422	6,422
Total Assets	$ 1,547,493	$ 90,926	$ 4,263	$ 46,891	$ 1,689,573
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts payable	$ 6,112	$ 8,925	$ -	$ -	$ 15,037
Other accrued expenses	63,682	2,169	-	416	66,267
Unearned revenue	-	7,706	-	-	7,706
Due to other funds	142	72,075	4,263	2,321	78,801
Due to other governmental agencies - grants	-	51	-	-	51
Deferred revenue	-	-	-	1,285	1,285
Deferred revenue - taxes	322,380	-	-	-	322,380
Total Liabilities	392,316	90,926	4,263	4,022	491,527
FUND EQUITY					
Fund Balance:					
Reserved:					
Career Ladder	4,164	-	-	-	4,164
Food services - inventory	-	-	-	6,422	6,422
Unreserved:					
General purpose	1,151,013	-	-	-	1,151,013
Special revenue	-	-	-	36,447	36,447
Total Fund Balance	1,155,177	-	-	42,869	1,198,046
Total Liabilities and Fund Balance	$ 1,547,493	$ 90,926	$ 4,263	$ 46,891	$ 1,689,573

The accompanying notes are an integral part of the financial statements.

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total Governmental Fund Balances	$ 1,198,046
Amounts reported for governmental activities on the statement of net assets are different because of the following:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported as assets in governmental funds.	5,138,148
Long-term liabilities, including interim financing for USDA loans, bonds, notes and leases payable, are not due in the current period and, therefore, are not reported in the funds.	(3,443,366)
Net Assets of Governmental Activities	$ 2,892,828

The accompanying notes are an integral part of the financial statements.

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General Purpose	School Federal Projects	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 575,587	$ -	$ -	$ 81,810	$ 657,397
State funds for operations	1,926,598	-	-	2,059	1,928,657
Other state revenue	12,590	-	-	-	12,590
Federal funds	26,296	348,223	-	128,287	502,806
Local food service revenue	-	-	-	70,021	70,021
Interest earnings	7,289	-	-	17	7,306
Miscellaneous	36,580	-	-	97	36,677
Total Revenues	2,584,940	348,223	-	282,291	3,215,454
EXPENDITURES					
Instruction	1,418,911	165,361	-	-	1,584,272
Support services	794,478	182,990	-	-	977,468
Food services	-	-	-	203,961	203,961
Non-instructional services	109,926	-	-	-	109,926
Capital outlay	-	-	2,662,325	29,544	2,691,869
Debt service	44,952	-	-	49,506	94,458
Total Expenditures	2,368,267	348,351	2,662,325	283,011	5,661,954
Excess (Deficiency) of Revenues Over (Under) Expenditures	216,673	(128)	(2,662,325)	(720)	(2,446,500)
OTHER FINANCING SOURCES (USES)					
Note proceeds	-	-	2,529,366	-	2,529,366
Operating transfers in (out)	(151,964)	-	151,964	-	-
Total Other Financing Sources (Uses)	(151,964)	-	2,681,330	-	2,529,366
Excess (Deficiency) of Revenues and Other Sources (Uses) Over (Under) Expenditures	64,709	(128)	19,005	(720)	82,866
FUND BALANCE, BEGINNING	1,090,468	128	(19,005)	43,589	1,115,180
FUND BALANCE, ENDING	$ 1,155,177	$ -	$ -	$ 42,869	$ 1,198,046

The accompanying notes are an integral part of the financial statements.

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Net Change in Fund Balances - Total Governmental Funds	$ 82,866
Amounts reported for governmental activities on the statement of activities are different because of the following:	
The repayment of the principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.	29,000
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.	(2,529,366)
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.	
Capital outlays	2,691,868
Depreciation	(45,726)
Change in Net Assets of Governmental Activities	$ 228,642

The accompanying notes are an integral part of the financial statements.

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance-Over (Under)
REVENUES				
Taxes:				
Other Taxes				
Local option sales tax	$ 180,000	$ 180,000	$ 205,790	$ 25,790
Interstate telecommunications tax	275	275	302	27
Trustee's Collections-Bankruptcy	-	-	86	86
Circuit Clerk-Master Collections	100	100	170	70
Marriange licenses	100	100	200	100
Mixed Drink tax	-	-	3,687	3,687
Total Other Taxes	180,475	180,475	210,235	29,760
City/Special School District:				
Current property tax	320,061	320,061	343,079	23,018
Prior year's property tax	7,000	7,000	13,007	6,007
Interest and penalty	1,000	1,000	2,412	1,412
Payment in lieu of taxes	5,000	5,000	6,854	1,854
Total City/Special School District	333,061	333,061	365,352	32,291
Total Taxes	513,536	513,536	575,587	62,051
State Revenues:				
State Education Funds:				
Basic Education Program	1,779,000	1,779,000	1,779,000	-
Other State education funds	-	-	14,576	14,576
Early Childhood Education	97,552	97,552	97,336	(216)
Career Ladder	21,639	21,639	15,986	(5,653)
Career Ladder - Extended Contract	-	19,700	19,700	-
Total State Education Revenue	1,898,191	1,917,891	1,926,598	8,707
Other State Revenues:				
State on-behalf payments for other postretirement benefits	-	-	12,590	12,590
Total State Revenues	1,898,191	1,917,891	1,939,188	21,297

(Continued)

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

	Original Budget	Final Budget	Actual	Variance-Over (Under)
REVENUES (Cont.)				
Federal Funds Received Through State				
Other Federal through State	32,464	32,464	26,296	(6,168)
Miscellaneous:				
Charges for Current Services:				
Receipts from individual schools	3,000	3,000	3,000	-
Total Charges for Current Services	3,000	3,000	3,000	-
Other Local Revenues:				
Interest earned	4,000	4,000	7,289	3,289
Lease/rentals	-	-	160	160
Miscellaneous refunds	1,700	1,700	7,306	5,606
Contributions from local groups	-	-	4,471	4,471
Other vocational from SWTHRA	25,000	25,000	21,600	(3,400)
Damages recovered from individuals	-	-	43	43
Total Other Local Revenues	30,700	30,700	40,869	10,169
Total Miscellaneous	33,700	33,700	43,869	10,169
Total Revenues	2,477,891	2,497,591	2,584,940	87,349

(Continued)

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

	Original Budget	Final Budget	Actual	Variance-Over (Under)
EXPENDITURES				
Instruction:				
Regular Education:				
Teachers	860,810	868,810	868,646	(164)
Career Ladder Program	9,250	9,250	9,000	(250)
Career Ladder - Extended Contract	-	14,075	14,075	-
Teacher assistants	12,156	12,156	11,441	(715)
Other salaries and wages	500	500	3,100	2,600
Substitute teachers	12,600	14,100	10,909	(3,191)
Social security	55,510	55,510	53,317	(2,193)
State retirement	55,181	55,181	58,126	2,945
Medical insurance	54,521	54,521	51,539	(2,982)
Unemployment compensation	233	233	422	189
Medicare	12,982	12,982	12,469	(513)
Contracts with other government agencies	-	2,000	2,000	-
Operating lease payments	3,000	3,000	1,554	(1,446)
Maintenance and repair - equipment	2,500	2,500	1,045	(1,455)
Travel	-	200	264	64
Other contracted services	14,000	14,000	5,059	(8,941)
Instructional supplies/materials	21,000	21,000	20,219	(781)
Textbooks	23,000	23,000	20,139	(2,861)
Other supplies and materials	100	100	457	357
Other charges	100	100	73	(27)
Equipment	10,000	10,000	10,000	-
Total Regular Education	1,147,443	1,173,218	1,153,854	(19,364)
Alternate Instruction Program:				
Contracts with other schools	6,000	6,000	5,090	(910)
Special Education:				
Teachers	72,691	72,691	70,691	(2,000)
Homebound teachers	750	750	491	(259)
Career Ladder Program	1,000	1,000	1,000	-
Career Ladder - Extended Contract	-	1,000	1,000	-
Aides	-	-	284	284
Substitute teachers	500	1,700	810	(890)
Social security	4,646	4,646	4,332	(314)
State retirement	4,644	4,644	4,719	75
Medical insurance	2,611	2,611	2,487	(124)

(Continued)

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

	Original Budget	Final Budget	Actual	Variance-Over (Under)
EXPENDITURES (Cont.)				
Instruction (Cont.):				
Special Education (Cont.):				
Unemployment compensation	20	20	31	11
Medicare	1,087	1,087	1,013	(74)
Contracts with other school systems	12,250	12,250	11,009	(1,241)
Evaluation and Testing	750	750	-	(750)
Maintenance and repair - equipment	1,750	1,750	715	(1,035)
Other contracted services	5,500	5,500	7,836	2,336
Textbooks	250	250	201	(49)
Other supplies and materials	250	250	-	(250)
Total Special Education	108,699	110,899	106,619	(4,280)
Vocational Education:				
Teachers	112,298	112,398	112,320	(78)
Career Ladder Program	1,000	1,000	1,000	-
Substitute teachers	1,500	2,200	2,124	(76)
Social security	7,117	7,117	6,036	(1,081)
State retirement	7,070	7,070	7,275	205
Medical insurance	17,919	17,919	14,901	(3,018)
Unemployment compensation	30	30	48	18
Medicare	1,665	1,665	1,412	(253)
Maintenance and repair - equipment	250	250	168	(82)
Other contracted services	2,900	2,900	2,860	(40)
Instructional supplies	6,000	3,500	3,517	17
Textbooks	1,000	1,000	667	(333)
Other supplies and materials	125	125	-	(125)
Other charges	100	100	25	(75)
Equipment	4,000	1,500	995	(505)
Total Vocational Education	162,974	158,774	153,348	(5,426)
Total Instruction	1,425,116	1,448,891	1,418,911	(29,980)

(Continued)

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

	Original Budget	Final Budget	Actual	Variance-Over (Under)
EXPENDITURES (Cont.)				
Support Services:				
Student Support				
Attendance:				
Travel	250	250	357	107
Other contracted services	28,973	28,973	25,592	(3,381)
Other supplies/materials	250	250	116	(134)
In-service/staff development	350	350	340	(10)
Equipment	1,000	1,000	-	(1,000)
Total Attendance	30,823	30,823	26,405	(4,418)
Health Services:				
Medical personnel	14,887	14,937	14,887	(50)
Social security	923	923	923	-
Medical insurance	490	490	402	(88)
Unemployment compensation	10	10	16	6
Medicare	216	216	216	-
Travel	125	125	-	(125)
Drugs and medical supplies	500	700	406	(294)
Other supplies/materials	250	250	121	(129)
In-service/staff development	125	125	24	(101)
Other charges	200	200	128	(72)
Total Health Services	17,726	17,976	17,123	(853)
Other Student Support:				
Career Ladder Program	3,000	3,000	3,000	-
Guidance personnel	46,235	46,235	45,235	(1,000)
Career Ladder - Extended Contract	-	4,000	4,000	-
Social security	3,053	3,053	2,840	(213)
State retirement	3,072	3,072	3,354	282
Medical insurance	5,973	5,973	6,207	234
Unemployment compensation	10	10	16	6
Medicare	714	714	664	(50)
Evaluation/testing	3,000	3,000	-	(3,000)
Maintenance and repair	100	100	-	(100)

(Continued)

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

	Original Budget	Final Budget	Actual	Variance-Over (Under)
EXPENDITURES (Cont.)				
Support Services (Cont.):				
Student Support (Cont.):				
Other Student Support:				
Travel	400	400	145	(255)
Other contracted services	500	500	427	(73)
Other supplies/materials	100	100	-	(100)
In-service/staff development	300	300	-	(300)
Total Other Student Support	66,457	70,457	65,888	(4,569)
Total Student Support	115,006	119,256	109,416	(9,840)
Instructional Staff:				
Regular Education:				
Director	42,659	49,924	49,924	-
Career Ladder Program	1,650	2,000	2,000	-
Career Ladder - Extended Contract	-	1,250	1,234	(16)
Librarian(s)	33,176	33,176	32,426	(750)
Instructional computer personnel	9,664	9,664	9,664	-
Social security	6,023	6,023	5,123	(900)
State retirement	5,459	5,459	5,623	164
Medical insurance	7,994	7,994	8,250	256
Unemployment compensation	27	27	44	17
Medicare	1,409	1,409	1,321	(88)
Maintenance and repair	500	500	-	(500)
Travel	550	550	105	(445)
Other contracted services	7,500	7,500	6,608	(892)
Library books	2,860	2,860	2,860	-
Periodicals	500	500	356	(144)
Other supplies and materials	250	250	102	(148)
In-service/staff development	1,000	1,000	545	(455)
Other charges	100	100	20	(80)
Other equipment	1,500	-	-	-
Total Regular Education	122,821	130,186	126,205	(3,981)

(Continued)

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

EXPENDITURES (Cont.)	Original Budget	Final Budget	Actual	Variance-Over (Under)
Support Services (Cont.):				
Instructional Staff (Cont.):				
Special Education:				
Director	5,851	5,851	5,851	-
Career Ladder Program	100	100	-	(100)
Social security	369	369	363	(6)
State retirement	371	371	376	5
Unemployment compensation	1	1	-	(1)
Medical insurance	847	847	-	(847)
Medicare	86	86	85	(1)
Travel	1,000	1,000	1,211	211
In-service/staff development	2,000	2,000	148	(1,852)
Other equipment	500	500	-	(500)
Total Special Education	11,125	11,125	8,034	(3,091)
Vocational Education:				
Director	2,000	2,000	2,000	-
In-service/staff development	400	400	-	(400)
Total Vocational Education	2,400	2,400	2,000	(400)
Total Instructional Staff	136,346	143,711	136,239	(7,472)
General Administration:				
Board of Education Services:				
Life insurance	-	-	282	282
Audit services	8,500	8,500	7,950	(550)
Dues and memberships	1,900	1,900	2,144	244
Legal services	3,100	1,600	457	(1,143)
Postal charges	100	100	100	-
Travel	250	250	-	(250)
Maintenance and repair	1,750	1,750	1,500	(250)
Other contracted services	200	200	-	(200)
Other supplies and materials	200	200	262	62
Liability insurance	7,542	12,042	12,016	(26)
Premium on surety bond	600	600	508	(92)
Trustee commissions	9,500	9,500	10,967	1,467
Workmen's compensation insurance	9,127	9,127	9,020	(107)
In-service/staff development	1,000	1,000	497	(503)
Criminal investigation of applicant	660	660	408	(252)
Other charges	1,090	1,090	2,942	1,852
Total Board of Education Services	45,519	48,519	49,053	534

(Continued)

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

	Original Budget	Final Budget	Actual	Variance-Over (Under)
EXPENDITURES (Cont.)				
Support Services (Cont.):				
General Administration:				
Office of the Superintendent:				
County official/administrative officer	64,902	64,902	63,902	(1,000)
Career Ladder Program	1,000	1,000	1,000	-
In-service training	1,000	-	-	-
Social security	4,086	4,086	3,982	(104)
State retirement	4,112	4,112	4,167	55
Medical insurance	490	490	402	(88)
Unemployment compensation	10	10	16	6
Medicare	956	956	931	(25)
Communication	1,500	1,500	1,054	(446)
Dues and memberships	1,025	1,025	1,092	67
Maintenance and repair	1,000	1,000	1,302	302
Postal charges	550	550	550	-
Travel	1,500	675	430	(245)
Other contracted services	125	125	-	(125)
Office supplies	500	500	197	(303)
Other supplies and materials	250	250	136	(114)
Inservice/staff development	1,500	1,500	734	(766)
Administration equipment	1,000	1,000	578	(422)
Other charges	400	400	65	(335)
Total Office of the Superintendent	85,906	84,081	80,538	(3,543)
Total General Administration	131,425	132,600	129,591	(3,009)
School Administration:				
Office of the Principal:				
Principals	51,080	51,780	51,705	(75)
Career ladder program	1,000	1,000	1,000	-
Assistant(s)	48,935	48,935	47,935	(1,000)
Secretary(s)	18,355	18,405	18,355	(50)
Social security	7,401	7,401	6,328	(1,073)
State retirement	7,599	7,599	7,810	211
Medical insurance	12,980	12,980	12,414	(566)
Unemployment compensation	30	30	48	18
Medicare	1,731	1,731	1,480	(251)

(Continued)

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

	Original Budget	Final Budget	Actual	Variance-Over (Under)
EXPENDITURES (Cont.)				
Support Services (Cont.):				
School Administration (Cont.):				
Office of the Principal (Cont.)				
Communication	500	500	68	(432)
Dues and memberships	1,300	1,300	1,155	(145)
Maintenance and repair	250	250	-	(250)
Postal charges	750	750	750	-
Travel	500	500	452	(48)
Other contracted services	250	250	-	(250)
Other supplies and materials	250	250	685	435
Office supplies	750	750	-	(750)
In-service/staff development	1,000	250	-	(250)
Other charges	250	250	-	(250)
Total School Administration	154,911	154,911	150,185	(4,726)
Business Administration:				
Fiscal Services:				
Accountants/bookkeepers	59,005	59,005	46,485	(12,520)
Social security	3,658	3,658	2,613	(1,045)
State retirement	4,166	4,166	3,587	(579)
Medical insurance	5,855	5,855	4,674	(1,181)
Unemployment compensation	20	20	42	22
Medicare	856	856	669	(187)
Data processing services	6,000	6,000	4,884	(1,116)
Dues and memberships	100	100	-	(100)
Maintenance and repair	500	500	-	(500)
Travel	500	500	42	(458)
Other contracted services	100	100	-	(100)
Postal	200	200	200	-
Data processing supplies	1,100	1,100	643	(457)
Office supplies	750	750	155	(595)
Other supplies and materials	100	100	-	(100)
Inservice/staff development	1,000	1,000	260	(740)
Equipment	1,500	1,500	-	(1,500)
Other charges	100	100	49	(51)
Total Business Administration	85,510	85,510	64,303	(21,207)

(Continued)

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

	Original Budget	Final Budget	Actual	Variance-Over (Under)
EXPENDITURES (Cont.)				
Support Services (Cont.):				
Operation and Maintenance of Plant:				
Operation of Plant:				
Plant supervisor/director	24,951	26,751	19,416	(7,335)
Custodial personnel	-	(1,800)	-	1,800
Social security	1,547	1,547	1,204	(343)
State retirement	1,065	1,065	1,301	236
Medical insurance	490	490	392	(98)
Unemployment compensation	30	30	20	(10)
Medicare	362	362	282	(80)
Janitorial services	8,000	8,000	7,960	(40)
Maintenance and repair	500	500	500	-
Travel	125	125	44	(81)
Disposal fees	5,000	5,000	4,568	(432)
Other contracted services	100	100	-	(100)
Custodial supplies	9,500	9,500	9,960	460
Electricity	36,500	46,500	52,792	6,292
Natural gas	15,525	15,525	16,301	776
Water and sewer	48,000	48,000	42,838	(5,162)
Other supplies and materials	100	100	71	(29)
Boiler insurance	627	627	615	(12)
Building and contents insurance	11,420	11,420	11,192	(228)
Other charges	100	100	-	(100)
In-service/staff development	100	100	-	(100)
Plant operation equipment	6,710	-	4,650	4,650
Total Operation of Plant	170,752	174,042	174,106	64
Maintenance of Plant:				
Maintenance supervisor/director	15,791	10,991	10,953	(38)
Bus drivers	-	2,100	2,066	(34)
Social security	979	979	784	(195)
State retirement	1,115	1,115	805	(310)
Medical insurance	490	490	41	(449)
Unemployment compensation	10	10	23	13
Medicare	229	229	183	(46)
Maintenance and repair - buildings	27,000	7,795	8,472	677
Maintenance and repair - equipment	2,000	2,000	2,473	473
Maintenance and repair - vehicles	-	-	-	-
Travel	250	250	164	(86)
Other contracted services	500	500	-	(500)
Gasoline	500	500	243	(257)
General construction materials	1,000	1,000	954	(46)
Other supplies and materials	100	100	2,882	2,782
Maintenance equipment	750	750	-	(750)
Total Maintenance of Plant	50,714	28,809	30,043	1,234

(Continued)

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

	Original Budget	Final Budget	Actual	Variance-Over (Under)
EXPENDITURES (Cont.)				
Support Services (Cont.):				
Total Operation and Maintenance of Plant	221,466	202,851	204,149	1,298
Student Transportation:				
Bus drivers	3,206	3,206	-	(3,206)
Social security	199	199	-	(199)
State retirement	226	226	-	(226)
Medicare	46	46	-	(46)
Contracts with parents	1,000	1,000	89	(911)
Maintenance and repair	1,000	1,000	-	(1,000)
Diesel fuel	1,500	1,500	800	(700)
Employer Medicare	-	-	(294)	(294)
Total Student Transportation	7,177	7,177	595	(6,582)
Total Support Services	851,841	846,016	794,478	(51,538)

(Continued)

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

	Original Budget	Final Budget	Actual	Variance-Over (Under)
EXPENDITURES (Cont.)				
Non-Instructional Services:				
Early Childhood Education:				
Teachers	44,235	44,235	43,235	(1,000)
Career Ladder Program	1,000	1,000	1,000	-
Educational assistants	13,600	13,600	13,600	-
Substitute teachers	960	960	714	(246)
Social security	3,778	3,778	3,143	(635)
State retirement	3,814	3,814	3,839	25
Medical insurance	6,830	6,830	6,609	(221)
Unemployment compensation	36	36	34	(2)
Medicare	715	715	735	20
Maintenance and repair - equipment	825	825	1,603	778
Food supplies	250	250	171	(79)
Travel	1,350	1,350	706	(644)
Instructional supplies	2,329	2,329	4,308	1,979
Other contracted services	3,400	3,400	3,488	88
Other supples and materials	150	150	150	-
In-service/staff development	2,000	2,000	160	(1,840)
Other charges	5,280	5,280	6,841	1,561
Other equipment	7,000	7,000	7,000	-
Total Early Childhood Education	97,552	97,552	97,336	(216)
State On-Behalf Payments:				
State on-behalf payments for postretirement benefits	-	-	12,590	12,590
Total Non-Instructional Services	97,552	97,552	109,926	12,374
Debt Service:				
Principal on bonds	29,000	29,000	29,000	-
Principal on notes	106,298	81,298	-	(81,298)
Interest on bonds	33,005	33,005	14,179	(18,826)
Interest on notes	27,518	52,518	-	(52,518)
Other debt service	2,000	2,000	1,773	(227)
Total Debt Service	197,821	197,821	44,952	(152,869)
Total Expenditures	2,572,330	2,590,280	2,368,267	(222,013)

(Continued)

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

	Original Budget	Final Budget	Actual	Variance-Over (Under)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(94,439)	(92,689)	216,673	309,362
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds	-	78,250	78,250	-
Operating transfers to other funds	(150,575)	(230,575)	(230,214)	361
	(150,575)	(152,325)	(151,964)	361
Excess (Deficiency) of Revenues and Other Sources (Uses) Over (Under) Expenditures	$ (245,014)	$ (245,014)	64,709	$ 309,723
FUND BALANCE, BEGINNING			1,090,468	
FUND BALANCE, ENDING			$ 1,155,177	

The accompanying notes are an integral part of the financial statements.

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHOOL FEDERAL PROJECTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance-Over (Under)
REVENUES				
Federal Revenues:				
Vocational program improvement - Carl D. Perkins	$ 6,425	$ 6,425	$ 6,425	$ -
Title I	67,965	67,965	73,400	5,435
Safe and Drug-free Schools	1,365	1,365	1,199	(166)
Education of the Handicapped - IDEA	83,731	83,731	83,650	(81)
Education of the Handicapped - Preschool	5,858	5,908	5,908	-
Eisenhower	19,762	19,790	15,647	(4,143)
Other direct federal	146,164	146,164	145,549	(615)
Other federal through state	16,448	16,445	16,445	-
Total Federal Revenues	347,718	347,793	348,223	430
EXPENDITURES				
Instruction:				
Regular Instruction:				
Educational assistants	31,386	30,587	29,635	(952)
Substitute teachers	-	800	280	(520)
Social security	2,334	2,334	1,854	(480)
State retirement	1,950	1,950	2,178	228
Medical insurance	1,353	1,353	1,224	(129)
Unemployment compensation	50	50	48	(2)
Medicare	530	530	434	(96)
Other supplies and materials	-	1,065	1,065	-
Instructional supplies	12,385	12,384	21,027	8,643
Other charges	1,000	1,000	452	(548)
Equipment	15,727	14,727	14,018	(709)
Total Regular Instruction	66,715	66,780	72,215	5,435
Special Education Program:				
Aides	29,000	29,000	28,364	(636)
Non-certified substitute teachers	800	800	368	(432)
Social security	2,000	2,000	1,781	(219)
State retirement	2,200	2,200	2,085	(115)
Medical insurance	725	725	1,012	287
Unemployment compensation	56	56	47	(9)
Medicare	500	500	417	(83)

(Continued)

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHOOL FEDERAL PROJECTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance-Over (Under)
EXPENDITURES (Cont.)				
Instruction (Cont.):				
Special Education Program (Cont.):				
Other contracted services	13,750	13,750	15,664	1,914
Contracts with other school systems	37,150	37,150	36,816	(334)
Instructional supplies	500	500	1,886	1,386
Other supplies and materials	100	100	48	(52)
Supplies	1,708	1,758	-	(1,758)
Total Special Education	88,489	88,539	88,488	(51)
Vocational Education:				
Other supplies and materials	100	100	(142)	(242)
Other charges	300	300	266	(34)
Equipment	4,400	4,400	4,534	134
Total Vocational Education	4,800	4,800	4,658	(142)
Total Instruction	160,004	160,119	165,361	5,242
Support Services:				
Other Student Support:				
Guidance personnel	56,500	56,500	47,071	(9,429)
Clerical personnel	2,500	5,000	3,975	(1,025)
Social security	3,444	3,444	3,165	(279)
State retirement	3,596	3,596	3,314	(282)
Medical insurance	2,142	2,142	424	(1,718)
Unemployment compensation	10	10	16	6
Medicare	808	808	740	(68)
Evaluation and testing	6,000	3,500	-	(3,500)
Postage	200	200	200	-
Travel	11,900	11,900	7,895	(4,005)
Other contracted services	31,000	31,000	35,243	4,243
Other supplies and materials	24,964	24,964	41,704	16,740
In-service/staff development	4,725	4,725	3,427	(1,298)
Total Other Student Support	147,789	147,789	147,174	(615)

(Continued)

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHOOL FEDERAL PROJECTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance-Over (Under)
EXPENDITURES (Cont.)				
Support Services:				
Regular Instruction:				
Other salaries and wages	3,500	3,250	2,220	(1,030)
Substitute teachers	750	750	150	(600)
Social security	-	100	147	47
State retirement	-	100	146	46
Unemployment compensation	-	25	3	(22)
Medicare	-	25	34	9
Travel	777	1,536	2,357	821
Other contracted services	2,000	2,000	2,000	-
In-service/staff development	14,858	14,883	12,417	(2,466)
Repair and maintenance - equipment	200	200	200	-
Other supplies and materials	824	-	-	-
Total Regular Instruction	22,909	22,869	19,674	(3,195)
Special Education:				
Other supplies and materials	100	100	83	(17)
In-service/staff development	1,000	1,000	-	(1,000)
Total Special Education	1,100	1,100	83	(1,017)
Community Services:				
Teachers	3,400	3,400	3,803	403
Guidance personnel	2,110	2,110	2,250	140
Clerical personnel	490	490	-	(490)
Social Security	450	450	375	(75)
State retirement	450	450	389	(61)
Medicare	100	100	88	(12)
Travel	2,000	2,000	3,387	1,387
Instructional supplies	2,916	2,916	2,467	(449)
Other supplies and materials	3,000	3,000	2,250	(750)
In-service/staff development	1,000	1,000	1,050	50
Total Community Services	15,916	15,916	16,059	143
Total Support Services	187,714	187,674	182,990	(4,684)
Total Expenditures	347,718	347,793	348,351	558
Excess (Deficit) of Revenues Over (Under) Expenditures	$ -	$ -	$ (128)	$ (128)
FUND BALANCE, BEGINNING			128	
FUND BALANCE, ENDING			$ -	

The accompanying notes are an integral part of the financial statements.

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance-Over (Under)
EXPENDITURES				
Architects	40,500	40,500	36,915	(3,585)
Legal services	-	6,000	5,356	(644)
Building construction	2,472,401	2,516,401	2,436,815	(79,586)
Capital outlay	78,203	112,203	156,967	44,764
Site Development	-	46,000	26,272	(19,728)
Total Expenditures	2,591,104	2,721,104	2,662,325	(58,779)
Excess (Deficit) of Revenues Over (Under) Expenditures	(2,591,104)	(2,721,104)	(2,662,325)	58,779
OTHER FINANCING SOURCES (USES)				
Operating transfers in	89,975	169,975	230,214	60,239
Note proceeds	2,501,129	2,629,379	2,529,366	(100,013)
Operating transfers out	-	(78,250)	(78,250)	-
Total Other Financing Sources (Uses)	2,591,104	2,721,104	2,681,330	(39,774)
Excess (Deficit) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ -	$ -	19,005	$ 19,005
FUND BALANCE, BEGINNING			(19,005)	
FUND BALANCE, ENDING			$ -	

The accompanying notes are an integral part of the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The South Carroll Special School District (District) is a school district separately chartered by the State Legislature.

The five-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. These financial statements present the District as "The Primary Government" and there are no other component units, entities for which the District is considered financially accountable, which should be included.

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 the only activities of the district. The District does not maintain any business-type activities.

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 Statement 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 are 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.

Gross receipt 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 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 school federal projects fund is used to account for federal grant income and expenditures.

The capital projects fund is used to account for income and expenditures of new construction.

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

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

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

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 or Equity

Deposits and Investments
The District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash drawn in excess of available funds, 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 in which the taxes are permitted to be used.

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 $1.41 on every $100 of real and personal property located within the District.

Inventories and Prepaid Items
Inventories are valued at lower of average cost or market, 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.

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

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

Capital Assets (Cont.)
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.

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.

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 Equity
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.

On-Behalf Payments for Fringe Benefits
The Board 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 department-wide and general purpose fund financial statements.

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 governmental fund balance sheet includes 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 the reconciliation explains that "capital assets used in governmental funds are not financial resources and, therefore, are not reported as assets in the governmental funds." The details of this $5,138,148 are as follows:

NOTE 2 –RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (Cont.)

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

Land	$ 275,000
Buildings and improvements	7,438,416
Other fixed assets	166,476
Construction in process	2,686,707
	10,566,599
Less accumulated depreciation	(5,428,451)
Total capital assets, net of accumulated depreciation	$ 5,138,148

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 states that "the repayment of the principal of long-term debt is an experditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets". The details of this $29,000 are as follows:

Principal repayments:	
Capital Outlay Notes Payable, Series 2001	$ 29,000

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. These include the general purpose, school federal projects, capital projects, debt service and cafeteria funds. 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 category level without obtaining additional appropriation approval from the Board of Education.

The school federal projects fund was over budget by $558 due to accounts payable adjustment of $8,925 made by auditors. The cafeteria fund was over budget by $12,262 due to a $14,160 adjustment for commodities made by auditors. The District does not budget non-cash items.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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 of 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 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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Cont.)

A. Deposits and Investments (Cont.)

Cash in bank – checking	$ 691,782
Cash in bank – savings	500,510
Cash drawn in excess of available funds	(78,659)
Total	$ 1,113,633

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 275,000	$ -	$ -	$ 275,000
Construction in progress	114,155	2,572,552	-	2,686,707
Total capital assets not being depreciated	389,155	2,572,552	-	2,961,707
Capital assets being depreciated:				
Buildings and improvements	7,348,644	89,772	-	7,438,416
Other fixed assets	136,932	29,544	-	166,476
Total capital assets being depreciated	7,485,576	119,316	-	7,604,892
Less accumulated depreciation for:				
Buildings and improvements	5,335,098	33,417	-	5,368,515
Other fixed assets	47,627	12,309	-	59,936
Total accumulated depreciation	5,382,725	45,726	-	5,428,451
Total capital assets being depreciated, net	2,102,851	73,590	-	2,176,441
Capital assets, net	$ 2,492,006	$ 2,646,142	$ -	$ 5,138,148

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

Support Services:

Operation and maintenance of plant	$ 45,726

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Cont.)

C. Debt Transactions

The annual requirements to amortize all long-term debt and obligations outstanding, excluding compensated absences, as of June 30, 2009 are as follows:

Years Ending June 30,	Capital Outlay Notes Payable Series 2001 Principal	Interest
2010	30,000	31,990
2011	32,000	30,940
2012	33,000	29,820
2013	35,000	28,665
2014	37,000	27,440
2015-2019	210,000	116,725
2020-2024	269,000	76,020
2025-2028	268,000	24,045
	$ 914,000	$ 365,645

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

	Beginning Balance	Additions	Retirements	Ending Balance	Due within one year
Governmental activities:					
Long-term:					
Capital Outlay Notes Payable:					
Series 2001, 5% interest, payable serially through 2028	$ 943,000	$ -	$ 29,000	$ 914,000	$ 30,000
Short-term:					
Note payable:					
First Bank, interim financing for USDA loan, interest only payable monthly, 3.575%	$ -	$ 2,529,366	$ -	$ 2,529,366	N/A

D. Interfund Transfers

During the year ended June 30, 2009, the District made a transfer of $230,214 from the general purpose fund to the capital projects fund in order to provide funding for capital projects. The District also made a transfer of $78,250 from the capital projects fund to the general purpose fund in order to provide for general purpose expenditures.

NOTE 5 – OTHER INFORMATION

A. Pensions

State Employees, Teachers, and Higher Education Employees Pension Plan

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to 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

South Carroll Special School District requires employees to contribute 5.0 percent of earnable compensation.

South Carroll Special School District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 7.35% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for South Carroll 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, South Carroll Special School District's annual pension cost of $16,502 to TCRS was equal to South Carroll 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. South Carroll 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 11 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
6/30/2009	$ 16,502	100.00%	$ 0.00
6/30/2008	$ 16,753	100.00%	$ 0.00
6/30/2007	$ 15,071	100.00%	$ 0.00

NOTE 5 – OTHER INFORMATION (Cont.)

A. Pensions (Cont.)

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 86.75% funded. The actuarial accrued liability for benefits was $0.23 million, and the actuarial value of assets was $0.20 million, resulting in an unfunded actuarial accrued liability (UAAL) of $0.03 million. The covered payroll (annual payroll of active employees covered by the plan) was $0 million, and the ratio of the UAAL to the covered payroll was 15.05%.

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.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	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 01, 2007	$ 203	$ 234	$ 31	86.75%	$ 206	15.05%

Defined Benefit Plan

Plan Description

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

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

NOTE 5 – OTHER INFORMATION (Cont.)

A. Pensions (Cont.)

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for South Carroll County 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 contribution requirement for South Carroll 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 $95,635, $93,337, and $93,656 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 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 $9,985 and $2,605 respectively for a total of $12,590.

E. Commitments

On February 19, 2004, the District entered into an agreement with the Town of Clarksburg stating that the Town would construct a sewer line to service the needs of the District using grant funds and a loan in the amount of $416,000 obtained from the Tennessee Department of Environment and Conservation. In return and in light of the fact that at this time the District is the only customer connected to this new sewer line, the District will pay the Town a monthly Construction Loan Assessment in addition to a reasonable rate for water use to pay back the loan obtained from the Tennessee Department of Environment and Conservation for the lesser of twenty years or at such time the loan is paid back by the Town. The rate is subject to modification if any additional customers are connected to this sewer line. Principal repayments of this loan are as follows:

E. **Commitments (Cont.)**

Year Ended June 30,	Principal	Interest
2010	18,936	5,292
2011	19,236	4,992
2012	19,536	4,692
2013	19,848	4,380
2014	20,160	4,068
2015-2019	105,636	15,504
2020-2024	114,216	6,924
2025-2026	48,096	360
	$ 365,664	$ 46,212

F. **Subsequent Events**

Construction for a new gymnasium and cafeteria expansion began July 2008. The construction is currently in progress and is estimated to cost $2,819,950. Construction will be partially funded by a USDA Rural Development loan estimated to be $2,694,000. As of fiscal year June 30, 2009, the project was complete, but the loan was not finalized until July 2009.

REQUIRED SUPPLEMENTARY INFORMATION

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

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/01/07	$203	$234	$31	86.75%	$206	15.05%

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

OTHER SUPPLEMENTARY INFORMATION

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

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009

	Centralized Cafeteria	Debt Service	Totals
ASSETS			
Cash	$ -	$ 30,529	$ 30,529
Due from other governmental agencies	-	1,775	1,775
Due from other governmental agencies - grants	8,077	-	8,077
Inventory	6,422	-	6,422
Accounts receivable	88	-	88
Total Assets	$ 14,587	$ 32,304	$ 46,891
LIABILITIES			
Accrued expenses	$ 416	$ -	$ 416
Due to other funds	2,321	-	2,321
Deferred revenue	1,285	-	1,285
Total Liabilities	4,022	-	4,022
FUND BALANCES			
Reserved inventory	6,422	-	6,422
Reserved	4,143	32,304	36,447
Total Fund Balances	10,565	32,304	42,869
Total Liabilities and Fund Balances	$ 14,587	$ 32,304	$ 46,891

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Centralized Cafeteria	Debt Service	Totals
REVENUES			
Charges for current services	$ 70,021	$ -	$ 70,021
Current property taxes	-	81,810	81,810
Other local revenues	114	-	114
State matching revenues	2,059	-	2,059
Federal revenue	128,287	-	128,287
Total Revenues	200,481	81,810	282,291
EXPENDITURES			
Food services	203,961	-	203,961
Capital outlay	29,544	-	29,544
Debt service	-	49,506	49,506
Total Expenditures	233,505	49,506	283,011
Excess (Deficit) of Revenues Over (Under) Expenditures	(33,024)	32,304	(720)
FUND BALANCE, BEGINNING	43,589	-	43,589
FUND BALANCE, ENDING	$ 10,565	$ 32,304	$ 42,869

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
CENTRAL CAFETERIA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance-Over (Under)
REVENUES				
Charges for Current Services:				
Lunch payments - children	$ 45,000	$ 45,000	$ 43,328	$ (1,672)
Lunch payments - adults	4,500	4,500	4,608	108
Income from breakfast	12,000	12,000	12,831	831
A La Carte sales	10,000	10,000	9,254	(746)
Total Charges for Current Services	71,500	71,500	70,021	(1,479)
Other Local Revenues:				
Refunds	50	50	45	(5)
Sale of equipment	-	-	52	52
Current property tax	76,322	76,322	-	(76,322)
Interest earned	120	120	17	(103)
Total Other Local Revenues	76,492	76,492	114	(76,378)
State Matching Revenue:				
School Food Services	2,200	2,200	2,059	(141)
Federal Revenues:				
USDA - Lunch	70,000	70,000	74,086	4,086
USDA - Breakfast	40,000	40,000	40,041	41
USDA - Commodities	-	-	14,160	14,160
Total Federal Revenues	110,000	110,000	128,287	18,287
Total Revenue:	260,192	260,192	200,481	(59,711)
EXPENDITURES				
Current Expenditures:				
Food Services:				
Director	16,622	16,622	16,622	-
Clerical personnel	4,000	4,000	4,000	-
Cafeteria personnel	45,411	45,411	43,061	(2,350)
Social security	4,157	4,157	3,890	(267)
State retirement	3,903	3,903	3,043	(860)
Medical insurance	4,204	4,204	2,161	(2,043)
Medicare liability	973	973	1,146	173
Unemployment compensation	74	74	99	25
Communication	500	500	-	(500)
Maintenance and repair - equipment	4,000	6,000	10,378	4,378
Postage	100	100	100	-
Travel	200	200	120	(80)
Other contracted services	399	399	240	(159)
Utilities	6,000	6,000	6,000	-

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
CENTRAL CAFETERIA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance-Over (Under)
EXPENDITURES (Cont.)				
Current Expenditures (Cont.):				
Food Services (Cont.):				
Food preparation supplies	2,500	2,500	3,601	1,101
Food supplies	90,000	90,000	91,869	1,869
USDA - commodities used	-	-	14,160	14,160
Office supplies	250	250	182	(68)
Uniforms	300	300	235	(65)
Other supplies and materials	4,000	4,000	2,668	(1,332)
In service/staff development	400	400	131	(269)
Other charges	250	250	255	5
Equipment	31,000	31,000	29,544	(1,456)
Total Expenditures	219,243	221,243	233,505	12,262
Excess (Deficit) of Revenues Over (Under) Expenditures	40,949	38,949	(33,024)	(71,973)
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds	150,575	230,575	-	(230,575)
Note proceeds	-	128,250	-	(128,250)
Proceeds from capitalized lease obligations	2,501,129	2,501,129	-	(2,501,129)
	2,651,704	2,859,954	-	(2,859,954)
Excess (Deficiency) of Revenues and Other Sources (Uses) Over (Under) Expenditures	$ 2,692,653	$ 2,898,903	(33,024)	$ (2,931,927)
FUND BALANCE, BEGINNING			43,589	
FUND BALANCE, ENDING			$ 10,565	

See independent auditor's report.

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
DEBT SERVICE FUND
SCHEUDLE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Variance-Over (Under)
REVENUES				
Current property tax	$ 76,322	$ 76,322	$ 81,810	$ 5,488
EXPENDITURES				
Principal on notes	25,000	-	-	-
Interest on notes	27,518	52,518	49,506	(3,012)
Total Expenditures	52,518	52,518	49,506	(3,012)
Excess (Deficit) of Revenues Over (Under) Expenditures	$ 23,804	$ 23,804	32,304	$ 8,500
FUND BALANCE, BEGINNING			-	
FUND BALANCE, ENDING			$ 32,304	

See independent auditor's report.

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT
JUNE 30, 2009

Year Ended June 30,	Series 2001 Principal	Interest
2010	$ 30,000	$ 31,990
2011	32,000	30,940
2012	33,000	29,820
2013	35,000	28,665
2014	37,000	27,440
2015	38,000	26,145
2016	40,000	24,815
2017	42,000	23,415
2018	44,000	21,945
2019	46,000	20,405
2020	49,000	18,795
2021	51,000	17,080
2022	54,000	15,295
2023	56,000	13,405
2024	59,000	11,445
2025	62,000	9,380
2026	65,000	7,210
2027	69,000	4,935
2028	72,000	2,520
	$ 914,000	$ 365,645

See independent auditor's report.

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS
JUNE 30, 2009

	Salary	Bond
Director of Schools	$ 64,902	$ 145,000

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF TRANSFERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Operating Transfers

Transfer From	Transfer To	Transfer Amount	Purpose
General Purpose Fund	Capital Projects Fund	$ 230,214	To provide funds for capital project expenditures.
Capital Projects Fund	General Purpose Fund	$ 78,250	To provide funds for general purpose expenditures.

SOUTH CARROLL 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	Adjustments	Cash Receipts	Expenditures/ Amount Earned/ Amount Issued	Balance Unearned (Receivable) 6/30/09	Adjustment to Revenues Unearned	Adjustment to Overstated Expenses	Adjusted Balance (Receivable) 6/30/2009
U.S. DEPARTMENT OF EDUCATION											
Pass-through the Tennessee Department of Education											
Special Education Grants to States											
IDEA Program	84.027		N/A	$ (416)	$ -	$ 38,698	$ 83,650	$ (45,368)	$ -	$ -	$ (45,368)
Preschool Program	84.173		N/A	-	-	2,581	5,908	(3,327)	-	-	(3,327)
Title I, Grants to Local Education Agencies	84.010		N/A	-	-	47,476	73,400	(25,924)	50	-	(25,974)
Vocational Education - Carl D. Perkins	84.048		N/A	-	-	376	376	-	-	-	-
Pass-through Hollow Rock/Bruceton Special School	84.048		N/A	-	-	6,525	6,049	-	476	-	-
Small Learning Community	94.004		Z07037208	-	(577)	7,084	16,058	(9,551)	-	142	(9,409)
Title IV, Safe and Drug Free Schools	84.186		N/A	(50)	-	1,214	1,199	(35)	-	-	(35)
Title II, Eisenhower Professional Development State Grants, Part D	84.318		N/A	(231)	231	329	529	(200)	-	-	(200)
Title II, Eisenhower Professional Development State Grants, Part A3	84.318		N/A	(1,371)	(231)	10,778	15,647	(6,471)	-	-	(6,471)
Total Special Education Grants To States				(2,068)	(577)	115,061	202,816	(90,876)	526	142	(90,784)
U.S. DEPARTMENT OF EDUCATION											
Title VI - Rural Education	84.358A		N/A	-	-	26,296	26,296	-	-	-	-
Elementary and Secondary School Counseling Demonstration Program	84.215E		N/A	(21,260)	-	173,989	145,549	7,180	7,180	-	-
				(21,260)	-	200,285	171,845	7,180	7,180	-	-
Total U.S. Department of Education				(23,328)	(577)	315,346	374,661	(83,696)	7,706	142	(90,784)
U.S. DEPARTMENT OF AGRICULTURE											
Pass-through the Tennessee Department of Agriculture											
School Breakfast Program	10.553	*	N/A	(11,039)	-	48,261	40,041	(2,819)	-	-	(2,819)
National School Lunch Program	10.555	*	N/A	(19,215)	-	88,043	74,086	(5,258)	-	-	(5,258)
Food-Distribution - Commodities	10.555	*	N/A	-	-	14,160	14,160	-	-	-	-
				(30,254)	-	150,464	128,287	(8,077)	-	-	(8,077)
Community Facilities Loans and Grants	10.766	*	N/A	-	-	-	2,529,366	(2,529,366)	-	-	(2,529,366)
Total U.S. Department of Agriculture				(30,254)	-	150,464	2,657,653	(2,537,443)	-	-	(2,537,443)
Total Expenditures of Federal Awards				$ (53,582)	$ (577)	$ 465,810	$ 3,032,314	$ (2,621,139)	$ 7,706	$ 142	$ (2,628,227)

* Indicates major program

Note: The accompanying schedule of expenditures of federal awards has been prepared on the modified accrual basis of accounting. Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and issued.

See independent auditor's report.

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Contract Number	Balance 7/1/2008	Adjustments	Cash Receipts	Expenditures/ Amount Earned/ Amount Issued	Balance Unearned (Receivable) 6/30/2009
Safe School Grant	n/a	$ -	$ -	$ -	$ 2,500	$ (2,500)
Early Childhood	n/a	(15,107)	-	94,840	97,336	(17,603)
Pass-through Carroll County Coodinated School Health:						
AGMS - Nutrition Grant	n/a	-	-	1,369	1,369	-
State Serve Grant	Z07037208	(577)	-	577	-	-
Lottery for Education - After School Programs (LEAPS)	Z07037208	(57,649)	(876)	58,525	-	-
Total State Financial Assistance		$ (73,333)	$ (876)	$ 155,311	$ 101,205	$ (20,103)

See independent auditor's report.

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
South Carroll Special School District
Clarksburg, Tennessee

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of South Carroll Special School District (the District), as of and for the year ended June 30, 2009, which collectively comprise South Carroll Special School District's basic financial statements and have issued our report thereon dated April 23, 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 South Carroll Special School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 9-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Carroll 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*.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Director of Schools, 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
April 23, 2010

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

Board of Education
South Carroll Special School District
Clarksburg, Tennessee

Compliance

We have audited the compliance of the South Carroll Special School District (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 South Carroll 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 South Carroll Special School District's management. Our responsibility is to express an opinion on the South Carroll 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 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 South Carroll Special School District's compliance with those requirements.

In our opinion, the South Carroll 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 South Carroll 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 the 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.

A *control deficiency* in the District'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 District'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 District'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
April 23, 2010

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION I - SUMMARY OF AUDITOR'S RESULTS

1. The "Independent Auditor's Report" expresses an unqualified opinion on the district-wide financial statements of the South Carroll Special School District.

2. One significant deficiency in internal control over financial reporting was disclosed during the audit of the financial statements and is reported in the "Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." The condition is not reported as a material weakness.

3. No instances of noncompliance material to the financial statements of the South Carroll Special School District were disclosed during the audit of the financial statements.

4. There were no significant deficiencies disclosed during the audit of major federal award programs.

5. The auditor's report on compliance for the major federal award programs of the South Carroll 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 as follows:

Program Name	CFDA No.
School Breakfast Program	10.553
National School Lunch Program	10.555
Food Distribution – Commodities	10.555
Community Facilities Loans and Grants	10.766

8. The threshold for distinguishing Type A from Type B programs was $300,000.

9. The low-risk auditee criteria were not applied to the South Carroll Special School District.

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

SIGNIFICANT DEFICIENCIES

09-01 Cash management and reporting

Condition: Auditors discovered during their audit procedures that management had failed to record a manual check on their books. The check was written on June 26, 2009, but did not clear the bank until August 2009. The check was not carried as an outstanding item on the June bank reconciliation since it was not recorded and had not cleared the bank.

Criteria: All activities of the school should be recorded on the books of the school.

Effect: The construction in progress, loan for construction project and fixed assets were all under reported. The amount was not material; however, good internal controls over cash should be strengthened.

Recommendation: We recommend that the check writing function and the bank reconciliation function be separated to strengthen internal controls over cash. We also recommend that all manual checks be entered into the system at the time the check is written.

Response: We concur with the audit finding. Procedures are in place to separate the check writing function and the bank reconciliation function. In the future, all manual checks will be entered into the system.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2009

07-01 Timely Deposit of Cash Receipts

This finding was corrected.