

**GIBSON COUNTY SPECIAL  
SCHOOL DISTRICT  
DYER, TENNESSEE**

**AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2010**

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
DYER, TENNESSEE  
June 30, 2010**

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## FINANCIAL SECTION



Offices: Jackson, TN | Martin, TN | Paris, TN

Principals:

Clark H. Cowart, CPA  
John R. Reese, CPA, PFS  
Fancher P. Sargent, CPA  
T. Paul Anderson, CPA, CFE  
Landra Sanders

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Gibson County Special School District  
Dyer, Tennessee

We have audited the accompanying financial statements of the governmental activities and each major fund including budgetary comparisons for the general, federal projects and cafeteria funds of the Gibson County Special School District (District), Dyer, Tennessee, as of June 30, 2010, 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 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 and each major fund thereof and the budgetary comparisons for the general, federal projects and cafeteria funds of the District as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparisons for the general, federal projects and cafeteria funds 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 December 4, 2010, on our consideration of the Gibson County Special School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and other matters 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.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and schedule of funding progress on pages 3-6 and page 37 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to an essential part of financial reporting for placing the basic

financial statements in an appropriate, operational, economic, or historical context. We have applied certain limited procedures to the require supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basis financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express and opinion or provide any assurance on the information because the limited procedures doe not provide us with sufficient evidence to express an opinion or provide any assurance

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Gibson County Special School District's basic financial statements. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material aspects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Cowart Reese Sargent". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Cowart Reese Sargent, CPAs, P.C.

December 4, 2010

## Management's Discussion and Analysis

This section of the Gibson County Special School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2010 and a comparison of financial information between the 2010 and 2009 fiscal years. The District was required to implement the Governmental Accounting Standards Board (GASB) Statement No. 34 for fiscal year ending June. 30,2003. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Gibson County Special School District.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Please consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Gibson County Special School District financially as a whole. The District-wide Financial Statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a long-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the District's operations in more detail than the district-wide financial statements by providing information about the District's funds which include the General Fund, Federal Projects Fund and the Cafeteria Fund.

**District-wide Financial Statements.** The statement of net assets and the statement of activities, which appear first in the District's financial statements, report information on the District as a whole and its activities in a way that provides readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the District.

The statement of net assets and statement of activities report the governmental activities for the District, which encompass all of the District's services, including instruction, support services, community services, athletics, child care, and food services. Property taxes and state and federal grants finance most of these activities.

**Fund Financial Statements.** The School District's fund financial statements provide detailed information about the funds that are maintained by the District. Some funds are required to be established by State law and by bond covenants. However, the District may establish other funds to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money.

All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the District and the services it provides, Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs, We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Recall that the statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets as of June 30, 2010 and June 30, 2009:

### STATEMENT OF NET ASSETS

|   | <u>Governmental Activities</u> |                      |
|---|--------------------------------|----------------------|
|   | <u>6/30/2010</u>               | <u>6/30/2009</u>     |
| <b>Assets</b>                                   |                                |                      |
| Current and other assets                        | \$ 12,590,895                  | \$ 15,648,262        |
| Capital assets, net of accumulated depreciation | <u>37,727,130</u>              | <u>31,540,922</u>    |
| Total assets                                    | <u>50,318,025</u>              | <u>47,189,184</u>    |
| <b>Liabilities</b>                              |                                |                      |
| Current liabilities                             | 6,983,098                      | 7,237,084            |
| Long-term liabilities                           | <u>33,046,577</u>              | <u>31,562,411</u>    |
| Total liabilities                               | <u>40,029,675</u>              | <u>38,799,495</u>    |
| <b>Net Assets</b>                               |                                |                      |
| Invested in capital assets, net of related debt | 4,987,130                      | (714,078)            |
| Restricted                                      | 100,585                        | 6,040,905            |
| Unrestricted                                    | <u>5,200,635</u>               | <u>3,062,862</u>     |
| Total net assets                                | <u>10,288,350</u>              | <u>8,389,689</u>     |
| Total liabilities and net assets                | <u>\$ 50,318,025</u>           | <u>\$ 47,189,184</u> |

The above analysis focuses on the net assets. The change in net assets of the District's governmental activities is discussed below. The District's net assets were \$10,288,350 and \$8,389,689 as of June 30, 2010 and 2009 respectively.

Capital assets, net of related debt totaling \$4,987,130 compares the original cost, less depreciation of the District's capital assets, to long-term debt, including accreted interest on capital appreciation bonds, used to finance the acquisition of those assets. Most of the debt will be repaid from property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net assets for day-to-day operations. The remaining amount of net assets, \$5,200,635, was unrestricted.

The \$5,200,635 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the District as a whole are reported in the statement of activities, which shows the changes in net assets for fiscal year 2010. The following schedule also provides the changes in net assets for fiscal year 2009 so that comparisons can be made between the two years presented.

|                                      | <u>Governmental Activities</u> |                      |
|--------------------------------------|--------------------------------|----------------------|
|                                      | <u>6/30/2010</u>               | <u>6/30/2009</u>     |
| <b>Revenues</b>                      |                                |                      |
| Program revenues:                    |                                |                      |
| Charges for services                 | \$ 856,585                     | \$ 906,385           |
| Operating grants and contributions   | 3,955,634                      | 3,166,112            |
| Capital grants and contributions     | 357,077                        | 0                    |
| General revenues:                    |                                |                      |
| Property taxes                       | 4,739,202                      | 4,039,301            |
| Local option sales taxes             | 1,615,140                      | 1,595,288            |
| Other taxes                          | 40,400                         | 3,757                |
| Intergovernmental                    | 15,183,000                     | 14,212,000           |
| Interest                             | 57,141                         | 406,153              |
| Other sources                        | <u>124,259</u>                 | <u>94,157</u>        |
| Total revenues                       | <u>26,928,438</u>              | <u>24,423,153</u>    |
| <br><b>Function/Program Expenses</b> |                                |                      |
| Instruction                          | 14,029,174                     | 13,198,894           |
| Support services                     | 6,987,920                      | 6,464,254            |
| Food service                         | 1,547,227                      | 1,487,451            |
| Other non-instructional services     | 734,515                        | 729,018              |
| Capital outlay                       | 221,457                        | 311,164              |
| Interest on debt                     | <u>1,509,484</u>               | <u>1,474,903</u>     |
| Total expenses                       | <u>25,029,777</u>              | <u>23,665,684</u>    |
| <br>Change in net assets             | <br>1,898,661                  | <br>757,469          |
| <br>Net assets, beginning            | <br><u>8,389,689</u>           | <br><u>7,632,220</u> |
| Net assets - ending                  | <u>\$ 10,288,350</u>           | <u>\$ 8,389,689</u>  |

As reported in the statement of activities, the cost of all of our governmental activities this year was \$25,029,77 with an increase of \$1,364,093 between the 2010 and 2009 fiscal years. Certain activities were partially funded from those who benefited from the programs (\$856,585) or by other governments and organizations that subsidized certain programs with grants (\$3,995,634). We paid for the remaining "public benefit" portion of our governmental activities with \$6,394,742 in taxes, and with our other revenues, such as interest and general entitlements.

The District experienced a increase in net assets of \$1,898,661.

As discussed above, the net cost shows the financial burden that was placed on the State and the District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the District's operating revenue sources, the Board of Education must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

#### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the District's overall financial health.

As the District completed this year, the governmental funds reported a combined fund balance of \$5,912,076, which is a decrease of 3,968,590 from last year. In the General Fund, our principal operating fund, the fund balance decreased by \$4,056,015, which is less than the final budgeted decrease of 5,282,875

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revises its budget as it attempts to deal with changes in revenues and expenditures. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the basic financial statements section of these financial statements. Changes to the General Fund original budget were as follows:

- \* Budgeted revenues were increased \$668,806, which is mainly attributable to increases in basic education program revenues received during the current fiscal year.
- \* Budgeted expenditures were increased \$13,329 to basically account for reduction in costs.
- \* There were several immaterial variances between the final budget and actual amounts regarding the general purpose expenditures. However, there was a large variance in the anticipated proceeds from bond issue and the actual amount.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** At June 30, 2010, the District had \$37,727,130 invested in a broad range of capital assets, including buildings, furniture, and equipment. Additional information on the District's capital assets, including depreciation expense, can be found in Note 4 of the Notes to Financial Statements.

**Debt.** At the end of the current fiscal year, the District had general long-term debt outstanding of \$32,740,000 versus \$32,255,000 at June 30, 2009, a change of 1%. We present more detailed information about our long-term liabilities in Note 4 of the Notes to Financial Statements.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances for all those interested parties and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Gibson County Special School District  
130 Highway 45 West  
P.O. Box 0  
Dyer, Tennessee 38330

## Basic Financial Statements

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
DISTRICT-WIDE STATEMENT OF NET ASSETS  
June 30, 2010**

**ASSETS**

|                                |    |                          |
|--------------------------------|----|--------------------------|
| Cash                           | \$ | 6,125,917                |
| Investments                    |    | 500,000                  |
| Accounts Receivable            |    | 189,537                  |
| Taxes Receivable               |    | 4,409,413                |
| Due from other Governments     |    | 990,851                  |
| Inventory                      |    | 45,452                   |
| Prepaid Bond Issue Costs       |    | 99,902                   |
| Prepaid Bond Insurance         |    | 131,878                  |
| Prepaid Bond Discount          |    | 97,945                   |
| Capital Assets:                |    |                          |
| Land                           |    | 35,436                   |
| Buildings and Improvements     |    | 49,821,884               |
| Vehicles                       |    | 2,560,202                |
| Furniture and Equipment        |    | 859,463                  |
| Less: Accumulated Depreciation |    | <u>(15,549,855)</u>      |
| <b>Total Assets</b>            |    | <u><u>50,318,025</u></u> |

**LIABILITIES**

|   |  |                          |
|---|--|--------------------------|
| Accounts Payable                        |  | 115,720                  |
| Accrued Liabilities                     |  | 543,119                  |
| Accrued Payroll                         |  | 1,280,842                |
| Deferred Revenue                        |  | 4,409,413                |
| Accrued Interest Payable                |  | 299,141                  |
| Deferred Bond Reoffering Premium        |  | 334,863                  |
| Long-term Liabilities:                  |  |                          |
| Net OPEB Obligation                     |  | 306,577                  |
| Portion due or payable within one year: |  |                          |
| Bonds and notes payable                 |  | 945,000                  |
| Portion due or payable after one year   |  |                          |
| Bonds and notes payable                 |  | <u>31,795,000</u>        |
| <b>Total Liabilities</b>                |  | <u><u>40,029,675</u></u> |

**NET ASSETS**

|   |           |                          |
|---|-----------|--------------------------|
| Invested in Capital Assets, net of Related Debt |           | 4,987,130                |
| Restricted for:                                 |           |                          |
| Career Ladder                                   |           | 100,585                  |
| Unrestricted                                    |           | <u>5,200,635</u>         |
| <b>Total Net Assets</b>                         | <b>\$</b> | <u><u>10,288,350</u></u> |

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
DISTRICT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

| Functions/Programs              | Expenses             | Program Revenues        |  |  | Net (Expense)<br>Revenue and<br>Changes in Net<br>Assets |
|---------------------------------|----------------------|-------------------------|--|--|--|
|                                 |                      | Charges for<br>Services | Capital<br>Grants and<br>Contributions | Operating<br>Grants and<br>Contributions |  |
| <b>Governmental Activities:</b> |                      |                         |  |  |  |
| Instruction:                    |                      |                         |  |  |  |
| Regular Education               | \$ 11,274,360        | \$ -                    | \$ -                                   | \$ 1,774,365                             | \$ (9,499,995)   |
| Special Education               | 2,094,804            | -                       | -                                      | 1,221,005                                | (873,799)  |
| Student Body Education          | 100,000              | -                       | -                                      | -  | (100,000)  |
| Vocational Education            | 560,010              | -                       | -                                      | 39,459                                   | (520,551)  |
| Support Services:               |                      |                         |  |  |  |
| Attendance Services             | 2,114                | -                       | -                                      | -  | (2,114)  |
| Health Services                 | 162,373              | -                       | -                                      | -  | (162,373)  |
| Other Student Support           | 472,078              | -                       | -                                      | -  | (472,078)  |
| Regular Instruction             | 1,303,870            | -                       | -                                      | -  | (1,303,870)  |
| Vocational Education            | 40,476               | -                       | -                                      | -  | (40,476)   |
| Special Education               | 107,602              | -                       | -                                      | -  | (107,602)  |
| Guidance                        | 45,856               | -                       | -                                      | -  | (45,856)   |
| Adult School                    | 3,520                | -                       | -                                      | -  | (3,520)  |
| Board of Education              | 341,431              | -                       | -                                      | -  | (341,431)  |
| Office of Superintendent        | 169,241              | -                       | -                                      | -  | (169,241)  |
| Office of the Principal         | 1,179,912            | -                       | -                                      | -  | (1,179,912)  |
| Fiscal Services                 | 123,364              | -                       | -                                      | -  | (123,364)  |
| School Age Childcare            | 163,173              | 161,255                 | -                                      | -  | (1,918)  |
| Operation of Plant              | 1,572,150            | -                       | -                                      | -  | (1,572,150)  |
| Maintenance of Plant            | 411,265              | -                       | -                                      | -  | (411,265)  |
| Transportation                  | 889,495              | -                       | -                                      | -  | (889,495)  |
| Non-Instructional Services:     |                      |                         |  |  |  |
| Food Service                    | 1,547,227            | 695,330                 | -                                      | 920,805                                  | 68,908   |
| Community Services              | 350,000              | -                       | -                                      | -  | (350,000)  |
| Early Childhood Education       | 384,515              | -                       | -                                      | -  | (384,515)  |
| Capital Outlay                  | 221,457              | -                       | 357,077                                | -  | 135,620  |
| Interest on Debt                | 1,509,484            | -                       | -                                      | -  | (1,509,484)  |
| <b>Total District</b>           | <b>\$ 25,029,777</b> | <b>\$ 856,585</b>       | <b>\$ 357,077</b>                      | <b>\$ 3,955,634</b>                      | <b>\$ (19,860,481)</b>                                   |

|                                     |                      |
|-------------------------------------|----------------------|
| General Revenues:                   |                      |
| Local Option Sales Tax              | 1,615,140            |
| Property Taxes                      | 4,739,202            |
| Interstate Telecommunications Taxes | 1,633                |
| Other Taxes                         | 38,767               |
| Intergovernmental:                  |                      |
| Basic Education Program             | 15,183,000           |
| Interest                            | 57,141               |
| Other Miscellaneous Revenues        | 124,259              |
| <b>Total General Revenues</b>       | <b>21,759,142</b>    |
| <b>Change in Net Assets</b>         | <b>1,898,661</b>     |
| <b>Net Assets, Beginning</b>        | <b>8,389,689</b>     |
| <b>Net Assets, Ending</b>           | <b>\$ 10,288,350</b> |

See auditors' report and accompanying notes to financial statements.

## Fund Financial Statements

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010**

|  | <u>General</u>       | <u>Federal<br/>Projects</u> | <u>Cafeteria</u>  | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------|-----------------------------|-------------------|---|
| <b>ASSETS</b>                              |                      |                             |                   |   |
| Cash                                       | \$ 5,080,027         | \$ 589,402                  | \$ 456,488        | \$ 6,125,917                            |
| Investments                                | 500,000              | -                           | -                 | 500,000                                 |
| Accounts Receivable                        | 186,523              | 3,014                       | -                 | 189,537                                 |
| Property Taxes Receivable                  | 4,409,413            | -                           | -                 | 4,409,413                               |
| Due from Other Governments                 | 290,585              | 695,242                     | 5,024             | 990,851                                 |
| Due from Other Funds                       | 1,276,739            | -                           | -                 | 1,276,739                               |
| Inventory                                  | -                    | -                           | 45,452            | 45,452                                  |
| <b>Total Assets</b>                        | <u>\$ 11,743,287</u> | <u>\$ 1,287,658</u>         | <u>\$ 506,964</u> | <u>\$ 13,537,909</u>                    |
| <b>LIABILITIES AND FUND BALANCES</b>       |                      |                             |                   |   |
| Liabilities:                               |                      |                             |                   |   |
| Accounts Payable                           | \$ 111,405           | \$ 978                      | \$ 3,337          | \$ 115,720                              |
| Accrued Liabilities                        | 543,119              | -                           | -                 | 543,119                                 |
| Accrued Payroll                            | 1,280,842            | -                           | -                 | 1,280,842                               |
| Due To Other Funds                         | -                    | 1,276,792                   | (53)              | 1,276,739                               |
| Deferred Revenue - Taxes                   | 4,409,413            | -                           | -                 | 4,409,413                               |
| <b>Total Liabilities</b>                   | <u>6,344,779</u>     | <u>1,277,770</u>            | <u>3,284</u>      | <u>7,625,833</u>                        |
| Fund Balances:                             |                      |                             |                   |   |
| Reserved for:                              |                      |                             |                   |   |
| Career Ladder                              | 100,585              | -                           | -                 | 100,585                                 |
| Unreserved:                                |                      |                             |                   |   |
| Undesignated                               | 5,297,923            | 9,888                       | 503,680           | 5,811,491                               |
| <b>Total Fund Balances</b>                 | <u>5,398,508</u>     | <u>9,888</u>                | <u>503,680</u>    | <u>5,912,076</u>                        |
| <b>Total Liabilities and Fund Balances</b> | <u>\$ 11,743,287</u> | <u>\$ 1,287,658</u>         | <u>\$ 506,964</u> | <u>\$ 13,537,909</u>                    |

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2010**

Amounts reported for governmental activities on the statement of net assets are different because of the following:

|   |                             |
|---|-----------------------------|
| Fund balances - total governmental funds  | \$ 5,912,076                |
| Capital assets used in governmental funds are not financial resources and therefore are not reported as assets in governmental funds                                    | 37,727,130                  |
| Prepaid bond issue costs ,insurance, and discount are carried as a prepaid asset on the statement of net assets and are to be amortized over the life of the bond issue | 329,725                     |
| Some payables are not due and payable in the current period and, therefore are not reported in the funds:<br>Accrued interest   | (299,141)                   |
| Deferred bond reoffering premium is carried as a deferred liability on the statement of net assets and is to be recognized over the life of the bond issue              | (334,863)                   |
| Net OPEB Obligation is considered a long-term liability and not due in the current period, therefore, is not reported in the funds                                      | (306,577)                   |
| Long-term liabilities, including bonds, notes, and lease payables, are not due in the current period and , therefore, are not reported in the funds                     | <u>(32,740,000)</u>         |
| Net assets of governmental activities   | <u><u>\$ 10,288,350</u></u> |

The Notes to Basic Financial Statements are an integral part of this statement.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2010**

|  | <b>General<br/>Fund</b> | <b>Federal<br/>Projects</b> | <b>Cafeteria</b>  | <b>Total<br/>Governmental<br/>Funds</b> |
|--|-------------------------|-----------------------------|-------------------|---|
| <b>Revenues</b>  |                         |                             |                   |   |
| Taxes  | \$ 6,394,742            | \$ -                        | \$ -              | \$ 6,394,742                            |
| Intergovernmental  | 16,248,181              | 2,326,725                   | 938,332           | 19,513,238                              |
| Miscellaneous  | 324,138                 | -                           | 696,320           | 1,020,458                               |
| <b>Total Revenues</b>  | <u>22,967,061</u>       | <u>2,326,725</u>            | <u>1,634,652</u>  | <u>26,928,438</u>                       |
| <b>Expenditures</b>  |                         |                             |                   |   |
| Current:   |                         |                             |                   |   |
| Instruction  | 11,467,827              | 1,477,754                   | -                 | 12,945,581                              |
| Student Support  | 6,488,949               | 498,971                     | -                 | 6,987,920                               |
| Food Services  | -                       | -                           | 1,547,227         | 1,547,227                               |
| Operation of Non-Instructional Services  | 384,515                 | 350,000                     | -                 | 734,515                                 |
| Capital Outlay   | 7,375,810               | -                           | -                 | 7,375,810                               |
| Debt Service:  |                         |                             |                   |   |
| Principal  | 920,000                 | -                           | -                 | 920,000                                 |
| Interest   | 1,677,980               | -                           | -                 | 1,677,980                               |
| <b>Total Expenditures</b>  | <u>28,315,081</u>       | <u>2,326,725</u>            | <u>1,547,227</u>  | <u>32,189,033</u>                       |
| <b>Excess Revenues Over (Under) Expenditures</b>   | <u>(5,348,020)</u>      | <u>-</u>                    | <u>87,425</u>     | <u>(5,260,595)</u>                      |
| <b>Other Financing Sources (Uses)</b>  |                         |                             |                   |   |
| Proceeds From Bond Issue   | 1,325,000               | -                           | -                 | 1,325,000                               |
| Bond Reoffering Premium  | -                       | -                           | -                 | -                                       |
| Bond Issue Costs   | (19,745)                | -                           | -                 | (19,745)                                |
| Underwriter's Discount   | (13,250)                | -                           | -                 | (13,250)                                |
| Transfer From (To) Other Funds   | -                       | -                           | -                 | -                                       |
| Total Other Financing Sources (Uses)   | <u>1,292,005</u>        | <u>-</u>                    | <u>-</u>          | <u>1,292,005</u>                        |
| <b>Excess of Revenues and Other Financing<br/>Sources Over (Under) Expenditures<br/>and Other Financing Uses</b> | <u>(4,056,015)</u>      | <u>-</u>                    | <u>87,425</u>     | <u>(3,968,590)</u>                      |
| <b>Fund Balance, Beginning</b>   | 9,247,112               | 9,888                       | 416,255           | 9,673,255                               |
| <b>Prior Period Adjustment (Note 6)</b>  | <u>207,411</u>          | <u>-</u>                    | <u>-</u>          | <u>207,411</u>                          |
| <b>Fund Balance, Ending</b>  | <u>\$ 5,398,508</u>     | <u>\$ 9,888</u>             | <u>\$ 503,680</u> | <u>\$ 5,912,076</u>                     |

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**RECONCILIATION OF STATEMENT REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2010**

Amounts reported for governmental activities in that statement of activities are different because:

|  |                            |
|--|----------------------------|
| Net change in fund balances - total governmental funds   | \$ (3,968,590)             |
| Governmental funds report capital outlay as expenditures. However, in the district-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. | 7,154,353                  |
| 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.  | 920,000                    |
| Increase in the Net OPEB Obligation is reported in the district-wide statement of activities and changes in net assets, but it does not require the use of current financial resources.  | (99,166)                   |
| Bond proceeds are recognized as other recognized as other financial sources in the governmental funds, but are recognized as a liability on the district-wide statement of net assets  | (1,325,000)                |
| Amortization of bond issue costs, insurance, and discount is reported in the district-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. The expense is recognized over the life of the bond issue.   | 102,388                    |
| Amortization of bond reoffering premium is reported in the district-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. The premium is recognized over the life of the bond issue  | (85,675)                   |
| Depreciation expense on capital assets is reported in the district-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.                          | (968,145)                  |
| Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.  | <u>168,496</u>             |
| Change in net assets of governmental activities  | <u><u>\$ 1,898,661</u></u> |

The Notes to Basic Financial Statements are an integral part of this statement.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL PURPOSE FUND**  
**For the Year Ended June 30, 2010**

|  | <u>Budgeted Amounts</u> |                   | <u>Actual</u>     | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|-------------------------|-------------------|-------------------|---|
|  | <u>Original</u>         | <u>Final</u>      |                   |   |
| <b>Revenues</b>                              |                         |                   |                   |   |
| Taxes  |                         |                   |                   |   |
| Real Estate Taxes                            | \$ 4,654,083            | \$ 4,654,083      | \$ 4,739,202      | \$ 85,119                                       |
| In Lieu of Taxes                             | -                       | -                 | 8,090             | 8,090   |
| Penalties and Interest                       | 17,000                  | 17,000            | 27,494            | 10,494  |
| Local Sales Tax                              | 1,586,000               | 1,586,000         | 1,615,140         | 29,140  |
| Interstate Telecommunications                | 2,000                   | 2,000             | 1,633             | (367)   |
| Trustee Collections - Bankruptcy             | -                       | -                 | 1,748             | 1,748   |
| Marriage License                             | 1,400                   | 1,400             | 1,435             | 35  |
| Total Taxes                                  | <u>6,260,483</u>        | <u>6,260,483</u>  | <u>6,394,742</u>  | <u>134,259</u>                                  |
| Intergovernmental Revenues                   |                         |                   |                   |   |
| State of Tennessee - Basic Education Program | 14,543,000              | 15,183,000        | 15,183,000        | -   |
| State of Tennessee - Career Ladder           | 152,350                 | 152,350           | 160,764           | 8,414   |
| State of Tennessee - Other                   | 507,286                 | 536,092           | 904,417           | 368,325   |
| Total Intergovernmental Revenues             | <u>15,202,636</u>       | <u>15,871,442</u> | <u>16,248,181</u> | <u>376,739</u>                                  |
| Miscellaneous Revenues                       |                         |                   |                   |   |
| Receipts From Individual Schools             | 25,000                  | 25,000            | 106,701           | 81,701  |
| Interest Earnings                            | 19,000                  | 19,000            | 56,151            | 37,151  |
| School Age Childcare                         | 166,652                 | 166,652           | 161,255           | (5,397)   |
| Miscellaneous                                | -                       | -                 | 31                | 31  |
| Total Miscellaneous Revenues                 | <u>210,652</u>          | <u>210,652</u>    | <u>324,138</u>    | <u>113,486</u>                                  |
| <b>Total Revenues</b>                        | <u>21,673,771</u>       | <u>22,342,577</u> | <u>22,967,061</u> | <u>624,484</u>                                  |
| <b>Expenditures</b>                          |                         |                   |                   |   |
| <b>Instruction</b>                           |                         |                   |                   |   |
| Regular Instruction Program                  |                         |                   |                   |   |
| Salaries - Teachers                          | 7,186,242               | 7,137,432         | 7,091,292         | 46,140  |
| Salaries - Career Ladder                     | 107,350                 | 114,515           | 86,515            | 28,000  |
| Salaries - Educational Assistants            | 289,785                 | 307,558           | 282,712           | 24,846  |
| Salaries - Substitute Teachers               | 85,000                  | 119,031           | 119,031           | -   |
| Salaries - Homebound ISS                     | 5,000                   | 9,240             | 9,240             | -   |
| Social Security                              | 473,952                 | 475,440           | 428,594           | 46,846  |
| State Retirement                             | 490,044                 | 491,585           | 466,380           | 25,205  |
| Life Insurance                               | 10,000                  | 10,000            | 6,681             | 3,319   |
| Medical Insurance                            | 775,744                 | 775,744           | 745,838           | 29,906  |
| Medicare                                     | 111,263                 | 111,611           | 102,329           | 9,282   |
| Other Contracted Services                    | 80,000                  | 80,000            | 64,695            | 15,305  |
| Instructional Supplies                       | 145,000                 | 145,000           | 109,222           | 35,778  |
| Other Supplies and Materials                 | 205,000                 | 205,000           | 178,353           | 26,647  |
| Equipment                                    | 8,000                   | 8,000             | 4,000             | 4,000   |
| Maintenance and Repair                       | 1,000                   | 1,000             | 85                | 915   |
| Textbooks                                    | 94,092                  | 94,092            | 94,091            | 1   |
| Total Regular Instructional Program          | <u>10,067,472</u>       | <u>10,085,248</u> | <u>9,789,058</u>  | <u>296,190</u>                                  |
| Special Education Program                    |                         |                   |                   |   |
| Salaries - Teachers                          | 517,464                 | 522,281           | 522,281           | -   |
| Salaries - Career Ladder                     | 14,000                  | 13,613            | 13,613            | -   |
| Salaries - Homebound ISS                     | 2,000                   | -                 | -                 | -   |
| Salaries - Educational Assistants            | 251,605                 | 249,155           | 249,155           | -   |
| Salaries - Substitute Teachers               | 4,000                   | 4,750             | 4,750             | -   |
| Social Security                              | 48,922                  | 44,868            | 44,868            | -   |
| State Retirement                             | 51,332                  | 51,623            | 50,743            | 880   |
| Medicare                                     | 11,442                  | 11,508            | 10,495            | 1,013   |

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL PURPOSE FUND**  
**For the Year Ended June 30, 2010**

|   | <u>Budgeted Amounts</u> |                   | <u>Actual</u>     | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|---|-------------------------|-------------------|-------------------|---|
|   | <u>Original</u>         | <u>Final</u>      |                   |   |
| Medical Insurance                         | 92,723                  | 93,523            | 93,523            | -   |
| Contracted Services                       | 34,000                  | 20,590            | 17,216            | 3,374   |
| Evaluation and Testing                    | 36,000                  | 36,000            | 28,140            | 7,860   |
| Instructional Supplies                    | 12,000                  | 17,000            | 14,499            | 2,501   |
| Maintenance and Repair                    | 2,000                   | 2,000             | -                 | 2,000   |
| Textbooks                                 | 2,000                   | 2,000             | 1,137             | 863   |
| Other Supplies and Materials              | 6,000                   | 12,000            | 8,875             | 3,125   |
| Total Special Education Program           | <u>1,085,488</u>        | <u>1,080,911</u>  | <u>1,059,295</u>  | <u>21,616</u>                                   |
| Student Body Education Program            |                         |                   |                   |   |
| Salaries - Other                          | 63,532                  | 64,695            | 64,695            | -   |
| Social Security                           | 3,939                   | 3,464             | 3,464             | -   |
| State Retirement                          | 4,314                   | 4,350             | 4,350             | -   |
| Medicare                                  | 921                     | 811               | 811               | -   |
| Medical Insurance                         | 14,316                  | 8,123             | 8,123             | -   |
| Communication                             | 1,200                   | 1,081             | 1,081             | -   |
| Contracted services                       | 1,000                   | (675)             | (675)             | -   |
| Travel                                    | 2,778                   | 2,977             | 2,977             | -   |
| Other Charges                             | 6,000                   | 3,500             | 3,500             | -   |
| Other Supplies and Materials              | 2,000                   | 11,674            | 11,674            | -   |
| Total Student Body Education Program      | <u>100,000</u>          | <u>100,000</u>    | <u>100,000</u>    | <u>-</u>  |
| Vocational Education Program              |                         |                   |                   |   |
| Salaries - Teachers                       | 415,537                 | 415,537           | 395,198           | 20,339  |
| Salaries - Career Ladder                  | 2,500                   | 2,500             | 2,500             | -   |
| Salaries - Substitute Teachers            | 10,000                  | 10,000            | 5,702             | 4,298   |
| Other Charges                             | 6,000                   | 6,000             | 3,988             | 2,012   |
| Social Security                           | 26,538                  | 26,538            | 21,280            | 5,258   |
| State Retirement                          | 26,838                  | 26,838            | 24,101            | 2,737   |
| Medical Insurance                         | 49,111                  | 49,111            | 46,697            | 2,414   |
| Medicare                                  | 6,207                   | 6,207             | 5,279             | 928   |
| Equipment                                 | 8,000                   | 8,000             | 4,780             | 3,220   |
| Instructional Supplies                    | 11,000                  | 11,000            | 9,949             | 1,051   |
| Total Vocational Education Program        | <u>561,731</u>          | <u>561,731</u>    | <u>519,474</u>    | <u>42,257</u>                                   |
| <b>Total Instruction</b>                  | <u>11,814,691</u>       | <u>11,827,890</u> | <u>11,467,827</u> | <u>360,063</u>                                  |
| <b>Student Support</b>                    |                         |                   |                   |   |
| Student Support Attendance Services       |                         |                   |                   |   |
| Travel                                    | 2,500                   | 2,500             | 2,114             | 386   |
| Total Student Support Attendance Services | <u>2,500</u>            | <u>2,500</u>      | <u>2,114</u>      | <u>386</u>                                      |
| Health Services                           |                         |                   |                   |   |
| Medical Personnel                         | 118,066                 | 118,066           | 118,066           | -   |
| Travel                                    | 4,000                   | 4,463             | 4,463             | -   |
| Drugs and Medical Supplies                | 4,800                   | 5,252             | 5,252             | -   |
| Social Security                           | 7,320                   | 6,479             | 6,479             | -   |
| State Retirement                          | 8,017                   | 8,017             | 8,017             | -   |
| Medical Insurance                         | 15,630                  | 14,469            | 14,469            | -   |
| Medicare                                  | 1,712                   | 1,515             | 1,515             | -   |
| Contracted Services                       | -                       | 376               | 376               | -   |
| Other Charges                             | 1,500                   | 2,897             | 2,897             | -   |
| Equipment                                 | 3,000                   | 2,509             | 839               | 1,670   |
| Total Student Support Attendance Services | <u>164,045</u>          | <u>164,043</u>    | <u>162,373</u>    | <u>1,670</u>                                    |
| Other Student Support                     |                         |                   |                   |   |
| Salaries - Career Ladder                  | 11,000                  | 10,000            | 9,000             | 1,000   |

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL PURPOSE FUND**  
**For the Year Ended June 30, 2010**

|   | <u>Budgeted Amounts</u> |                  | <u>Actual</u>    | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|---|-------------------------|------------------|------------------|---|
|   | <u>Original</u>         | <u>Final</u>     |                  |   |
| Salaries - Guidance Personnel             | 305,902                 | 305,498          | 304,403          | 1,095   |
| Social Security                           | 19,648                  | 19,958           | 18,035           | 1,923   |
| Travel                                    | 1,200                   | 1,200            | -                | 1,200   |
| Medical Insurance                         | 25,553                  | 25,553           | 21,196           | 4,357   |
| State Retirement                          | 20,345                  | 20,666           | 20,120           | 546   |
| Medicare                                  | 4,595                   | 4,668            | 4,218            | 450   |
| Evaluation and Testing                    | 55,000                  | 55,000           | 54,170           | 830   |
| Contracted Services                       | 40,235                  | 40,935           | 40,936           | (1)   |
| Total Student Support Attendance Services | <u>483,478</u>          | <u>483,478</u>   | <u>472,078</u>   | <u>11,400</u>                                   |
| <b>Regular Instruction Program</b>        |                         |                  |                  |   |
| Salaries - Supervisor/Director            | 171,453                 | 171,453          | 171,453          | -   |
| Salaries - Career Ladder                  | 10,500                  | 6,500            | 6,500            | -   |
| Salaries - Librarian                      | 272,708                 | 273,237          | 273,237          | -   |
| Salaries - Other                          | 91,754                  | 122,660          | 122,660          | -   |
| Medicare                                  | 7,923                   | 7,844            | 7,631            | 213   |
| Social Security                           | 33,878                  | 32,631           | 32,631           | -   |
| Consultants                               | 5,000                   | -                | -                | -   |
| State Retirement                          | 35,419                  | 37,258           | 37,258           | -   |
| Medical Insurance                         | 54,659                  | 50,082           | 50,082           | -   |
| Maintenance and Repair                    | 15,000                  | 13,972           | 13,972           | -   |
| In-service Training                       | 50,000                  | 50,000           | 39,247           | 10,753  |
| Equipment                                 | 50,000                  | 61,123           | 61,123           | -   |
| Travel                                    | 24,000                  | 27,243           | 27,243           | -   |
| Contracted Services                       | 171,288                 | 180,798          | 158,377          | 22,421  |
| Other Supplies and Materials              | 45,423                  | 13,714           | 4,641            | 9,073   |
| Library Books/Media                       | 13,000                  | 13,000           | 13,000           | -   |
| Total Regular Instruction Program         | <u>1,052,005</u>        | <u>1,061,515</u> | <u>1,019,055</u> | <u>42,460</u>                                   |
| <b>Special Education Program</b>          |                         |                  |                  |   |
| Salaries - Supervisor/Director            | 35,739                  | 35,739           | 35,739           | -   |
| Salaries - Career Ladder                  | 3,500                   | 3,833            | 3,500            | 333   |
| Salaries - Clerical Personnel             | 25,663                  | 25,904           | 25,904           | -   |
| Travel                                    | 8,000                   | 7,192            | 5,406            | 1,786   |
| Medical Insurance                         | 1,872                   | 1,872            | 1,782            | 90  |
| Social Security                           | 4,024                   | 4,127            | 3,871            | 256   |
| State Retirement                          | 4,262                   | 4,369            | 4,278            | 91  |
| Other Supplies and Materials              | 1,000                   | 1,000            | 800              | 200   |
| Medicare                                  | 941                     | 965              | 905              | 60  |
| In-service Training                       | 5,000                   | 9,000            | 5,581            | 3,419   |
| Equipment                                 | 2,000                   | 2,000            | 1,352            | 648   |
| Consultants                               | 1,000                   | 1,000            | -                | 1,000   |
| Repairs                                   | 1,000                   | 1,000            | -                | 1,000   |
| Total Special Education Program           | <u>94,001</u>           | <u>98,001</u>    | <u>89,118</u>    | <u>8,883</u>                                    |
| <b>Vocational Education Program</b>       |                         |                  |                  |   |
| Salaries - Supervisor/Director            | 34,071                  | 34,071           | 34,071           | -   |
| Salaries - Career Ladder                  | 3,500                   | 3,833            | 3,500            | 333   |
| Medicare                                  | 545                     | 569              | 496              | 73  |
| Travel                                    | 4,000                   | 3,642            | 2,409            | 1,233   |
| Total Vocational Education Program        | <u>42,116</u>           | <u>42,115</u>    | <u>40,476</u>    | <u>1,639</u>                                    |
| <b>Adult Education</b>                    |                         |                  |                  |   |
| Other Contracted Services                 | 2,700                   | 3,520            | 3,520            | -   |
| Total Adult Education                     | <u>2,700</u>            | <u>3,520</u>     | <u>3,520</u>     | <u>-</u>  |
| <b>Office of the Superintendent</b>       |                         |                  |                  |   |

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL PURPOSE FUND**  
**For the Year Ended June 30, 2010**

|                                     | <u>Budgeted Amounts</u> |                  | <u>Actual</u>    | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|-------------------------------------|-------------------------|------------------|------------------|---|
|                                     | <u>Original</u>         | <u>Final</u>     |                  |   |
| Salaries - Administrative Officer   | 109,074                 | 109,074          | 109,074          | -   |
| Career Ladder                       | 1,000                   | 1,000            | 1,000            | -   |
| Social Security                     | 6,825                   | 6,825            | 6,578            | 247   |
| State Retirement                    | 7,067                   | 7,067            | 7,067            | -   |
| Medical Insurance                   | 14,829                  | 14,829           | 14,115           | 714   |
| Medicare                            | 1,596                   | 1,596            | 1,539            | 57  |
| Communication                       | 18,500                  | 18,500           | 14,613           | 3,887   |
| Travel                              | 1,875                   | 1,875            | 716              | 1,159   |
| Office Supplies                     | 13,000                  | 13,000           | 11,137           | 1,863   |
| Postal Charges                      | 4,500                   | 4,500            | 3,402            | 1,098   |
| Total Office of the Superintendent  | <u>178,266</u>          | <u>178,266</u>   | <u>169,241</u>   | <u>9,025</u>                                    |
| School Age Childcare                |                         |                  |                  |   |
| Educational Assistants              | 64,307                  | 82,901           | 82,901           | -   |
| Instructional Supplies              | 15,475                  | -                | -                | -   |
| Other Supplies and Materials        | 50,151                  | 60,678           | 60,678           | -   |
| Other Charges                       | 23,300                  | 13,205           | 13,064           | 141   |
| Social Security                     | 3,987                   | 5,135            | 5,135            | -   |
| State Retirement                    | -                       | 95               | 95               | -   |
| Medicare                            | 932                     | 1,203            | 1,203            | -   |
| Travel                              | 500                     | 97               | 97               | -   |
| Equipment                           | 8,000                   | 3,338            | -                | 3,338   |
| Total School Age Childcare          | <u>166,652</u>          | <u>166,652</u>   | <u>163,173</u>   | <u>3,479</u>                                    |
| Office of the Principal             |                         |                  |                  |   |
| Salaries - Principals               | 563,486                 | 563,486          | 560,236          | 3,250   |
| Salaries - Assistant Principals     | 170,874                 | 172,778          | 172,778          | -   |
| Salaries - Career Ladder            | 12,500                  | 15,417           | 14,750           | 667   |
| Salaries - Secretaries              | 214,108                 | 217,258          | 217,258          | -   |
| Social Security                     | 59,580                  | 59,787           | 53,149           | 6,638   |
| Medicare                            | 13,934                  | 13,982           | 12,863           | 1,119   |
| State Retirement                    | 62,486                  | 62,700           | 60,772           | 1,928   |
| Medical Insurance                   | 98,825                  | 90,385           | 88,106           | 2,279   |
| Total Office of the Principal       | <u>1,195,793</u>        | <u>1,195,793</u> | <u>1,179,912</u> | <u>15,881</u>                                   |
| Fiscal Services                     |                         |                  |                  |   |
| Salaries - Supervisor/Director      | 62,035                  | 62,035           | 62,035           | -   |
| Salaries - Accountants/Bookkeepers  | 44,317                  | 44,317           | 37,443           | 6,874   |
| Salaries - Internal Audit Personnel | 4,758                   | 3,949            | -                | 3,949   |
| State Retirement                    | 6,992                   | 6,992            | 5,963            | 1,029   |
| Social Security                     | 6,594                   | 6,594            | 4,794            | 1,800   |
| Medicare                            | 1,542                   | 1,542            | 1,393            | 149   |
| Medical Insurance                   | 3,435                   | 3,435            | 3,265            | 170   |
| In-service Training                 | 1,000                   | 1,000            | -                | 1,000   |
| Travel                              | 1,000                   | 1,000            | 662              | 338   |
| Data Processing Supplies            | 7,000                   | 7,809            | 7,809            | -   |
| Total Fiscal Services               | <u>138,673</u>          | <u>138,673</u>   | <u>123,364</u>   | <u>15,309</u>                                   |
| Maintenance of Plant                |                         |                  |                  |   |
| Salaries - Maintenance Personnel    | 127,037                 | 130,400          | 130,400          | -   |
| Social Security                     | 7,876                   | 7,780            | 7,780            | -   |
| State Retirement                    | 8,626                   | 7,217            | 7,217            | -   |
| Medical Insurance                   | 10,605                  | 10,099           | 10,099           | -   |
| Medicare                            | 1,842                   | 1,820            | 1,820            | -   |
| Other Supplies and Materials        | 107,712                 | 82,739           | 82,739           | -   |
| Maintenance and Repairs             | 100,000                 | 120,610          | 120,610          | -   |
| Other Contracted Services           | 40,000                  | 49,860           | 49,740           | 120   |

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL PURPOSE FUND**  
**For the Year Ended June 30, 2010**

|  | <u>Budgeted Amounts</u> |                  | <u>Actual</u>    | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|-------------------------|------------------|------------------|---|
|  | <u>Original</u>         | <u>Final</u>     |                  |   |
| Other Charges                                  | 7,000                   | 860              | 860              | -   |
| Total Maintenance of Plant                     | <u>410,698</u>          | <u>411,385</u>   | <u>411,265</u>   | <u>120</u>                                      |
| <b>Board of Education</b>                      |                         |                  |                  |   |
| Board Fees                                     | 22,000                  | 15,642           | 13,932           | 1,710   |
| Social Security                                | 900                     | 900              | 394              | 506   |
| Medicare                                       | 200                     | 200              | 92               | 108   |
| Audit Service                                  | 26,500                  | 26,500           | 26,500           | -   |
| Dues and Memberships                           | 15,000                  | 15,000           | 12,562           | 2,438   |
| Legal Services                                 | 45,000                  | 45,000           | 29,556           | 15,444  |
| Travel   | 8,000                   | 8,000            | 4,733            | 3,267   |
| Other Contracted Services                      | 8,000                   | 8,812            | 8,812            | -   |
| Insurance                                      | 38,928                  | 40,424           | 40,424           | -   |
| Workers Compensation                           | 63,000                  | 62,180           | 60,293           | 1,887   |
| Trustee Commission                             | 106,476                 | 110,293          | 110,800          | (507)   |
| Premium on Bonds                               | 3,100                   | 3,150            | 3,150            | -   |
| Unemployment Compensation                      | 30,000                  | 30,183           | 30,183           | -   |
| Total Board of Education                       | <u>367,104</u>          | <u>366,284</u>   | <u>341,431</u>   | <u>24,853</u>                                   |
| <b>Operation of Plant</b>                      |                         |                  |                  |   |
| Contracted Services                            | 685,000                 | 685,000          | 643,181          | 41,819  |
| Disposal Fee                                   | 44,000                  | 44,000           | 35,803           | 8,197   |
| Electricity                                    | 600,000                 | 600,000          | 558,792          | 41,208  |
| Natural Gas                                    | 184,000                 | 184,000          | 181,699          | 2,301   |
| Water and Sewer                                | 62,000                  | 62,000           | 61,043           | 957   |
| Other Supplies                                 | 6,000                   | 6,216            | 6,216            | -   |
| Insurance                                      | 90,468                  | 89,905           | 85,416           | 4,489   |
| Total Operation of Plant                       | <u>1,671,468</u>        | <u>1,671,121</u> | <u>1,572,150</u> | <u>98,971</u>                                   |
| <b>Transportation</b>                          |                         |                  |                  |   |
| Salaries - Supervisor/Director                 | 20,297                  | 20,297           | 20,297           | -   |
| Salaries - Bus Drivers                         | 317,622                 | 317,622          | 307,611          | 10,011  |
| State Retirement                               | 22,870                  | 22,870           | 17,876           | 4,994   |
| Social Security                                | 20,951                  | 20,951           | 17,524           | 3,427   |
| Medicare                                       | 4,900                   | 4,900            | 4,570            | 330   |
| Medical Insurance                              | 27,117                  | 27,117           | 16,445           | 10,672  |
| Gasoline                                       | 175,000                 | 156,987          | 148,068          | 8,919   |
| Travel   | 1,000                   | 1,017            | 1,017            | -   |
| Contracts with Public Agencies                 | 142,150                 | 142,386          | 137,279          | 5,107   |
| Vehicle and Equipment Insurance                | 26,388                  | 26,388           | 26,388           | -   |
| Equipment                                      | 18,000                  | 35,760           | 35,760           | -   |
| Other Charges                                  | 15,000                  | 14,659           | 6,844            | 7,815   |
| Total Transportation                           | <u>791,295</u>          | <u>790,954</u>   | <u>739,679</u>   | <u>51,275</u>                                   |
| <b>Total Student Support</b>                   | <u>6,760,794</u>        | <u>6,774,300</u> | <u>6,488,949</u> | <u>285,351</u>                                  |
| <b>Operation of Non-instructional Services</b> |                         |                  |                  |   |
| <b>Early Childhood Education</b>               |                         |                  |                  |   |
| Salaries - Teachers                            | 164,926                 | 148,357          | 148,357          | -   |
| Salaries - Career Ladder                       | -                       | 1,000            | 1,000            | -   |
| Salaries - Other                               | 53,649                  | 64,559           | 64,559           | -   |
| Social Security                                | 13,552                  | 11,528           | 11,528           | -   |
| State Retirement                               | 14,124                  | 13,793           | 13,793           | -   |
| Medical Insurance                              | 29,129                  | 30,338           | 30,338           | -   |
| Medicare                                       | 3,169                   | 2,703            | 2,703            | -   |
| Travel   | 10,000                  | 1,116            | 1,116            | -   |
| Other Contracted Services                      | 24,000                  | 32,533           | 32,533           | -   |

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL PURPOSE FUND  
For the Year Ended June 30, 2010**

|  | <u>Budgeted Amounts</u> |                     | <u>Actual</u>       | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|-------------------------|---------------------|---------------------|---|
|  | <u>Original</u>         | <u>Final</u>        |                     |   |
| Food Supplies  | 19,000                  | 919                 | 919                 | -   |
| Other Supplies and Materials   | 39,290                  | 68,003              | 68,003              | -   |
| In-service Training  | 10,000                  | 7,958               | 7,812               | 146   |
| Equipment  | 1,721                   | 1,854               | 1,854               | -   |
| Total Early Childhood Education  | <u>382,560</u>          | <u>384,661</u>      | <u>384,515</u>      | <u>146</u>                                      |
| Debt Services  |                         |                     |                     |   |
| Principal  | 900,000                 | 920,000             | 920,000             | -   |
| Interest   | 1,688,903               | 1,677,980           | 1,677,980           | -   |
| Total Debt Services  | <u>2,588,903</u>        | <u>2,597,980</u>    | <u>2,597,980</u>    | <u>-</u>  |
| Capital Outlay/Capital Projects  |                         |                     |                     |   |
| Salaries - Other   | 36,564                  | 36,564              | 33,984              | 2,580   |
| Social Security  | 2,267                   | 2,267               | 2,045               | 222   |
| State Retirement   | 2,483                   | 2,483               | 2,308               | 175   |
| Medical Insurance  | 3,430                   | 3,430               | 3,265               | 165   |
| Medicare   | 530                     | 530                 | 478                 | 52  |
| Architects   | 40,683                  | 40,683              | (4,773)             | 45,456  |
| Other Contracted Services  | 6,716,089               | 6,503,353           | 6,595,663           | (92,310)  |
| Furniture and Fixtures   | 144,627                 | 155,886             | 155,886             | -   |
| Equipment  | 301,202                 | 307,461             | 306,985             | 476   |
| Building Improvements  | -                       | 20,577              | 20,577              | -   |
| Other Capital Outlay   | 126,823                 | 259,392             | 259,392             | -   |
| Total Capital Outlay/Capital Projects  | <u>7,374,698</u>        | <u>7,332,626</u>    | <u>7,375,810</u>    | <u>(43,184)</u>                                 |
| <b>Total Expenditures</b>  | <u>28,921,646</u>       | <u>28,917,457</u>   | <u>28,315,081</u>   | <u>602,376</u>                                  |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b>  | <u>(7,247,875)</u>      | <u>(6,574,880)</u>  | <u>(5,348,020)</u>  | <u>1,226,860</u>                                |
| <b>Other Financing Sources (Uses)</b>  |                         |                     |                     |   |
| Proceeds From Bond Issue   | -                       | 1,325,000           | 1,325,000           | -   |
| Bond Issue Costs   | -                       | (19,745)            | (19,745)            | -   |
| Underwriter's Discount   | -                       | (13,250)            | (13,250)            | -   |
| <b>Total Other Financing Sources (Uses)</b>  | <u>-</u>                | <u>1,292,005</u>    | <u>1,292,005</u>    | <u>-</u>  |
| <b>Excess of Revenues and Other Financing<br/>Sources Over (Under) Expenditures<br/>and Other Financing Uses</b> | <u>(7,247,875)</u>      | <u>(5,282,875)</u>  | <u>(4,056,015)</u>  | <u>1,226,860</u>                                |
| <b>Fund Balance - Beginning</b>  | 9,247,112               | 9,247,112           | 9,247,112           | -   |
| <b>Prior Period Adjustment (Note 6)</b>  | <u>207,411</u>          | <u>207,411</u>      | <u>207,411</u>      | <u>-</u>  |
| <b>Fund Balance - Ending</b>   | <u>\$ 2,206,648</u>     | <u>\$ 4,171,648</u> | <u>\$ 5,398,508</u> | <u>\$ 1,226,860</u>                             |

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - FEDERAL PROJECTS FUND**  
**For the Year Ended June 30, 2010**

|                                   | <u>Budgeted Amounts</u> |                  | <u>Actual</u>    | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|-----------------------------------|-------------------------|------------------|------------------|---|
|                                   | <u>Original</u>         | <u>Final</u>     |                  |   |
| <b>Revenues</b>                   |                         |                  |                  |   |
| State of Tennessee                | \$ 2,708,661            | \$ 2,695,332     | \$ 2,326,725     | \$ (368,607)                                    |
| <b>Total Revenues</b>             | <u>2,708,661</u>        | <u>2,695,332</u> | <u>2,326,725</u> | <u>(368,607)</u>                                |
| <b>Expenditures</b>               |                         |                  |                  |   |
| <b>Instruction</b>                |                         |                  |                  |   |
| Vocational Instruction            |                         |                  |                  |   |
| Salaries - Teachers               | 17,805                  | 17,805           | 17,200           | 605   |
| Social Security                   | 1,104                   | 1,093            | 1,059            | 34  |
| State Retirement                  | 1,143                   | 1,193            | 1,193            | -   |
| Medicare                          | 258                     | 256              | 248              | 8   |
| Equipment                         | 16,461                  | 17,082           | 17,082           | -   |
| Other Supplies and Materials      | 3,563                   | 3,006            | 3,004            | 2   |
| Other Charges                     | 1,202                   | 1,102            | 750              | 352   |
| Total Vocational Instruction      | <u>41,536</u>           | <u>41,537</u>    | <u>40,536</u>    | <u>1,001</u>                                    |
| Regular Instruction               |                         |                  |                  |   |
| Salaries - Teachers               | 117,101                 | 122,983          | 115,139          | 7,844   |
| Salaries - Educational Assistants | 178,117                 | 178,117          | 169,495          | 8,622   |
| Salaries - Substitutes            | 500                     | 500              | 289              | 211   |
| Social Security                   | 17,848                  | 18,063           | 16,384           | 1,679   |
| State Retirement                  | 18,208                  | 18,699           | 18,192           | 507   |
| Medical Insurance                 | 27,980                  | 32,001           | 27,717           | 4,284   |
| Medicare                          | 3,642                   | 4,147            | 3,832            | 315   |
| Instructional Supplies            | 21,617                  | 13,673           | 11,148           | 2,525   |
| Equipment                         | 61,327                  | 67,764           | 39,513           | 28,251  |
| Other Charges                     | 2,226                   | 1,225            | -                | 1,225   |
| Total Regular Instruction         | <u>448,566</u>          | <u>457,172</u>   | <u>401,709</u>   | <u>55,463</u>                                   |
| Special Education                 |                         |                  |                  |   |
| Salaries - Teachers               | 422,635                 | 429,103          | 400,269          | 28,834  |
| Salaries - Speech Pathologist     | 123,001                 | 123,001          | 122,786          | 215   |
| Salaries - Educational Assistants | 217,027                 | 218,096          | 184,313          | 33,783  |
| Salaries - Other                  | 60,208                  | 60,208           | 60,208           | -   |
| Social Security                   | 52,728                  | 50,607           | 43,320           | 7,287   |
| State Retirement                  | 53,556                  | 52,900           | 49,172           | 3,728   |
| Medical Insurance                 | 87,382                  | 90,834           | 88,262           | 2,572   |
| Medicare                          | 12,346                  | 11,850           | 10,131           | 1,719   |
| Evaluation and Testing            | 18,101                  | 10,000           | 6,000            | 4,000   |
| Contracted Services               | 17,124                  | 16,026           | 13,082           | 2,944   |
| Instructional Supplies            | 96,738                  | 91,630           | 39,736           | 51,894  |
| Equipment                         | 36,000                  | 36,000           | 6,980            | 29,020  |
| Maintenance and Repairs           | 4,000                   | 2,000            | 855              | 1,145   |
| Other Supplies and Materials      | 8,710                   | 12,306           | 10,395           | 1,911   |
| Total Special Education           | <u>1,209,556</u>        | <u>1,204,561</u> | <u>1,035,509</u> | <u>169,052</u>                                  |
| <b>Total Instruction</b>          | <u>1,699,658</u>        | <u>1,703,270</u> | <u>1,477,754</u> | <u>225,516</u>                                  |
| <b>Other Student Support</b>      |                         |                  |                  |   |
| Regular Instruction               |                         |                  |                  |   |
| Salaries - Supervisors            | 36,131                  | 36,131           | 35,234           | 897   |
| Salaries - Computer Personnel     | 8,931                   | 8,931            | 8,930            | 1   |
| Salaries - Clerical Personnel     | 15,906                  | 15,906           | 15,906           | -   |
| Salaries - Other                  | 153,171                 | 164,965          | 163,345          | 1,620   |

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**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - FEDERAL PROJECTS FUND**  
**For the Year Ended June 30, 2010**

|                                     | <u>Budgeted Amounts</u> |                | <u>Actual</u>  | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|-------------------------------------|-------------------------|----------------|----------------|---|
|                                     | <u>Original</u>         | <u>Final</u>   |                |   |
| Social Security                     | 16,077                  | 15,959         | 13,424         | 2,535   |
| State Retirement                    | 15,873                  | 16,330         | 14,953         | 1,377   |
| Medical Insurance                   | 18,515                  | 18,515         | 5,616          | 12,899  |
| Medicare                            | 3,761                   | 3,760          | 3,310          | 450   |
| Travel                              | 2,550                   | 5,161          | 4,247          | 914   |
| Other Contracted Services           | 7,916                   | 3,009          | 3,009          | -   |
| Other Supplies and Materials        | 26,988                  | 17,009         | 593            | 16,416  |
| Postal Charges                      | 50                      | 50             | -              | 50  |
| In-Service Training                 | 125,940                 | 101,362        | 16,068         | 85,294  |
| Other Charges                       | 2,800                   | 2,800          | 180            | 2,620   |
| <b>Total Regular Instruction</b>    | <u>434,609</u>          | <u>409,888</u> | <u>284,815</u> | <u>125,073</u>                                  |
| <b>Guidance</b>                     |                         |                |                |   |
| Salaries - Social Workers           | 17,805                  | 17,805         | 17,805         | -   |
| Salaries - Other                    | 2,000                   | 2,000          | 2,000          | -   |
| Social Security                     | 1,228                   | 1,228          | 1,224          | 4   |
| State Retirement                    | 1,271                   | 1,272          | 1,272          | -   |
| Medical Insurance                   | -                       | 55             | 55             | -   |
| Medicare                            | 285                     | 286            | 286            | -   |
| Travel                              | 7,700                   | 8,261          | 8,261          | -   |
| Contracted Services                 | -                       | 7,360          | 7,360          | -   |
| Other Supplies and Materials        | 6,843                   | 4,441          | 3,453          | 988   |
| In-Service Training                 | 1,936                   | 4,140          | 4,140          | -   |
| <b>Total Vocational Instruction</b> | <u>39,068</u>           | <u>46,848</u>  | <u>45,856</u>  | <u>992</u>                                      |
| <b>Special Education</b>            |                         |                |                |   |
| Communication                       | 1,000                   | 1,000          | 1,000          | -   |
| Travel                              | 6,000                   | 4,979          | 63             | 4,916   |
| Maintenance and Repairs             | 2,500                   | 2,500          | -              | 2,500   |
| Equipment                           | 22,000                  | 21,568         | 12,649         | 8,919   |
| Other Supplies and Materials        | 2,000                   | 2,000          | 1,934          | 66  |
| In-Service Training                 | 3,400                   | 3,463          | 2,838          | 625   |
| <b>Total Special Education</b>      | <u>36,900</u>           | <u>35,510</u>  | <u>18,484</u>  | <u>17,026</u>                                   |
| <b>Transportation</b>               |                         |                |                |   |
| Salaries - Bus Drivers              | 33,139                  | 35,332         | 35,332         | -   |
| Social Security                     | 2,055                   | 2,129          | 2,129          | -   |
| State Retirement                    | 2,251                   | 1,020          | 1,020          | -   |
| Medicare                            | 481                     | 498            | 498            | -   |
| Communication                       | 500                     | 500            | 500            | -   |
| Equipment                           | 110,000                 | 110,337        | 110,337        | -   |
| <b>Total Special Education</b>      | <u>148,426</u>          | <u>149,816</u> | <u>149,816</u> | <u>-</u>  |
| <b>Total Other Student Support</b>  | <u>659,003</u>          | <u>642,062</u> | <u>498,971</u> | <u>143,091</u>                                  |
| <b>Non-Instructional Services</b>   |                         |                |                |   |
| <b>Community Services</b>           |                         |                |                |   |
| Salaries - Supervisors              | 36,900                  | 84,128         | 84,128         | -   |
| Salaries - Teachers                 | 145,100                 | 64,129         | 64,129         | -   |
| Salaries - Educational Assistants   | 61,745                  | 58,411         | 58,411         | -   |
| Social Security                     | 15,112                  | 12,404         | 12,404         | -   |
| State Retirement                    | 16,013                  | 10,943         | 10,943         | -   |
| Medical Insurance                   | 8,500                   | 7,115          | 7,115          | -   |
| Medicare                            | 3,534                   | 2,903          | 2,903          | -   |
| Communication                       | 1,980                   | 1,906          | 1,906          | -   |

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**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - FEDERAL PROJECTS FUND  
For the Year Ended June 30, 2010**

|  | <u>Budgeted Amounts</u> |                  | <u>Actual</u>    | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|--|-------------------------|------------------|------------------|---|
|  | <u>Original</u>         | <u>Final</u>     |                  |   |
| Postal Charges   | 500                     | 15               | 15               | -   |
| Travel   | 10,500                  | 5,609            | 5,609            | -   |
| Other Contracted Services  | 11,500                  | 6,417            | 6,417            | -   |
| Other Supplies and Materials   | 38,616                  | 96,020           | 96,020           | -   |
| Total Community Services   | <u>350,000</u>          | <u>350,000</u>   | <u>350,000</u>   | <u>-</u>  |
| <b>Total Non-Instructional Services</b>  | <u>350,000</u>          | <u>350,000</u>   | <u>350,000</u>   | <u>-</u>  |
| <b>Total Expenditures</b>  | <u>2,708,661</u>        | <u>2,695,332</u> | <u>2,326,725</u> | <u>368,607</u>                                  |
| <b>Excess Revenues Over (Under)<br/>Expenditures</b>   | -                       | -                | -                | -   |
| <b>Other Financing Sources (Uses)</b>  |                         |                  |                  |   |
| Transfer to Other Funds  | -                       | -                | -                | -   |
| <b>Total Other Financing Sources (Uses)</b>  | -                       | -                | -                | -   |
| <b>Excess of Revenues and Other Financing<br/>Sources Over (Under) Expenditures<br/>and Other Financing Uses</b> | -                       | -                | -                | -   |
| <b>Fund Balance - Beginning</b>  | <u>9,888</u>            | <u>9,888</u>     | <u>9,888</u>     | <u>-</u>  |
| <b>Fund Balance - Ending</b>   | <u>\$ 9,888</u>         | <u>\$ 9,888</u>  | <u>\$ 9,888</u>  | <u>\$ -</u>                                     |

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - CAFETERIA FUND**  
**For the Year Ended June 30, 2010**

|                                     | <u>Budgeted Amounts</u> |                   | <u>Actual</u>     | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|-------------------------------------|-------------------------|-------------------|-------------------|---|
|                                     | <u>Original</u>         | <u>Final</u>      |                   |   |
| <b>Revenues</b>                     |                         |                   |                   |   |
| Lunch Payment - Children            | \$ 688,590              | \$ 688,590        | \$ 662,293        | \$ (26,297)                                     |
| Lunch Payment - Adults              | 16,622                  | 16,622            | 10,160            | (6,462)   |
| U.S.D.A. Reimbursements             | 766,660                 | 766,660           | 920,805           | 154,145   |
| State School Matching               | 17,000                  | 17,000            | 17,527            | 527   |
| Interest                            | 1,000                   | 1,000             | 990               | (10)  |
| A La Carte Sales                    | 24,060                  | 24,060            | 22,877            | (1,183)   |
| <b>Total Revenues</b>               | <u>1,513,932</u>        | <u>1,513,932</u>  | <u>1,634,652</u>  | <u>120,720</u>                                  |
| <b>Expenditures</b>                 |                         |                   |                   |   |
| Food                                | 558,905                 | 622,320           | 666,532           | (44,212)  |
| Labor                               | 476,345                 | 478,605           | 478,605           | -   |
| Supervisor                          | 46,171                  | 46,171            | 46,171            | -   |
| Accountants                         | 11,938                  | 11,938            | 11,938            | -   |
| Other Contracted Services           | 6,600                   | 18,443            | 18,443            | -   |
| Social Security                     | 31,317                  | 29,692            | 29,692            | -   |
| State Retirement                    | 34,126                  | 34,126            | 33,677            | 449   |
| Medical Insurance                   | 89,960                  | 64,528            | 64,528            | -   |
| Unemployment                        | 500                     | 500               | -                 | 500   |
| Employer Medicare                   | 7,325                   | 7,325             | 7,005             | 320   |
| Communication                       | -                       | 613               | 613               | -   |
| Utilities                           | 74,000                  | 74,000            | 70,000            | 4,000   |
| In-Service Training                 | 1,000                   | 1,217             | 1,217             | -   |
| Equipment                           | 17,948                  | 21,584            | 21,584            | -   |
| Non-Food Supplies                   | 129,247                 | 73,676            | 69,153            | 4,523   |
| Maintenance and Repair              | 20,500                  | 22,548            | 22,548            | -   |
| Travel                              | 2,500                   | 1,096             | 1,096             | -   |
| Uniforms                            | 5,550                   | 5,550             | 4,425             | 1,125   |
| <b>Total Expenditures</b>           | <u>1,513,932</u>        | <u>1,513,932</u>  | <u>1,547,227</u>  | <u>(33,295)</u>                                 |
| <b>Excess Revenues Over (Under)</b> |                         |                   |                   |   |
| <b>Expenditures</b>                 | -                       | -                 | 87,425            | 87,425  |
| <b>Fund Balance - Beginning</b>     | <u>416,255</u>          | <u>416,255</u>    | <u>416,255</u>    | -   |
| <b>Fund Balance - Ending</b>        | <u>\$ 416,255</u>       | <u>\$ 416,255</u> | <u>\$ 503,680</u> | <u>\$ 87,425</u>                                |

See auditors' report and accompanying notes to financial statements.

## NOTES TO BASIC FINANCIAL STATEMENTS

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Gibson County School District's Board of Education (the District) is an on-going board which has governance responsibilities over all activities related to the public elementary and secondary education within the jurisdiction of Gibson County exclusive of Special School Districts within the County. The Board is elected by the public and receives funding from local, state and federal government sources. It must therefore comply with the requirements of these funding entities.

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 nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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 federal projects fund is used to account for the federal funding received and disbursed for educational purposes.

The cafeteria fund is established to account for all funds received and disbursed relating to the operations of the cafeteria for each school in the district.

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, 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.

**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 Gibson County and remitted to the District. District property tax revenues are recognized when levied to the extent the resources can be spent, otherwise the revenue is deferred to subsequent periods.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

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 (\$100) assessment of real and personal property located within, the District. The current property tax is \$1.80 on every \$100 of real and personal property located within the District.

**Inventories and Prepaid Items**

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives 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 - 40 years |
| Machinery and equipment    | 5 - 20 years  |

**Deferred Revenue**

Deferred revenue represents amounts that were receivable and measurable at June 30, 2010 but were not available to finance expenditures for the year ended June 30, 2010. Deferred revenues primarily include unearned or unavailable revenues.

**Compensated Absences**

The School District provides one day of vacation for each month of service for professional employees. Professional employees receive one day of sick leave for each month of service. Any sick leave unused is not paid, but is used to increase retirement benefits. Non-professional employees receive 1 day per month to be used as sick leave. The non-professional employees can accumulate up to a maximum of 15 days. The days accumulated in excess of the maximum are to be paid to the employees as .5 days pay for days accumulated in excess of the maximum allowed.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**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.

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

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

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the district-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds, notes and capital leases payable, are not due and payable in the current period, and; therefore, are not reported in the funds." The details of this \$32,740,000 are as follows:

|                                   |                             |
|-----------------------------------|-----------------------------|
| School Bonds Payable, Series 2001 | \$ 5,815,000                |
| School Bonds Payable, Series 2005 | 1,450,000                   |
| School Bonds Payable, Series 2007 | 14,375,000                  |
| School Bonds Payable, Series 2008 | 7,000,000                   |
| School Bonds Payable, Series 2009 | <u>4,100,000</u>            |
|                                   | <b>\$ <u>32,740,000</u></b> |

Another element of that 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 \$37,727,130 are as follows:

|   |                             |
|---|-----------------------------|
| Land  | \$ 35,436                   |
| Buildings and Improvements                            | 49,821,884                  |
| Vehicles  | 2,560,202                   |
| Furniture and Equipment                               | <u>859,463</u>              |
|   | 53,276,985                  |
| Less accumulated depreciation                         | <u>(15,549,855)</u>         |
| Total capital assets, net of accumulated depreciation | <b>\$ <u>37,727,130</u></b> |

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**NOTE 2 - RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

**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 that reconciliation states that, "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." The details of this \$920,000 are as follows:

Principal repayments:

|                                   |                   |
|-----------------------------------|-------------------|
| School Bonds Payable, Series 1993 | \$ 60,000         |
| School Bonds Payable, Series 2001 | 410,000           |
| School Bonds Payable, Series 2005 | 65,000            |
| School Bonds Payable, Series 2007 | 100,000           |
| School Bonds Payable, Series 2008 | 100,000           |
| School Bonds Payable, Series 2009 | <u>185,000</u>    |
|                                   | <u>\$ 920,000</u> |

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

The School District is required by State statute to adopt annual budgets. The annual budgets are prepared on the basis where current available funds must be sufficient to meet current expenditures. Expenditures may not legally exceed appropriations authorized by the School Board and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year. The School District's budgetary basis of accounting is consistent with generally accepted accounting principles.

**NOTE 4 - DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The School District has implemented GASB Statement No. 40, "Deposits and Investment Risk Disclosures" for financial reporting of deposit and investment risks.

Investments were made up of certificates of deposits investments with the State of Tennessee Local Government Investment Pool.

**Custodial Credit Risk**

The School District's policies limit deposits and investments to those instruments allowed by applicable state laws and 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 School District's agent in the School District's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the School District to invest in bonds, notes 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 and federally 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, 2010, all bank deposits were fully collateralized or insured.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Receivables**

|                   | <u>General</u>      | <u>Federal</u>    | <u>Cafeteria</u> | <u>Total</u>        |
|-------------------|---------------------|-------------------|------------------|---------------------|
| Receivables:      |                     |                   |                  |                     |
| Property Taxes    | \$ 4,409,413        | \$ -              | \$ -             | \$ 4,409,413        |
| Accounts          | 186,523             | 3,014             | -                | 189,537             |
| Intergovernmental | <u>290,585</u>      | <u>695,242</u>    | <u>-</u>         | <u>990,851</u>      |
| Total Receivables | <u>\$ 4,886,521</u> | <u>\$ 698,256</u> | <u>\$ 5,024</u>  | <u>\$ 5,589,801</u> |

Amounts in the General Fund called due from other governments represent the normal amounts due from state and county governments for shared revenues and tax allocations.

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2010, was as follows:

|   | <u>Beginning Bal</u> | <u>Increases</u>    | <u>Decreases</u>      | <u>Ending Bal</u>   |
|---|----------------------|---------------------|-----------------------|---------------------|
| Capital Assets, being depreciated       |                      |                     |                       |                     |
| Land                                    | \$ 35,436            | \$ -                | \$ -                  | \$ 35,436           |
| Construction in Progress                | 16,573,744           | 6,581,145           | (23,154,889)          |                     |
| Buildings and Improvements              | 26,666,995           | 23,154,889          | -                     | 49,821,884          |
| Vehicles                                | 2,449,865            | 110,337             | -                     | 2,560,202           |
| Furniture and Equipment                 | 396,592              | 462,871             | -                     | 859,463             |
| Total Capital Assets, being depreciated | <u>\$46,122,632</u>  | <u>\$30,309,243</u> | <u>\$(23,154,889)</u> | <u>\$53,276,98!</u> |
| Less Accumulated Depreciation for:      |                      |                     |                       |                     |
| Buildings and Improvements              | 12,321,723           | 779,745             | -                     | 13,101,468          |
| Vehicles                                | 2,038,848            | 143,391             | -                     | 2,182,239           |
| Furniture and Equipment                 | 221,140              | 45,009              | -                     | 266,149             |
| Total Accumulated Depreciation          | <u>14,581,710</u>    | <u>968,145</u>      | <u>-</u>              | <u>15,549,855</u>   |
| Net Capital Assets                      | <u>\$31,540,922</u>  | <u>\$29,341,098</u> | <u>\$(23,154,889)</u> | <u>\$37,727,130</u> |

Depreciation Expense was charged to function/programs of the primary government as follows:

Governmental Activities:

|  |                   |
|--|-------------------|
| Regular Instruction                                    | \$ 824,754        |
| Transportation   | <u>143,391</u>    |
| Total Depreciation Expense-<br>Governmental Activities | <u>\$ 968,145</u> |

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**D. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2010, is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------|
| General Fund           | Federal Projects    | \$ 1,276,792  |
| General Fund           | Cafeteria           | (53)          |

The outstanding balances between funds are basically due to timing differences between the dates that reimbursable expenditures occur and the payments between funds are made. The School District expects that all of the balances noted will be repaid within the next fiscal year.

**E. Long-Term Debt**

Long-Term Debt consists of the following:

During the year ended June 30, 1994, the School District issued bonds in the amount of \$975,000. The proceeds from these bonds were used to construct a new building at Medina, TN. The bonds bear interest at a rate varying from 4.3% at June 30, 1994, to 5.5% at June 30, 2013. During the year ended June 30, 2010, principal payments of \$345,000 were made by a refinance of the bonds with a Series 2009 issue.

During the year ended June 30, 2002, the School system issued \$6,350,000 in School Refunding Bonds, Series 2001, that bears interest varying from 4.0% to 5.25% to advance refund \$6,170,000 of outstanding 1999 Series bonds bearing interest in a range of 4.75% to 5.625%. The net proceeds of \$6,543,491 (after payment of \$125,975 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1999 Series bonds. As a result, a portion of the 1999 Series bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. No principal payments were made on the defeased bonds during the year ended June 30, 2010, which resulted in a \$6,225,000 balance. Principal payments of \$2,595,000 were made on the remaining Series 1999 bonds during the year ended June 30, 2010 through the issuance of Series 2009 bonds.. Principal payments of \$410,000 were made on the Series 2001 bonds during the year which resulted in a June 30, 2010 balance of \$5,815,000.

During the year ended June 30, 2006, the School system issued \$1,700,000 in School Bonds, Series 2005, which bears interest at an average rate of 4.5%. The bonds are callable on April 1, 2015 at par for bonds maturing April 1, 2016 and thereafter. The current debt service schedule provides for the bonds to mature as of April 1, 2025. The proceeds of the bonds were used for building construction within the School system. Principal payments of \$65,000 were made on the Series 2005 bonds during the year which resulted in a June 30, 2010 balance of \$1,450,000.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Long-Term Debt (Continued)**

During the year ended June 30, 2008, the School system issued \$14,575,000 in School Bonds, Series 2007, which bears interest at an average rate of 4.73%. The bonds are callable on April 1, 2017 at par for bonds maturing April 1, 2018 and thereafter. The current debt service schedule provides for the bonds to mature as of April 1, 2033. The proceeds of the bonds were used for building construction of a new high school within the School system. Principal payments of \$100,000 were made on the Series 2007 bonds during the year which resulted in a June 30, 2010 balance of \$14,375,000.

During the year ended June 30, 2009, the School system issued \$7,100,000 in School Bonds, Series 2008, which bears interest at an average rate of 4.83%. The bonds are callable on April 1, 2018 at par for bonds maturing April 1, 2019 and thereafter. The current debt service schedule provides for the bonds to mature as of April 1, 2029. The proceeds of the bonds were used for building construction of a new high school within the School system. Principal payments of \$100,000 were made on the Series 2008 bonds during the year which resulted in a June 30, 2010 balance of \$7,000,000.

During the year ended June 30, 2010, the School system issued \$4,285,000 in School Bonds, Series 2009, which bears interest at an average rate of 4.01%. The bonds are callable on April 1, 2018 at par for bonds maturing April 1, 2019 and thereafter. The current debt service schedule provides for the bonds to mature as of April 1, 2019. The proceeds of the bonds were used for building construction of a new high school within the School system and the refinance of Series 1993 & 1999 Bonds. Principal payments of \$185,000 were made on the Series 2009 bonds during the year which resulted in a June 30, 2010 balance of \$4,100,000.

The annual requirements to amortize all long-term debt obligations outstanding as of June 30, 2010 are as follows:

| Year Ending<br>June 30, | Bonds                |                      | Total                |
|-------------------------|----------------------|----------------------|----------------------|
|                         | Principal            | Interest             |                      |
| 2011                    | \$ 945,000           | \$ 1,526,791         | \$ 2,471,791         |
| 2012                    | 1,000,000            | 1,493,415            | 2,493,415            |
| 2013                    | 1,065,000            | 1,458,039            | 2,523,039            |
| 2014                    | 1,140,000            | 1,413,664            | 2,553,664            |
| 2015                    | 1,220,000            | 1,365,716            | 2,585,716            |
| 2016-2020               | 7,285,000            | 5,930,940            | 13,215,940           |
| 2021-2025               | 8,670,000            | 4,119,022            | 12,789,022           |
| 2026-2030               | 8,840,000            | 1,867,967            | 10,707,967           |
| 2031-2035               | 2,575,000            | 236,250              | 2,811,250            |
|                         | <u>\$ 32,740,000</u> | <u>\$ 19,411,802</u> | <u>\$ 52,151,802</u> |

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Long-Term Debt (Continued)**

Following is a summary of long-term debt transactions for the year ended June 30, 2010:

|   | <u>Beginning Bal</u> | <u>Additions</u>   | <u>Retirements</u> | <u>Ending Bal</u>   |
|---|----------------------|--------------------|--------------------|---------------------|
| Governmental Activities   |                      |                    |                    |                     |
| Bonds Payable:  |                      |                    |                    |                     |
| School Bonds, Series 1993, 4.60% to 5.50% interest, payable serially through 2013 | \$ 345,000           | \$ -               | \$ 345,000         | \$ -                |
| School Bonds, Series 1999, 4.50% to 5.75% interest, payable serially through 2019 | 2,595,000            | -                  | 2,595,000          |                     |
| School Bonds, Series 2001, 4.00% to 5.25% interest, payable serially through 2019 | 6,225,000            | -                  | 410,000            | 5,815,000           |
| School Bonds, Series 2005, 4.50% interest payable serially through 2025           | 1,515,000            | -                  |                    | 1,450,000           |
| School Bonds, Series 2007, 4.73% interest payable serially through 2033           | 14,575,000           |                    | 100,000            | 14,375,000          |
| School Bonds, Series 2008, 4.83% interest payable serially through 2029           | 7,100,000            |                    | 100,000            | 7,000,000           |
| School Bonds, Series 2009, 4.01% interest payable serially through 2029           | -                    | 4,285,000          | 185,000            | 4,100,000           |
|   | <u>\$32,255,000</u>  | <u>\$4,285,000</u> | <u>\$3,800,000</u> | <u>\$32,740,000</u> |

**NOTE 5 - OTHER INFORMATION**

**A. Pensions**

Plan Description Non-Certified

Employees of the Gibson County 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 Gibson County 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.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**NOTE 5 - OTHER INFORMATION (continued)**

**A. Pensions**

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://treasury.state.tn.us/tcrs/PS/>.

Funding Policy

Gibson County Special School District requires employees to contribute 5.0 percent of earnable compensation.

Gibson County Special School District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2010, was 0.00% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Gibson County Special School District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2010, Gibson County Special School District's annual pension cost of \$110,110 to TCRS was equal to Gibson County 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. Gibson County 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 8 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

| <u>Fiscal Year E</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of Contributed</u> | <u>Net Pension Obligation</u> |
|----------------------|----------------------------------|----------------------------------|-------------------------------|
| 6/30/2010            | \$ 110,100                       | 100.00%                          | \$ 0                          |
| 6/30/2009            | 109,923                          | 100.00%                          |                               |
| 6/30/2008            | 110,100                          | 100.00%                          |                               |

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**NOTE 5 - OTHER INFORMATION (continued)**

**A. Pensions**

Plan Description - Certified

The Gibson County Schools contribute 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 SEHTTTPP. The report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us).

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Gibson County Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2010 was 6.42% of annual covered payroll. The employer contribution requirement for Gibson County Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2010, 2009, and 2008 were \$696,253, \$646,253, and \$572,706, 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.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**NOTE 5 - OTHER INFORMATION (continued)**

**C. Risk Management**

The School Board has obtained insurance from the Tennessee School Board Liability Trust (TSBLT), which is a public entity risk pool established to provide insurance coverage to local school boards in Tennessee. The Board pays an annual premium to TSBLT for insurance. The creation of TSBLT provides for it to be self-sustaining through member premiums. The TSBLT reinsures through commercial insurance companies for claims in excess of \$100,000 for each insured event.

It is the policy of the School to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, employee health, public officials liability, accident and environmental. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**D. Litigation**

At June 30, 2010, Gibson County Special School District was noted to be the defendants in three lawsuits. The lawsuits have been filed in the County Circuit Court and are currently pending with any outcomes from rulings unknown. The District will actively defend their position and do not expect losses to exceed any insurance that is maintained.

**E. Postemployment Healthcare Plan**

Plan Description

The Gibson County Special School District participates in the state-administered Teacher Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-302. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants, however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**NOTE 5 - OTHER INFORMATION (continued)**

**E. Postemployment Healthcare Plan**

| <u>Annual OPEB Cost and Net OPEB Obligation</u><br>(dollars in thousands) | <u>Teacher Group<br/>Plan</u> |
|---|-------------------------------|
| ARC   | \$236,543.52                  |
| Interest on the NPO   | 9,333.48                      |
| Adjustment to the ARC   | <u>1,168.35</u>               |
| Annual OPEB cost:   | 247,036.36                    |
| Amount of contribution:   | <u>(147,870.47)</u>           |
| Increase/Decrease in NPO  | 99,165.89                     |
| Net OPEB obligation—beginning of year                                     | <u>207,410.76</u>             |
| Net OPEB obligation—end of year   | <u>\$306,576.65</u>           |

| <u>Year End*</u> | <u>Plan</u>   | <u>Annual OPEB Cost</u> | <u>Percentage of Annual<br/>OPEB Cost<br/>Contributed</u> | <u>Net OPEB<br/>Obligation<br/>at Year End</u> |
|------------------|---------------|-------------------------|---|--|
| 6/30/2009        | Teacher Group | \$ 231,819.23           | \$ 24,408.47 (10.52%)                                     | \$207,410.76                                   |
| 6/30/2010        | Teacher Group | 247,036.36              | 147,870.47 (59.86%)                                       | 306,576.65                                     |

\*Data not available for two preceding years.

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

Actuarial Methods and Assumptions

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

In the July 1, 2009, actuarial valuation for the Local Education plan, the Projected Unit Credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate 4 percent for fiscal year 2010. The trend will rise to 10% in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of 5 percent by fiscal year 2021. The annual healthcare cost trend rate for the Local Government plan was 3 percent for fiscal year 2010. The trend will rise to 10% in fiscal year 2011 and then be reduced by decrements to an ultimate rate of 5% by fiscal year 2021. The annual healthcare cost trend rate for the Medicare Supplement plan was 1% for fiscal year 2010. The trend will rise to 10% in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of 5% by fiscal year 2021. Both rates include a 3% inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with June 30, 2008.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2010**

**NOTE 6 – PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of \$207,411 was made to the Fund Balance of the General Purpose Fund to reverse the Net OPEB Obligation that was erroneously recorded in Fiscal Year 2009.

**NOTE 7 – SUBSEQUENT EVENTS**

Management of the District has evaluated events and transactions through October 31, 2010, which is the earliest date the financials were available.

## REQUIRED SUPPLEMENTARY INFORMATION

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
SCHEDULES OF FUNDING PROGRESS  
For the Year Ended June 30, 2010**

**Pension Plan**

(Dollar Amounts in Thousnads)

| Actuarial<br>Valuation<br>Date | Actuarial Value<br>of assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(b) | Unfunded<br>AAL (UAAL)<br>(b)-(a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>((b-a)/c) |
|--------------------------------|-------------------------------------|--|-----------------------------------|--------------------------|---------------------------|--|
| 07/01/09                       | \$ 254                              | \$ 766                                   | \$ 512                            | 33.16%                   | \$ -                      | 0.00%  |
| 07/01/07                       | 166                                 | 842                                      | 676                               | 19.71%                   | -                         | 0.00%  |

The above schedules are designed to show the extent to which a pension plan has been successful over time in setting aside assets sufficient to cover its actuarial accrued liability.

July 1, 2009 is the most recent actuarial valuation date.

**Postemployment Healthcare Plan**

(Dollar Amounts in Thousnads)

| Actuarial<br>Valuation<br>Date | Actuarial Value<br>of assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(b) | Unfunded<br>AAL (UAAL)<br>(b)-(a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>((b-a)/c) |
|--------------------------------|-------------------------------------|--|-----------------------------------|--------------------------|---------------------------|--|
| 07/01/09                       | \$ -                                | \$ 2,537                                 | \$ 2,537                          | 0.00%                    | \$ 14,024                 | 18.09%   |
| 07/01/07                       | -                                   | 2,527                                    | 2,527                             | 0.00%                    | 13,223                    | 19.11%   |

The above schedules are designed to show the extent to which a pension plan has been successful over time in setting aside assets sufficient to cover its actuarial accrued liability.

July 1, 2009 is the most recent actuarial valuation date.

## OTHER SUPPLEMENTARY INFORMATION

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS  
SCHOOL BONDS - SERIES 2001  
For the Year Ended June 30, 2010**

| <u>Due<br/>Date</u> | <u>Principal<br/>Payment</u> | <u>Rate</u> | <u>Interest<br/>Payment</u> | <u>Total<br/>Payment</u> |
|---------------------|------------------------------|-------------|-----------------------------|--------------------------|
| 10/01/10            |                              |             | \$ 146,238                  | \$ 146,238               |
| 04/01/11            | 410,000                      | 4.25        | 146,238                     | 556,238                  |
| 10/01/11            |                              |             | 137,525                     | 137,525                  |
| 04/01/12            | 450,000                      | 4.25        | 137,525                     | 587,525                  |
| 10/01/12            |                              |             | 127,962                     | 127,962                  |
| 04/01/13            | 490,000                      | 5.00        | 127,962                     | 617,962                  |
| 10/01/13            |                              |             | 115,712                     | 115,712                  |
| 04/01/14            | 545,000                      | 5.00        | 115,712                     | 660,712                  |
| 10/01/14            |                              |             | 102,088                     | 102,088                  |
| 04/01/15            | 650,000                      | 5.00        | 102,088                     | 752,088                  |
| 10/01/15            |                              |             | 85,838                      | 85,838                   |
| 04/01/16            | 715,000                      | 5.25        | 85,838                      | 800,838                  |
| 10/01/16            |                              |             | 67,069                      | 67,069                   |
| 04/01/17            | 785,000                      | 5.25        | 67,069                      | 852,069                  |
| 10/01/17            |                              |             | 46,463                      | 46,463                   |
| 04/01/18            | 850,000                      | 5.25        | 46,463                      | 896,463                  |
| 10/01/18            |                              |             | 24,150                      | 24,150                   |
| 04/01/19            | 920,000                      | 5.25        | 24,150                      | 944,150                  |
|                     | <u>\$ 5,815,000</u>          |             | <u>\$ 1,706,090</u>         | <u>\$ 7,521,090</u>      |

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS  
SCHOOL BONDS - SERIES 2005  
For the Year Ended June 30, 2010**

| Due<br>Date | Principal<br>Payment | Rate | Interest<br>Payment | Total<br>Payment    |
|-------------|----------------------|------|---------------------|---------------------|
| 10/01/10    |                      |      | \$ 32,625           | \$ 32,625           |
| 04/01/11    | 70,000               | 4.50 | 32,625              | 102,625             |
| 10/01/11    |                      |      | 31,050              | 31,050              |
| 04/01/12    | 70,000               | 4.50 | 31,050              | 101,050             |
| 10/01/12    |                      |      | 29,475              | 29,475              |
| 04/01/13    | 75,000               | 4.50 | 29,475              | 104,475             |
| 10/01/13    |                      |      | 27,788              | 27,788              |
| 04/01/14    | 80,000               | 4.50 | 27,787              | 107,787             |
| 10/01/14    |                      |      | 25,988              | 25,988              |
| 04/01/15    | 85,000               | 4.50 | 25,987              | 110,987             |
| 10/01/15    |                      |      | 24,075              | 24,075              |
| 04/01/16    | 85,000               | 4.50 | 24,075              | 109,075             |
| 10/01/16    |                      |      | 22,163              | 22,163              |
| 04/01/17    | 90,000               | 4.50 | 22,162              | 112,162             |
| 10/01/17    |                      |      | 20,138              | 20,138              |
| 04/01/18    | 95,000               | 4.50 | 20,137              | 115,137             |
| 10/01/18    |                      |      | 18,000              | 18,000              |
| 04/01/19    | 100,000              | 4.50 | 18,000              | 118,000             |
| 10/01/19    |                      |      | 15,750              | 15,750              |
| 04/01/20    | 105,000              | 4.50 | 15,750              | 120,750             |
| 10/01/20    |                      |      | 13,388              | 13,388              |
| 04/01/21    | 110,000              | 4.50 | 13,387              | 123,387             |
| 10/01/21    |                      |      | 10,913              | 10,913              |
| 04/01/22    | 115,000              | 4.50 | 10,912              | 125,912             |
| 10/01/22    |                      |      | 8,325               | 8,325               |
| 04/01/23    | 120,000              | 4.50 | 8,325               | 128,325             |
| 10/01/23    |                      |      | 5,625               | 5,625               |
| 04/01/24    | 125,000              | 4.50 | 5,625               | 130,625             |
| 10/01/24    |                      |      | 2,813               | 2,813               |
| 04/01/25    | 125,000              | 4.50 | 2,812               | 127,812             |
|             | <u>\$ 1,450,000</u>  |      | <u>\$ 576,225</u>   | <u>\$ 2,026,225</u> |

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS  
SCHOOL BONDS - SERIES 2007  
For the Year Ended June 30, 2010**

| Due<br>Date | Principal<br>Payment | Rate  | Interest<br>Payment  | Total<br>Payment     |
|-------------|----------------------|-------|----------------------|----------------------|
| 10/01/10    |                      |       | \$ 352,163           | \$ 352,163           |
| 04/01/11    | 100,000              | 4.00  | 352,162              | 452,162              |
| 10/01/11    |                      |       | 350,163              | 350,163              |
| 04/01/12    | 100,000              | 4.00  | 350,162              | 450,162              |
| 10/01/12    |                      |       | 348,163              | 348,163              |
| 04/01/13    | 100,000              | 4.00  | 348,162              | 448,162              |
| 10/01/13    |                      |       | 346,163              | 346,163              |
| 04/01/14    | 100,000              | 4.00  | 346,162              | 446,162              |
| 10/01/14    |                      |       | 344,163              | 344,163              |
| 04/01/15    | 100,000              | 4.00  | 344,162              | 444,162              |
| 10/01/15    |                      |       | 342,163              | 342,163              |
| 04/01/16    | 100,000              | 4.125 | 342,162              | 442,162              |
| 10/01/16    |                      |       | 340,100              | 340,100              |
| 04/01/17    | 100,000              | 4.20  | 340,100              | 440,100              |
| 10/01/17    |                      |       | 338,000              | 338,000              |
| 04/01/18    | 100,000              | 4.25  | 338,000              | 438,000              |
| 10/01/18    |                      |       | 335,875              | 335,875              |
| 04/01/19    | 100,000              | 4.30  | 335,875              | 435,875              |
| 10/01/19    |                      |       | 333,725              | 333,725              |
| 04/01/20    | 900,000              | 4.30  | 333,725              | 1,233,725            |
| 10/01/20    |                      |       | 314,375              | 314,375              |
| 04/01/21    | 1,000,000            | 5.00  | 314,375              | 1,314,375            |
| 10/01/21    |                      |       | 289,375              | 289,375              |
| 04/01/22    | 1,000,000            | 5.00  | 289,375              | 1,289,375            |
| 10/01/22    |                      |       | 264,375              | 264,375              |
| 04/01/23    | 1,000,000            | 5.00  | 264,375              | 1,264,375            |
| 10/01/23    |                      |       | 239,375              | 239,375              |
| 04/01/24    | 1,000,000            | 5.00  | 239,375              | 1,239,375            |
| 10/01/24    |                      |       | 214,375              | 214,375              |
| 04/01/25    | 1,000,000            | 5.00  | 214,375              | 1,214,375            |
| 10/01/25    |                      |       | 189,375              | 189,375              |
| 04/01/26    | 1,000,000            | 5.00  | 189,375              | 1,189,375            |
| 10/01/26    |                      |       | 164,375              | 164,375              |
| 04/01/27    | 1,000,000            | 5.00  | 164,375              | 1,164,375            |
| 10/01/27    |                      |       | 139,375              | 139,375              |
| 04/01/28    | 1,000,000            | 5.00  | 139,375              | 1,139,375            |
| 10/01/28    |                      |       | 114,375              | 114,375              |
| 01/01/29    | 1,000,000            | 5.00  | 114,375              | 1,114,375            |
| 10/01/29    |                      |       | 89,375               | 89,375               |
| 04/01/30    | 1,000,000            | 5.00  | 89,375               | 1,089,375            |
| 10/01/30    |                      |       | 64,375               | 64,375               |
| 04/01/31    | 1,000,000            | 5.00  | 64,375               | 1,064,375            |
| 10/01/31    |                      |       | 39,375               | 39,375               |
| 04/01/32    | 1,000,000            | 5.00  | 39,375               | 1,039,375            |
| 10/01/32    |                      |       | 14,375               | 14,375               |
| 04/01/33    | 575,000              | 5.00  | 14,375               | 589,375              |
|             | <u>\$ 14,375,000</u> |       | <u>\$ 11,135,100</u> | <u>\$ 25,510,100</u> |

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS  
SCHOOL BONDS - SERIES 2008  
For the Year Ended June 30, 2010**

| Due<br>Date | Principal<br>Payment | Rate | Interest<br>Payment | Total<br>Payment     |
|-------------|----------------------|------|---------------------|----------------------|
| 10/01/10    |                      |      | \$ 165,556          | \$ 165,556           |
| 04/01/11    | 100,000              | 3.50 | 165,556             | 265,556              |
| 10/01/11    |                      |      | 163,806             | 163,806              |
| 04/01/12    | 100,000              | 3.50 | 163,806             | 263,806              |
| 10/01/12    |                      |      | 162,056             | 162,056              |
| 04/01/13    | 100,000              | 3.50 | 162,056             | 262,056              |
| 10/01/13    |                      |      | 160,306             | 160,306              |
| 04/01/14    | 100,000              | 3.65 | 160,306             | 260,306              |
| 10/01/14    |                      |      | 158,481             | 158,481              |
| 04/01/15    | 100,000              | 3.80 | 158,481             | 258,481              |
| 10/01/15    |                      |      | 156,581             | 156,581              |
| 04/01/16    | 100,000              | 4.00 | 156,581             | 256,581              |
| 10/01/16    |                      |      | 154,581             | 154,581              |
| 04/01/17    | 100,000              | 4.15 | 154,581             | 254,581              |
| 10/01/17    |                      |      | 152,506             | 152,506              |
| 04/01/18    | 100,000              | 4.25 | 152,506             | 252,506              |
| 10/01/18    |                      |      | 150,381             | 150,381              |
| 04/01/19    | 100,000              | 4.38 | 150,381             | 250,381              |
| 10/01/19    |                      |      | 148,194             | 148,194              |
| 04/01/20    | 400,000              | 4.50 | 148,194             | 548,194              |
| 10/01/20    |                      |      | 139,194             | 139,194              |
| 04/01/21    | 400,000              | 4.60 | 139,194             | 539,194              |
| 10/01/21    |                      |      | 129,994             | 129,994              |
| 04/01/22    | 400,000              | 4.65 | 129,994             | 529,994              |
| 10/01/22    |                      |      | 120,694             | 120,694              |
| 04/01/23    | 475,000              | 4.75 | 120,694             | 595,694              |
| 10/01/23    |                      |      | 109,413             | 109,413              |
| 04/01/24    | 550,000              | 4.80 | 109,413             | 659,413              |
| 10/01/24    |                      |      | 96,213              | 96,213               |
| 04/01/25    | 625,000              | 4.85 | 96,213              | 721,213              |
| 10/01/25    |                      |      | 81,056              | 81,056               |
| 04/01/26    | 775,000              | 4.95 | 81,056              | 856,056              |
| 10/01/26    |                      |      | 61,875              | 61,875               |
| 04/01/27    | 825,000              | 5.00 | 61,875              | 886,875              |
| 10/01/27    |                      |      | 41,250              | 41,250               |
| 04/01/28    | 825,000              | 5.00 | 41,250              | 866,250              |
| 10/01/28    |                      |      | 20,625              | 20,625               |
| 04/01/29    | 825,000              | 5.00 | 20,625              | 845,625              |
|             | <u>\$ 7,000,000</u>  |      | <u>\$ 4,745,524</u> | <u>\$ 11,745,524</u> |

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS  
SCHOOL BONDS - SERIES 2009  
For the Year Ended June 30, 2010**

| Due<br>Date | Principal<br>Payment | Rate | Interest<br>Payment | Total<br>Payment    |
|-------------|----------------------|------|---------------------|---------------------|
| 10/01/10    |                      |      | \$ 66,814           | \$ 66,814           |
| 04/01/11    | 265,000              | 2.00 | 66,814              | 331,814             |
| 10/01/11    |                      |      | 64,164              | 64,164              |
| 04/01/12    | 280,000              | 2.00 | 64,164              | 344,164             |
| 10/01/12    |                      |      | 61,364              | 61,364              |
| 04/01/13    | 300,000              | 3.00 | 61,364              | 361,364             |
| 10/01/13    |                      |      | 56,864              | 56,864              |
| 04/01/14    | 315,000              | 3.00 | 56,864              | 371,864             |
| 10/01/14    |                      |      | 52,139              | 52,139              |
| 04/01/15    | 285,000              | 3.00 | 52,139              | 337,139             |
| 10/01/15    |                      |      | 47,864              | 47,864              |
| 04/01/16    | 300,000              | 3.00 | 47,864              | 347,864             |
| 10/01/16    |                      |      | 43,364              | 43,364              |
| 04/01/17    | 320,000              | 3.00 | 43,364              | 363,364             |
| 10/01/17    |                      |      | 38,564              | 38,564              |
| 04/01/18    | 345,000              | 3.20 | 38,564              | 383,564             |
| 10/01/18    |                      |      | 33,044              | 33,044              |
| 04/01/19    | 365,000              | 3.38 | 33,044              | 398,044             |
| 10/01/19    |                      |      | 26,884              | 26,884              |
| 04/01/20    | 110,000              | 3.75 | 26,884              | 136,884             |
| 10/01/20    |                      |      | 24,822              | 24,822              |
| 04/01/21    | 115,000              | 3.75 | 24,822              | 139,822             |
| 10/01/21    |                      |      | 22,666              | 22,666              |
| 04/01/22    | 120,000              | 3.88 | 22,666              | 142,666             |
| 10/01/22    |                      |      | 20,341              | 20,341              |
| 04/01/23    | 125,000              | 3.88 | 20,341              | 145,341             |
| 10/01/23    |                      |      | 17,919              | 17,919              |
| 04/01/24    | 130,000              | 4.00 | 17,919              | 147,919             |
| 10/01/24    |                      |      | 15,319              | 15,319              |
| 04/01/25    | 135,000              | 4.00 | 15,319              | 150,319             |
| 10/01/25    |                      |      | 12,619              | 12,619              |
| 04/01/26    | 140,000              | 4.20 | 12,619              | 152,619             |
| 10/01/26    |                      |      | 9,679               | 9,679               |
| 04/01/27    | 145,000              | 4.20 | 9,679               | 154,679             |
| 10/01/27    |                      |      | 6,634               | 6,634               |
| 04/01/28    | 150,000              | 4.35 | 6,634               | 156,634             |
| 10/01/28    |                      |      | 3,371               | 3,371               |
| 04/01/29    | 155,000              | 4.35 | 3,371               | 158,371             |
|             | <u>\$ 4,100,000</u>  |      | <u>\$ 1,248,863</u> | <u>\$ 5,348,863</u> |

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
SCEDULE OF OFFICIAL BOND AND SALARIES OF PRINCIPAL OFFICIALS  
For the Year Ended June 30, 2010**

| <u>Title</u>   | <u>Name</u>     | <u>Salary</u> | <u>Official Bond</u> |
|----------------|-----------------|---------------|----------------------|
| Superintendent | Robert Galloway | \$ 109,074    | \$ 476,300           |

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARD PROGRAMS  
For the Year Ended June 30, 2010**

| Program Name                      | CFDA<br>Number | Grantor Agency                                   | Unearned<br>(Due From)<br>07/01/09 | Receipts   | Expenditures | Unearned<br>(Due From)<br>06/30/10 |
|-----------------------------------|----------------|--|------------------------------------|------------|--------------|------------------------------------|
| IDEA Part B                       | 84.027         | *<br>State of Tennessee<br>Dept. of Education    | \$ (131,995)                       | \$ 990,412 | \$ 1,180,855 | \$ (322,438)                       |
| Carl Perkins-Vocational Education | 84.048         | State of Tennessee<br>Dept. of Education         | (9,497)                            | 43,680     | 39,459       | (5,276)                            |
| IDEA-Pre-school                   | 84.173         | *<br>State of Tennessee<br>Dept. of Education    | (2,106)                            | 10,259     | 13,369       | (5,216)                            |
| IDEA-Pre-school - ARRA            | 84.392         | *<br>State of Tennessee<br>Dept. of Education    | -                                  | 572        | 9,586        | (9,014)                            |
| ESEA-Title I                      | 84.010         | *<br>State of Tennessee<br>Dept. of Education    | (74,303)                           | 372,326    | 421,650      | (123,627)                          |
| ESEA-Title I - ARRA               | 84.389         | *<br>State of Tennessee<br>Dept. of Education    | -                                  | 132,170    | 193,466      | (61,296)                           |
| Job Trianing Partnership Act      | 17.25          | State of Tennessee<br>Dept. of Education         | (8,021)                            | 8,021      | 11,500       | (11,500)                           |
| Drug Free School                  | 84.186         | *<br>State of Tennessee<br>Dept. of Education    | (107,062)                          | 366,121    | 357,839      | (98,780)                           |
| English Language Acquisition      | 84.365         | State of Tennessee<br>Dept. of Education         | -                                  | 2,712      | 2,712        | -                                  |
| Even Start                        | 84.213         | State of Tennessee<br>Dept. of Education         | -                                  | -          | 13,606       | (13,606)                           |
| Education Technology              | 84.318         | State of Tennessee<br>Dept. of Education         | -                                  | -          | 3,899        | (3,899)                            |
| Innovative Programs               | 84.298         | State of Tennessee<br>Dept. of Education         | -                                  | -          | 7,095        | (7,095)                            |
| Title II-Training                 | 84.367         | State of Tennessee<br>Dept. of Education         | (23,716)                           | 61,910     | 71,689       | (33,495)                           |
| Title II-Tech                     | 84.318         | State of Tennessee<br>Dept. of Education         | (3,240)                            | 3,240      | -            | -                                  |
| Hazard Mitigation Program         | 97.039         | *<br>State of Tennessee<br>Emergency Mgmt Agency | -                                  | 357,077    | 357,077      | -                                  |
| National School Lunch Program     | 10.555         | U.S. Department of Agriculture                   | \$ (52,145)                        | \$ 706,116 | \$ 658,995   | \$ (5,024)                         |

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARD PROGRAMS  
For the Year Ended June 30, 2010**

| <u>Program Name</u>               | <u>CFDA<br/>Number</u> | <u>Grantor Agency</u>          | <u>Unearned<br/>(Due From)<br/>07/01/09</u> | <u>Receipts</u>     | <u>Expenditures</u> | <u>Unearned<br/>(Due From)<br/>06/30/10</u> |
|-----------------------------------|------------------------|--------------------------------|---|---------------------|---------------------|---|
| National School Breakfast Program | 10.553                 | U.S. Department of Agriculture | (15,024)                                    | 232,621             | 217,597             | -   |
| USDA Commodity Supplemental       | 10.555                 | Tennessee Dept of Agriculture  | -   | 44,213              | 44,213              | -   |
|                                   |                        |                                | <u>\$ (427,109)</u>                         | <u>\$ 3,331,450</u> | <u>\$ 3,604,607</u> | <u>\$ (700,266)</u>                         |

This schedule of expenditures of federal awards includes the federal grant activity of Gibson County Special Schhol District and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

\* considered as major program



Offices: Jackson, TN | Martin, TN | Paris, TN

Principals:

Clark H. Cowart, CPA  
John R. Reese, CPA, PFS  
Fancher P. Sargent, CPA  
T. Paul Anderson, CPA, CFE  
Landra Sanders

**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  
Gibson County Special School District  
Dyer, Tennessee

We have audited the financial statements of the governmental activities and each major fund including budgetary comparisons for the general, federal projects, and cafeteria funds of the Gibson County Special School District, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 4, 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 Gibson County Special School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gibson County Special School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Gibson County Special School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gibson County 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.

This report is intended for the information of management and the Board of Education, federal awarding agencies, pass through entities, and the State of Tennessee Office of the Comptroller and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink, reading "Cowart Reese Sargent". The signature is written in a cursive style with a long, sweeping horizontal line extending to the right.

Cowart Reese Sargent, CPAs, P.C.

December 4, 2010



Offices: Jackson, TN | Martin, TN | Paris, TN

Principals:

Clark H. Cowart, CPA  
John R. Reese, CPA, PFS  
Fancher P. Sargent, CPA  
T. Paul Anderson, CPA, CFE  
Landra Sanders

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Gibson County Special School District  
Dyer, Tennessee

Compliance

We have audited Gibson County Special School District compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Gibson County Special School District major federal programs for the year ended June 30, 2010. Gibson County Special School District 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 Gibson County Special School District management. Our responsibility is to express an opinion on Gibson County Special School District 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,<sup>5</sup> 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 Gibson County Special School District 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 of Gibson County Special School District compliance with those requirements.

In our opinion, Gibson County Special School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Gibson County Special School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Gibson County Special School District internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the

purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Gibson County Special School District internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 and the Board of Education, federal awarding agencies, pass-through entities, and the State of Tennessee Office of the Comptroller and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Cowart Reese Sargent". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Cowart Reese Sargent, CPAs, P.C.

December 4, 2010

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE, FEDERAL PROJECTS, AND CAFETERIA FUNDS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2010**

**A. Summary of Audit Results**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Gibson County Special School District.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Gibson County Special School District were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of internal control over major federal awards programs.
5. The auditors' report on compliance for the major federal awards program for Gibson County Special School District expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as a major programs were

| <u>Program</u>            | <u>CFDA No.</u> |
|---------------------------|-----------------|
| DEA Part B                | 84.027          |
| IDEA Preschool            | 84.173          |
| IDEA Preschool / ARRA     | 84.392          |
| Title I                   | 84.010          |
| Title I / ARRA            | 84.389          |
| Drug Free Schools         | 84.186          |
| Hazard Mitigation Program | 97.039.         |

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Gibson County Special School District was determined to be a low risk auditee.

**B. Finding – Financial Statement Audit**

None Noted

**C. Finding – Relative to Federal Grants**

None Noted

**D. Prior Year Findings Corrected**

02-1 General Accounting Functions – The conditions causing the finding have been corrected.