

WEST CARROLL SPECIAL SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**WEST CARROLL SPECIAL SCHOOL DISTRICT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
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INTRODUCTORY SECTION

**WEST CARROLL SPECIAL SCHOOL DISTRICT
DIRECTORY
JUNE 30, 2010**

ELECTED OFFICIALS

Jimmy Halford, Chairman
Lester Scott, Vice Chairman
Mike Foster, Treasurer
Donald Cunningham, Member
Jim Pirtle, Member
Sam Inman, Member

APPOINTED OFFICIALS

Eric Williams, Director of Schools
Shan DePriest, Bookkeeper - General Purpose, Federal Projects, Debt Service, Capital Projects, and Endowment
Janet Wilson, Bookkeeper - Food Service
Lisa Newbill – Payroll and Capital Assets

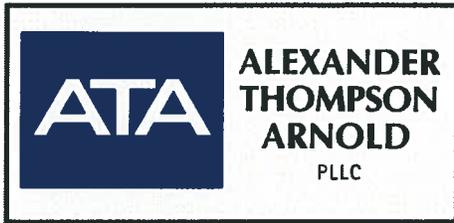
COUNSEL

The King Law Office
Huntingdon, Tennessee

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION



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Independent Auditor's Report

Board of Education
West Carroll Special School District
Atwood, Tennessee

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Carroll Special School District (the District), as of and for the year ended 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2010, and the respective changes in financial position and the budgetary comparison of the general-purpose fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion schedule of funding progress – employee retirement system, and schedule of funding progress – post employment healthcare plan on pages 4 through 10 and the required supplementary information on page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Education
West Carroll Special School District
Atwood, Tennessee

Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the System's financial statements as a whole. The introductory section, and the other supplementary section, are presented for purposes of additional analysis and are 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The other supplementary information including the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Alexander Thompson Arnold PLLC

Certified Public Accountants
Jackson, Tennessee
January 20, 2011

Management's Discussion and Analysis

As management of the West Carroll Special School District (the District), we offer readers of the financial statements for the District this narrative overview and analysis of the financial activities for the year ended June 30, 2010. We encourage readers to consider the information here in conjunction with the Independent Auditor's Report and the District's financial statements. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A).

Financial Highlights

- The assets of the District exceeded its liabilities at June 30, 2010 by \$3,932,048. Of this amount, \$2,880,418 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the District reported combined ending reserves and fund balance of \$3,142,755. Approximately 82% of this total amount, \$2,570,143, is unreserved in the general-purpose fund. Approximately 9% represents funds unreserved in the centralized cafeteria fund.
- At the end of the current fiscal year, unreserved fund balance for the general-purpose fund was \$2,570,143 or 41% of total general-purpose fund expenditures.
- The District's total bonded debt decreased by \$225,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements The *district-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents all the assets and liabilities for the District, with differences between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs. The District's governmental activities include general administration, finance and education. The District has no business-type activities to report.

Please refer to the Table of Contents to locate the district-wide financial statements.

Fund financial statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be grouped into one category: governmental funds.

Governmental funds *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on

balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general-purpose fund and the debt service fund, and the non-major funds. The general-purpose, federal projects, and the debt service funds are considered major funds, and the centralized cafeteria and the endowment funds are considered non-major funds.

The District adopts an annual appropriated budget for its general-purpose, federal projects, debt service, and cafeteria funds. The District adopts a federal projects program, and the budgets for the federal projects fund are determined by the grantor of each grant. A budgetary comparison statement has been provided as basic financial statements for the general-purpose fund to demonstrate compliance with this budget. A budgetary comparison is presented as other supplementary information for the debt service fund. In addition, a budgetary comparison is provided for the federal projects, and centralized cafeteria funds as non-major funds.

Please refer to the Table of Contents to locate the basic governmental fund financial statements.

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. Please refer to the Table of Contents to locate the notes to the financial statements.

Other information In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This required supplementary information has been presented in the required supplementary information section of this report. The debt service fund's and non-major funds' statements of revenues, expenditures, and changes in fund balances are presented as other supplementary information as well as other additional information.

District-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3,932,048 at the close of the fiscal year ended June 30, 2010.

A large portion of the District's net assets reflects its investment in capital assets (e.g., buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's Net Assets

	Governmental Activities June 30, 2010	Governmental Activities June 30, 2009
Assets		
Current and other	\$ 4,798,619	\$ 4,425,590
Capital assets - net of accumulated depreciation	6,557,111	6,640,769
Total assets	<u>11,355,730</u>	<u>11,066,359</u>
Liabilities		
Long-term liabilities	6,120,000	6,345,000
Other liabilities	1,303,682	1,301,062
Total liabilities	<u>7,423,682</u>	<u>7,646,062</u>
Net assets		
Invested in capital assets, net of related debt	836,196	715,859
Restricted	215,434	218,734
Unrestricted	2,880,418	2,485,704
Total net assets	<u>\$ 3,932,048</u>	<u>\$ 3,420,297</u>

The above provides a summary of the District's net assets for 2010 and 2009.

An additional portion of the District's net assets, \$215,434, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$2,880,418, may be used to meet the government's ongoing obligations to citizens and creditors.

During the current fiscal year, the District's total net assets increased by \$511,751. This increase was related in part to additional revenues not anticipated and the ability of the District to prevent budget overruns.

The following summary shows the changes in net assets for fiscal years 2010 and 2009.

	Governmental Activities June 30, 2010	Governmental Activities June 30, 2009
Revenues		
Program revenues		
Charges for services	\$ 207,699	\$ 208,836
Operating grants and contributions	1,776,751	1,456,662
Capital grants and contributions	-	61,869
General revenues		
Property taxes	1,203,479	1,193,108
Sales taxes	525,076	547,262
Alcoholic beverage tax	511	498
Grants and contributions not restricted to specific programs:		
Basic Education Program	4,888,553	4,818,329
Other	24,900	13,015
Interest	37,696	38,356
Gain on sale of capital assets	1,657	1,055
Other miscellaneous revenues	84,100	78,651
Total revenues	<u>8,750,422</u>	<u>8,417,641</u>

The District's Changes in Net Assets

	Governmental Activities June 30, 2010	Governmental Activities June 30, 2009
Expenses		
Instruction	4,946,092	4,867,588
Support services	2,232,608	2,218,500
Non-instructional services	1,059,971	1,021,167
Total expenses	<u>8,238,671</u>	<u>8,107,255</u>
Change in net assets	<u>511,751</u>	<u>310,386</u>
Net assets, beginning	<u>3,420,297</u>	<u>3,109,911</u>
Net assets, ending	<u>\$ 3,932,048</u>	<u>\$ 3,420,297</u>

Governmental activities Governmental activities increased the District's net assets by \$511,751. The key element of this increase is the ability of the District to prevent budget overruns.

Total governmental activities' revenue for the fiscal year was \$8,750,422. The largest single revenue source was state revenues in the form of Basic Education Program payments.

Expense and Program Revenues - Governmental Activities

Certain revenues are generated that are specific to governmental program activities.

Among major funds, the general-purpose fund had \$6,798,226 in revenues and \$6,263,094 in expenditures. The debt service fund had \$260,472 in revenues and \$475,735 in expenditures. The federal projects fund had \$1,057,875 in revenues and \$1,030,701 in expenditures. Major funding for these funds was provided by federal funds. In the non-major funds, the cafeteria fund had \$622,950 in revenues and \$590,452 in expenditures. The endowment fund had \$10,899 in revenues and \$10,000 in expenditures.

Revenue by Source - Governmental Funds

Total governmental revenues allocated by each revenue type.

	June 30, 2010		June 30, 2009	
	Amount	Percent	Amount	Percent
Program revenues				
Charges for services	\$ 207,699	2%	\$ 208,836	2%
Operating grants and contributions	1,776,751	20%	1,456,662	17%
Capital grants and contributions	-	0%	61,869	1%
General revenues				
Property taxes	1,203,479	14%	1,193,108	14%
Sales taxes	525,076	6%	547,262	6%
Alcoholic beverage tax	511	0%	498	0%
Grants and contributions not restricted to specific programs	4,888,553	56%	4,818,329	55%
Interest	37,696	0%	38,356	0%
Gain on sale of capital assets	1,657	0%	1,055	0%
Contribution	24,900	0%	13,015	0%
Other miscellaneous revenues	84,100	1%	78,651	1%
Non-operating revenues				
Endowment fund contribution	-	0%	-	0%
Total revenues	<u>\$ 8,750,422</u>	<u>100%</u>	<u>\$ 8,417,641</u>	<u>100%</u>

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirement.

Governmental funds The focus of the District's *governmental funds* is to provide information on near-term inflow, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,142,755. Of this amount, \$3,097,462 constitutes *unreserved fund balance*, which is available for spending at the District's discretion. The remainder is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contract and purchase orders of the prior period, 2) to pay for the administration of food service, 3) for inventory, and 4) for a variety of other restricted purposes.

The general purpose fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance was \$2,570,143.

As a measure of the general purpose fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 50% of the total general purpose fund expenditures, while total fund balances represent 51% of that same amount.

The fund balance of the District's general purpose fund increased by \$345,785 during the current fiscal year. A key factor in this growth was the District's ability to remain within the budget adopted.

General Purpose Fund Budgetary Highlights

Differences between the original budget and the final amended budget are briefly summarized as follows:

General Purpose Fund	June 30, 2010		
	Original	Final	Difference
Revenues			
Taxes	\$ 1,365,040	\$ 1,365,040	\$ -
Intergovernmental	5,184,015	5,184,015	-
Miscellaneous	31,700	31,700	-
Total revenues	<u>6,580,755</u>	<u>6,580,755</u>	<u>-</u>
Expenses			
Instruction	3,860,646	3,853,646	(7,000)
Support services	2,207,433	2,139,433	(68,000)
Non-instructional services	<u>296,155</u>	<u>371,155</u>	<u>75,000</u>
Total expenditures	<u>6,364,234</u>	<u>6,364,234</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 216,521</u>	<u>\$ 216,521</u>	<u>\$ -</u>

In 2010, there were no major increases or decreases in the budgets.

June 30, 2009

General Purpose Fund

Revenues

	Original	Final	Difference
Taxes	\$ 1,356,753	\$ 1,356,753	\$ -
Intergovernmental	5,136,033	5,199,116	63,083
Miscellaneous	31,700	46,700	15,000
Total revenues	6,524,486	6,602,569	78,083

Expenses

Instruction	3,808,316	3,832,666	24,350
Support services	2,197,058	2,154,824	(42,234)
Non-instructional services	519,112	615,079	95,967
Total expenditures	6,524,486	6,602,569	78,083

**Excess (deficiency) of revenues
over (under) expenditures**

	\$ -	\$ -	\$ -
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In 2009, there were no major increases or decreases in the budgets.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental funds as of June 30, 2010 amounts to \$836,196 (net of accumulated depreciation and related debt). This investment in capital assets includes buildings and improvements and other fixed assets (including equipment). The major capital asset events that occurred during the year included the purchase and installation destiny library management software and HVAC units for the elementary and primary schools.

The District's investment in capital assets for its governmental funds as of June 30, 2009 amounts to \$715,859 (net of accumulated depreciation and related debt). This investment in capital assets includes buildings and improvements and other fixed assets (including equipment). The major capital asset events that occurred during the year included the installation of lights at the baseball and softball fields and purchase of Teach Smart learning system.

	6/30/09	Additions	Reductions	6/30/10
Capital assets not being depreciated:				
Land	\$ 217,127	\$ -	\$ -	\$ 217,127
Capital assets being depreciated:				
Buildings and improvements	11,527,379	213,562	33,777	11,707,164
Other fixed assets	200,624	173,633	-	374,257
	11,728,003	387,195	33,777	12,081,421
Accumulated depreciation	(5,304,361)	(453,215)	16,139	(5,741,437)
Capital assets net of accumulated depreciation	6,640,769	(66,020)	17,638	6,557,111
Long-term debt related to capital assets (including bond costs and premiums)	(5,924,910)	-	(203,995)	(5,720,915)
Capital assets net of accumulated depreciation and related debt	\$ 715,859	\$ (66,020)	\$ (186,357)	\$ 836,196

	<u>6/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/09</u>
Capital assets not being depreciated:				
Land	\$ 217,127	\$ -	\$ -	\$ 217,127
Capital assets being depreciated:				
Buildings and improvements	11,350,559	176,820	-	11,527,379
Other fixed assets	<u>180,978</u>	<u>26,196</u>	<u>(6,550)</u>	<u>200,624</u>
Total	11,531,537	203,016	(6,550)	11,728,003
Accumulated depreciation	(4,888,000)	(422,911)	6,550	(5,304,361)
Capital assets net of accumulated depreciation	6,860,664	(219,895)	-	6,640,769
Long-term debt related to capital assets (including bond costs and premiums)	<u>(6,119,119)</u>	<u>-</u>	<u>(194,209)</u>	<u>(5,924,910)</u>
Capital assets net of accumulated depreciation and related debt	<u>\$ 741,545</u>	<u>\$ (219,895)</u>	<u>\$ (194,209)</u>	<u>\$ 715,859</u>

Long-term debt. As of June 30, 2010, the District had total bonded debt outstanding of \$6,120,000. All debt is backed by the full faith and credit of the government.

As of June 30, 2009, the District had total bonded debt outstanding of \$6,345,000. All debt is backed by the full faith and credit of the government.

	<u>6/30/2010</u>	<u>6/30/2009</u>
School Bonds, Series 2005	<u>\$ 6,120,000</u>	<u>\$ 6,345,000</u>

During 2005, the School Bonds issued in 1999 for the construction, furnishings, fixtures, and equipping the West Carroll High School building was defeased. The remaining School Bonds, Series 1999 totaled \$660,000. The principal of the School Bonds, Series 2005 was \$6,535,000.

The District maintains an "Aaa" rating by Moody's Investors Service, Inc. (Moody's) for general obligation debt.

Economic Factors and Next year's Budget and Rates

The unemployment rate for Carroll County is currently 13.3%. The state's average unemployment rate is currently 9.1%. The national average unemployment rate is currently 9.8%. All of the rates are from labor statistics released in November 2010.

Inflationary trends in the region are slightly high according to the national indices.

All of these factors were considered in preparing the District's budget for the 2010-2011 fiscal year.

The District's undesignated fund balance in the general purpose fund was \$2,570,143, for the fiscal year ending June 30, 2010. It is intended that this use of available fund balance and reserves will avoid the need to raise taxes during the 2010-2011 fiscal year.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the West Carroll Special School District, P.O. Box 279, Trezevant, TN 38258.

BASIC FINANCIAL STATEMENTS

WEST CARROLL SPECIAL SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2010

Assets:

Cash and cash equivalents	\$	2,516,899
Investments		200,000
Accounts receivable		8,893
Due from other governments - nongrant		1,441,549
Due from other governments - grants		179,057
Interest receivable		5,913
Inventory		43,192
Bond issuance cost		403,116
Capital assets, not being depreciated:		
Land		217,127
Capital assets, being depreciated (net of accumulated depreciation):		
Buildings and improvements		6,111,748
Other fixed assets		228,236
Total assets		11,355,730

Liabilities:

Accounts payable		6,326
Accrued expenses		52,528
Accrued interest payable		52,816
Deferred revenue - grants		9
Deferred revenue - property taxes		1,187,972
Bond premium		4,031
Long-term liabilities:		
Portion due or payable within one year:		
Bonds payable		230,000
Portion due or payable after one year:		
Bonds payable		5,890,000
Total liabilities		7,423,682

Net assets:

Invested in capital assets, net of related debt		836,196
Restricted for:		
Career Ladder - Extended Contract		2,101
Endowment		213,333
Unrestricted		2,880,418
Total net assets		\$ 3,932,048

WEST CARROLL SPECIAL SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular education	\$ 4,020,729	\$ -	\$ 597,314	\$ -	\$ (3,423,415)
Alternate education	14,313	-	-	-	(14,313)
Special education	641,812	-	329,095	-	(312,717)
Vocational education	269,238	-	24,996	-	(244,242)
Support Services:					
Attendance	34,082	-	-	-	(34,082)
Health services	46,457	-	-	-	(46,457)
Other student support	238,333	-	60,957	-	(177,376)
Regular education	350,298	-	108,767	-	(241,531)
Special education	97,826	-	29,224	-	(68,602)
Vocational education	1,241	-	12,073	-	10,832
Board of Education	100,812	-	-	-	(100,812)
Office of Director of Schools	139,744	-	367	-	(139,377)
Office of Principals	417,613	-	3,849	-	(413,764)
Fiscal Services	72,371	-	-	-	(72,371)
Operation and maintenance of plant	596,651	-	-	-	(596,651)
Central and other	137,180	-	-	-	(137,180)
Noninstructional Services					
Food service	570,678	207,699	413,954	-	50,975
Early Childhood	181,478	-	196,155	-	14,677
Capital outlay	40,001	-	-	-	(40,001)
Debt service	267,814	-	-	-	(267,814)
	\$ 8,238,671	\$ 207,699	\$ 1,776,751	\$ -	(6,254,221)
General Revenues:					
Property taxes including interest and penalties					1,203,479
Sales taxes					525,076
Alcoholic beverage tax					511
Grants and contributions not restricted to specific programs					
Basic Education Program					4,888,553
Other					24,900
Interest					37,696
Gain on sale of capital assets					1,157
Other miscellaneous revenues					84,600
Total general revenues					6,765,972
Change in net assets					511,751
Net assets, beginning					3,420,297
Net assets, ending					\$ 3,932,048

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

WEST CARROLL SPECIAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Purpose Fund	Debt Service Fund	Federal Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,215,714	\$ 14,087	\$ -	\$ 287,098	\$ 2,516,899
Investments	-	-	-	200,000	200,000
Accounts receivable	8,893	-	-	-	8,893
Due from other governments - nongrant	1,159,794	281,755	-	-	1,441,549
Due from other governments - grants	101,762	-	51,194	26,101	179,057
Due from other funds	50,934	-	53	-	50,987
Inventory	-	-	-	43,192	43,192
Total assets	<u>\$ 3,537,097</u>	<u>\$ 295,842</u>	<u>\$ 51,247</u>	<u>\$ 556,391</u>	<u>\$ 4,440,577</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 6,022	\$ -	\$ 304	\$ -	\$ 6,326
Accrued expenses	52,528	-	-	-	52,528
Due to other funds	86	-	50,934	-	51,020
Due from other funds	-	-	-	(33)	(33)
Unearned revenue - grants	-	-	9	-	9
Unearned revenue - property taxes	<u>906,217</u>	<u>281,755</u>	<u>-</u>	<u>-</u>	<u>1,187,972</u>
Total liabilities	<u>964,853</u>	<u>281,755</u>	<u>51,247</u>	<u>(33)</u>	<u>1,297,822</u>
Fund balances:					
Reserved for:					
Special revenue funds:					
Inventory	-	-	-	43,192	43,192
Career ladder extended	2,101	-	-	-	2,101
Unreserved:					
General-purpose fund	2,570,143	-	-	-	2,570,143
Special revenue funds	-	-	-	299,899	299,899
Debt service fund	-	14,087	-	-	14,087
Permanent fund:					
Endowment	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,333</u>	<u>213,333</u>
Total fund balances	<u>2,572,244</u>	<u>14,087</u>	<u>-</u>	<u>556,424</u>	<u>3,142,755</u>
Total liabilities and fund balances	<u>\$ 3,537,097</u>	<u>\$ 295,842</u>	<u>\$ 51,247</u>	<u>\$ 556,391</u>	<u>\$ 4,440,577</u>

**WEST CARROLL SPECIAL SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Amounts reported for the governmental activities in the statement of net assets (Page 11) are different because:

Fund balance - total governmental funds (Page 13)	\$ 3,142,755
Capital assets used in governmental funds are not financial resources and, therefore, are not reported as assets in governmental funds.	6,557,111
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Accrued interest	5,913
Bond issuance cost	403,116
Other liabilities in governmental funds are not financial uses in the current period and, therefore, are not reported as liabilities in governmental funds.	
Accrued interest payable	(52,816)
Bond premium	(4,031)
Long-term liabilities, including bonds, notes, and leases payable, are not due in the current period and, therefore, are not reported in the funds.	<u>(6,120,000)</u>
Net assets of governmental activities (Page 11)	<u>\$ 3,932,048</u>

WEST CARROLL SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Purpose Fund	Debt Service Fund	Federal Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 1,467,715	\$ 260,472	\$ -	-	\$ 1,728,187
Federal revenue	-	-	1,054,410	257,387	1,311,797
Intergovernmental	5,254,733	-	3,465	1,568	5,259,766
Miscellaneous	50,278	-	-	-	50,278
Interest earned	25,500	-	-	12,196	37,696
Food services	-	-	-	362,698	362,698
Total revenues	<u>6,798,226</u>	<u>260,472</u>	<u>1,057,875</u>	<u>633,849</u>	<u>8,750,422</u>
Expenditures:					
Current:					
Instruction	3,859,357	-	864,585	-	4,723,942
Support services	2,033,332	-	166,116	-	2,199,448
Noninstructional	370,405	475,735	-	600,452	1,446,592
Total expenditures	<u>6,263,094</u>	<u>475,735</u>	<u>1,030,701</u>	<u>600,452</u>	<u>8,369,982</u>
Other financing sources (uses)					
Transfers in	27,174	216,521	-	-	243,695
Transfers (out)	(216,521)	-	(27,174)	-	(243,695)
	<u>(189,347)</u>	<u>216,521</u>	<u>(27,174)</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	<u>345,785</u>	<u>1,258</u>	<u>-</u>	<u>33,397</u>	<u>380,440</u>
Fund balance - beginning	2,226,459	12,829	-	515,979	2,755,267
Inventory adjustment	-	-	-	7,048	7,048
Fund balance - beginning - restated	<u>2,226,459</u>	<u>12,829</u>	<u>-</u>	<u>523,027</u>	<u>2,762,315</u>
Fund balance - ending	<u>\$ 2,572,244</u>	<u>\$ 14,087</u>	<u>\$ -</u>	<u>\$ 556,424</u>	<u>\$ 3,142,755</u>

WEST CARROLL SPECIAL SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Amounts reported for the governmental activities in the statement of activities (Page 12) are different because:

Net change in fund balance - total governmental funds (Page 15)	\$ 380,440
Expenses on the statement of activities that are not current financial uses are not reported as expenses in governmental funds:	
Change in inventory	7,048
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Change in interest	3,925
The payment of the debt issuance costs is an expenditure in the governmental funds, but it is an asset to be amortized over the life of the bonds on the statement of activities.	(21,216)
The receipt of the debt premium is a revenue in the governmental funds, but it is a liability to be amortized over the life of the bonds on the statement of activities.	212
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 activities.	225,000
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital outlays	387,195
Loss on sale of asset	(17,638)
Depreciation	<u>(453,215)</u>
 Change in Net Assets of Governmental Activities (Page 12)	 <u>\$ 511,751</u>

**WEST CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Revenues:	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Local Taxes:				
County Taxes:				
Trustees collections - bankruptcy	\$ -	\$ -	\$ 3,012	\$ 3,012
Clerk and Master collections - prior year	-	-	29,831	29,831
Sales tax	460,000	460,000	491,298	31,298
Interstate telecommunications	650	650	567	(83)
	<u>460,650</u>	<u>460,650</u>	<u>524,708</u>	<u>64,058</u>
Special School District Taxes:				
Property taxes	833,690	833,690	867,473	33,783
Property taxes - prior year	50,000	50,000	50,663	663
Interest and penalty	5,700	5,700	9,492	3,792
In lieu of tax payments	15,000	15,000	15,379	379
	<u>904,390</u>	<u>904,390</u>	<u>943,007</u>	<u>38,617</u>
Total local taxes	<u>1,365,040</u>	<u>1,365,040</u>	<u>1,467,715</u>	<u>102,675</u>
Intergovernmental Revenues:				
State Education Funds:				
Basic Education Program	4,879,553	4,879,553	4,697,153	(182,400)
Basic Education Program - ARRA	-	-	191,400	191,400
Early Childhood Education	196,155	196,155	196,155	-
Other state education funds	3,000	3,000	12,644	9,644
Career Ladder	77,000	77,000	74,467	(2,533)
Career Ladder extended contract - ARRA	27,857	27,857	34,300	6,443
	<u>5,183,565</u>	<u>5,183,565</u>	<u>5,206,119</u>	<u>22,554</u>
Other State Funds:				
On behalf payments	-	-	35,847	35,847
Mixed drink tax	450	450	511	61
	<u>450</u>	<u>450</u>	<u>36,358</u>	<u>35,908</u>
Federal Through State:				
Internet connectivity - ARRA	-	-	2,950	2,950
Statewide student mgmt system - ARRA	-	-	2,546	2,546
Safe schools - ARRA	-	-	3,600	3,600
Education of handicapped	-	-	3,160	3,160
	<u>-</u>	<u>-</u>	<u>12,256</u>	<u>12,256</u>
Total intergovernmental revenues	<u>5,184,015</u>	<u>5,184,015</u>	<u>5,254,733</u>	<u>70,718</u>

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Revenues (Cont.):				
Miscellaneous Revenues:				
Marriage licenses	200	200	368	168
Interest earned	15,000	15,000	25,500	10,500
Miscellaneous refunds	-	-	20,002	20,002
Insurance recovery	-	-	9,132	9,132
Sale of equipment	-	-	1,157	1,157
Other	16,500	16,500	19,619	3,119
Total miscellaneous revenues	31,700	31,700	75,778	44,078
Total revenues	6,580,755	6,580,755	6,798,226	217,471
Expenditures				
Instruction:				
Regular Instruction Program:				
Teachers	2,261,975	2,276,975	2,085,438	191,537
Career Ladder Program	43,935	43,935	41,500	2,435
Teachers - ARRA	-	-	191,400	(191,400)
Career Ladder extended contract	17,545	27,545	26,975	570
Homebound teachers	5,000	5,000	4,793	207
Aides	66,367	67,167	67,109	58
Substitute teachers	8,000	8,000	2,186	5,814
Noncertified substitute teachers	33,000	36,200	36,125	75
Social Security	138,969	138,969	138,692	277
State retirement	148,646	148,646	154,535	(5,889)
Medical insurance	211,651	201,651	201,075	576
Unemployment compensation	3,568	3,568	3,365	203
Medicare	32,544	32,544	32,738	(194)
Maintenance and repair services	5,000	5,000	-	5,000
Tuition	20,000	3,000	2,673	327
Instructional materials and supplies	50,000	41,000	40,235	765
Textbooks	73,000	73,000	85,730	(12,730)
Fee waivers	13,000	13,000	10,032	2,968
On behalf payments	-	-	35,847	(35,847)
Capital outlay - equipment	48,000	48,000	34,047	13,953
	3,180,200	3,173,200	3,194,495	(21,295)
Alternate Instruction Program:				
Other contracted services	17,000	17,000	14,313	2,687

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Expenditures (Cont.)	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Instruction (Cont.):				
Special Education Program:				
Teachers	215,603	220,203	220,138	65
Career Ladder	1,000	1,500	1,500	-
Career Ladder extended contract	2,815	3,315	3,250	65
Homebound teachers	1,700	1,700	1,624	76
Aides	52,797	52,797	48,235	4,562
Substitute teachers	1,000	1,000	-	1,000
Non-certified substitutes	2,000	2,000	1,458	542
Social Security	16,350	16,350	15,802	548
State retirement	18,776	18,776	17,809	967
Medical insurance	19,733	16,233	15,781	452
Unemployment compensation	584	584	525	59
Medicare	3,834	3,834	3,748	86
Contracts with other schools	40,000	40,000	40,000	-
Other contracted services	15,000	15,000	16,529	(1,529)
Instructional supplies and materials	4,000	1,900	1,116	784
Capital outlay - equipment	8,000	8,000	5,841	2,159
	<u>403,192</u>	<u>403,192</u>	<u>393,356</u>	<u>9,836</u>
Vocational Education Program:				
Teachers	181,560	185,560	185,176	384
Career Ladder Program	1,000	1,000	1,000	-
Career Ladder extended contract	815	1,015	975	40
Substitute teachers	1,000	1,000	-	1,000
Non-certified substitutes	3,500	3,500	3,245	255
Social Security	10,224	10,224	10,368	(144)
State retirement	11,806	11,806	12,015	(209)
Medical insurance	25,695	23,495	23,005	490
Unemployment compensation	244	244	216	28
Medicare	2,410	2,410	2,424	(14)
Instructional supplies and materials	8,000	8,000	7,623	377
Other supplies and materials	4,000	4,000	3,646	354
Capital outlay - equipment	10,000	8,000	7,500	500
	<u>260,254</u>	<u>260,254</u>	<u>257,193</u>	<u>3,061</u>

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Expenditures (Cont.)	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Instruction (Cont.):				
Total instruction	3,860,646	3,853,646	3,859,357	(5,711)
Support Services:				
Attendance:				
Medical personnel	27,871	27,871	27,371	500
Social Security	1,631	1,631	1,625	6
State retirement	1,785	1,785	1,757	28
Medical insurance	1,475	1,475	1,421	54
Unemployment compensation	50	50	24	26
Medicare	400	400	380	20
Postal charges	500	500	-	500
Travel	2,000	2,000	805	1,195
Other charges	1,000	1,000	699	301
Attendance Equipment	1,000	1,000	-	1,000
	<u>37,712</u>	<u>37,712</u>	<u>34,082</u>	<u>3,630</u>
Health Services:				
Medical personnel	33,085	33,085	33,082	3
Social security	1,653	1,653	1,618	35
State retirement	2,699	2,699	2,657	42
Medical insurance	7,359	7,359	7,115	244
Unemployment compensation	50	50	48	2
Medicare	388	388	378	10
Travel	1,500	1,500	831	669
Other contracted services	2,000	500	91	409
Staff development	500	500	-	500
Other charges	1,100	1,100	637	463
Health equipment	2,000	-	-	-
	<u>52,334</u>	<u>48,834</u>	<u>46,457</u>	<u>2,377</u>
Other Student Support:				
Career Ladder	7,000	7,000	5,500	1,500
Guidance personnel	160,898	160,898	160,665	233
Career Ladder extended contract	2,035	2,035	1,950	85
Social Security	10,002	10,002	9,176	826
State retirement	10,984	10,984	9,613	1,371
Medical insurance	10,308	10,308	9,950	358

The accompanying notes are integral part of the financial statements.

**WEST CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Expenditures (Cont.)	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Support Services (Cont.)				
Other Student Support (Cont.):				
Unemployment compensation	244	244	193	51
Medicare	2,372	2,372	2,298	74
Evaluation and testing	8,000	4,000	3,503	497
Travel	1,000	1,000	405	595
Other contracted services	9,000	9,000	9,000	-
Other supplies and materials	500	500	2,238	(1,738)
Other equipment	1,000	1,000	-	1,000
	<u>223,343</u>	<u>219,343</u>	<u>214,491</u>	<u>4,852</u>
 Regular Education Program				
Supervisor	54,962	54,962	51,822	3,140
Career Ladder Program	10,000	10,000	9,000	1,000
Career Ladder extended contract	1,210	1,210	600	610
Librarians	131,695	131,695	131,195	500
Other salaries and wages	-	1,000	979	21
Non-certified substitute teachers	400	400	-	400
Social Security	10,326	10,326	11,190	(864)
State retirement	11,984	11,984	12,373	(389)
Medical insurance	19,759	14,759	14,590	169
Unemployment compensation	244	244	139	105
Medicare	2,595	2,595	2,617	(22)
Maintenance and repair service - equipment	26,000	18,500	18,110	390
Travel	2,500	2,500	2,762	(262)
Other contracted services	4,000	1,000	330	670
Library books/media	12,000	12,000	12,000	-
Periodicals	1,500	1,500	-	1,500
In-service/staff development	5,000	1,000	90	910
Other equipment	1,000	1,000	-	1,000
	<u>295,175</u>	<u>276,675</u>	<u>267,797</u>	<u>8,878</u>
 Special Education Program:				
Supervisor	9,591	13,091	12,831	260
Clerical personnel	9,976	9,976	8,362	1,614
Social Security	1,132	1,132	1,120	12
State retirement	1,423	1,423	1,495	(72)
Medical insurance	1,540	1,540	3,423	(1,883)
Unemployment compensation	100	100	33	67

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Expenditures (Cont.)	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Support Services (Cont.)				
Medicare	267	267	262	5
Travel	1,500	1,500	968	532
In-service/staff development	1,000	1,000	800	200
Other equipment	1,000	1,000	-	1,000
	<u>27,529</u>	<u>31,029</u>	<u>29,294</u>	<u>1,735</u>
 Vocational Education Program				
Travel	1,000	1,000	-	1,000
	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
 Board of Education:				
Audit services	27,000	27,000	23,347	3,653
Dues and memberships	7,000	7,000	5,785	1,215
Legal services	1,000	1,000	124	876
Postal Charges	500	500	-	500
Travel	1,500	1,500	1,099	401
Liability insurance	2,200	2,200	1,500	700
Trustee commissions	30,000	30,000	29,562	438
Workmen's compensation	38,000	33,000	32,391	609
Refund to applicants	1,400	1,400	432	968
Other charges	6,000	6,000	6,572	(572)
	<u>114,600</u>	<u>109,600</u>	<u>100,812</u>	<u>8,788</u>
 Director of Schools:				
County official/administrative officer	82,000	82,000	82,001	(1)
Career Ladder program	1,000	1,000	1,000	-
Clerical personnel	10,035	10,035	8,362	1,673
Social Security	5,338	5,338	5,178	160
State retirement	6,137	6,137	6,000	137
Medical insurance	7,359	7,359	9,190	(1,831)
Unemployment compensation	200	200	72	128
Medicare	1,252	1,252	1,211	41
Communication	3,000	3,000	2,179	821
Dues and memberships	2,500	2,500	1,603	897
Maintenance and repair service - equipment	3,500	3,500	3,535	(35)
Postal charges	1,800	1,800	780	1,020

**WEST CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Expenditures (Cont.)	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Support Services (Cont.)				
Director of Schools: (Cont.)				
Travel	4,000	4,000	2,560	1,440
Office supplies	2,500	2,500	1,531	969
Other charges	500	500	-	500
Capital outlay - equipment	2,000	2,000	1,899	101
	133,121	133,121	127,101	6,020
Office of Principals:				
Principals	193,329	193,429	193,329	100
Career Ladder	3,000	3,000	3,000	-
Accountants/bookkeepers	8,858	8,858	8,600	258
Assistant principal(s)	52,594	52,594	52,594	-
Secretary(s)	53,604	44,604	44,390	214
Clerical personnel	16,798	16,998	16,939	59
In service / staff development	6,000	6,000	6,000	-
Social Security	18,460	18,460	17,830	630
State retirement	23,240	23,240	21,596	1,644
Medical insurance	31,861	31,861	31,695	166
Unemployment compensation	438	438	386	52
Medicare	4,349	4,349	4,170	179
Communication	6,500	6,500	6,551	(51)
Dues and memberships	2,100	2,100	1,875	225
Postal charges	3,000	3,000	2,600	400
Other supplies and materials	3,000	3,000	3,058	(58)
Administration equipment	3,000	3,000	3,000	-
	430,131	421,431	417,613	3,818
Business Administration:				
Fiscal Services:				
Accountants/bookkeepers	53,561	53,561	53,560	1
Social Security	3,141	3,141	3,070	71
State retirement	4,302	4,302	4,301	1
Medical insurance	2,951	2,951	2,841	110
Unemployment compensation	100	100	97	3

**WEST CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Expenditures (Cont.)	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Support Services (Cont.)				
Medicare	736	736	718	18
Travel	1,000	1,000	-	1,000
Other contracted services	7,000	7,000	6,845	155
Data processing supplies	1,000	1,000	-	1,000
Office supplies	1,000	1,000	-	1,000
Other charges	1,500	1,500	631	869
Capital outlay - equipment	2,000	2,000	308	1,692
	78,291	78,291	72,371	5,920
Operation of Plant:				
Custodial personnel	129,971	129,971	122,847	7,124
Social Security	7,540	7,540	7,227	313
State retirement	10,437	10,437	9,186	1,251
Employee health insurance	8,845	8,845	5,915	2,930
Unemployment compensation	387	387	406	(19)
Medicare	1,764	1,764	1,690	74
Maintenance and repair - equipment	8,500	8,500	8,610	(110)
Custodial supplies	31,700	26,900	23,462	3,438
Electricity	165,000	155,500	145,139	10,361
Gas	60,000	42,500	41,854	646
Water and sewer	25,000	25,000	22,222	2,778
Building and contents insurance	72,000	72,000	71,442	558
Plant operation equipment	5,000	5,000	2,340	2,660
	526,144	494,344	462,340	32,004
Maintenance of Plant:				
Supervisor	40,457	40,457	40,458	(1)
Maintenance personnel	24,480	24,480	24,470	10
Other salaries and wages	7,200	7,200	5,578	1,622
Social Security	4,362	4,362	4,177	185
State retirement	5,508	5,508	5,404	104
Medical insurance	2,951	2,951	2,915	36
Unemployment compensation	150	150	125	25
Medicare	1,116	1,116	977	139
Maintenance and repair - buildings	5,000	5,000	532	4,468
Maintenance and repair - equipment	15,000	15,000	16,060	(1,060)

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Cont.)				
Support Services (Cont.)				
Maintenance of Plant (Cont.):				
Maintenance and repair - vehicles	2,000	2,000	686	1,314
Travel	1,000	1,000	888	112
Other contracted services	2,000	2,000	2,268	(268)
Gasoline	6,500	6,500	5,276	1,224
Other supplies and materials	15,000	15,000	13,980	1,020
Capital outlay - equipment	5,000	5,000	-	5,000
	<u>137,724</u>	<u>137,724</u>	<u>123,794</u>	<u>13,930</u>
Central and Other:				
Supervisor	46,424	46,424	46,422	2
Social Security	2,881	2,881	2,878	3
State retirement	3,741	3,741	2,980	761
Unemployment compensation	75	75	48	27
Medicare	708	708	673	35
Data processing services	25,000	25,000	11,199	13,801
Data processing services - ARRA	-	-	7,196	(7,196)
Maintenance and repair - equipment	3,000	3,000	2,650	350
Postal Charges	750	750	96	654
Travel	2,750	2,750	2,077	673
Other contracted services	25,000	25,000	23,696	1,304
Data processing equipment	40,000	40,000	37,265	2,735
	<u>150,329</u>	<u>150,329</u>	<u>137,180</u>	<u>13,149</u>
Total support services	<u>2,207,433</u>	<u>2,139,433</u>	<u>2,033,332</u>	<u>106,101</u>

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Cont.)				
Non-Instructional Services:				
Early Childhood Education:				
Teachers	71,375	71,375	70,181	1,194
Aides	39,228	39,228	35,145	4,083
Certified substitute teacher	-	1,600	1,369	231
Non-certified substitute teachers	5,500	4,000	3,355	645
Social Security	7,197	7,197	6,263	934
State Retirement	7,733	7,733	7,328	405
Medical insurance	7,359	7,359	7,115	244
Unemployment Compensation	242	242	274	(32)
Employer Medicare	1,685	1,685	1,487	198
Travel	2,000	2,000	1,101	899
Instructional supplies	33,336	33,336	44,544	(11,208)
In-service/staff development	3,500	3,500	651	2,849
Other equipment	17,000	17,000	17,345	(345)
	<u>196,155</u>	<u>196,255</u>	<u>196,158</u>	<u>97</u>
Capital Outlay:				
Building improvements	-	900	831	69
Other capital outlay	100,000	174,000	173,416	584
	<u>100,000</u>	<u>174,900</u>	<u>174,247</u>	<u>653</u>
Total non-instructional services	<u>296,155</u>	<u>371,155</u>	<u>370,405</u>	<u>750</u>
Total expenditures	<u>6,364,234</u>	<u>6,364,234</u>	<u>6,263,094</u>	<u>101,140</u>
Excess (deficiency) of revenues over (under) expenditures	<u>216,521</u>	<u>216,521</u>	<u>535,132</u>	<u>318,611</u>

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses):				
Transfers out	(216,521)	(216,521)	(216,521)	-
Transfers in	<u>-</u>	<u>-</u>	<u>27,174</u>	<u>27,174</u>
	<u>-</u>	<u>(216,521)</u>	<u>(189,347)</u>	<u>27,174</u>
 Net changes in fund balance	 <u>\$ 216,521</u>	 <u>\$ -</u>	 <u>345,785</u>	 <u>\$ 345,785</u>
 Fund balance - beginning			 2,226,459	
 Fund balance - ending			 <u>\$ 2,572,244</u>	

**WEST CARROLL SPECIAL SCHOOL DISTRICT
FEDERAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Revenues:				
Federal through the State:				
Vocational education - basic grants to states	\$ 24,996	\$ 24,996	\$ 24,996	\$ -
Title I	644,559	641,904	593,849	(48,055)
Special education - grants to states	505,779	505,782	316,742	(189,040)
Special education - preschool	12,353	12,353	12,353	-
Safe and drug free school grant	4,765	6,516	3,849	(2,667)
Rural education	22,927	30,488	29,224	(1,264)
Education for homeless children	-	-	367	367
Eisenhower Professional Development	75,087	75,777	60,957	(14,820)
Other federal through state	12,661	12,630	12,073	(557)
	<u>1,303,127</u>	<u>1,310,446</u>	<u>1,054,410</u>	<u>(256,036)</u>
Other State Funds:				
On behalf payments	-	-	3,465	3,465
Total revenues	<u>1,303,127</u>	<u>1,310,446</u>	<u>1,057,875</u>	<u>(252,571)</u>
Expenditures:				
Instruction:				
Regular Instruction Program:				
Teachers	210,000	205,300	201,169	4,131
Educational assistants	32,500	32,775	26,262	6,513
Substitute teachers	2,100	5,140	3,950	1,190
Non certified substitute teachers	5,100	5,300	2,750	2,550
Social Security	14,630	14,670	12,932	1,738
State retirement	16,110	16,110	15,019	1,091
Medical insurance	28,200	25,200	23,148	2,052
Unemployment compensation	1,240	1,250	409	841
Medicare	3,705	3,715	3,053	662
Maintenance and repair - equipment	21,400	21,400	2,775	18,625
Instructional supplies	49,834	57,873	37,555	20,318
Instructional Equipment	258,129	257,720	271,597	(13,877)
On behalf payments	-	-	3,465	(3,465)
	<u>642,948</u>	<u>646,453</u>	<u>604,084</u>	<u>42,369</u>
Special Education Program:				
Teachers	32,000	33,700	33,655	45
Educational assistants	67,000	68,300	61,439	6,861
Substitute Teachers	21,618	21,618	18,462	3,156
Certified substitute teachers	1,500	1,500	-	1,500
Non certified substitute teachers	3,000	3,700	3,685	15
Social Security	7,125	7,125	6,062	1,063
State retirement	7,425	7,425	7,083	342
Medical insurance	7,100	7,100	329	6,771

See independent auditor's report.

**WEST CARROLL SPECIAL SCHOOL DISTRICT
FEDERAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - Cont.)
FOR THE YEAR ENDED JUNE 30, 2010**

Expenditures (Cont.)	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Instruction (Cont.):				
Special Education Program (Cont.):				
Unemployment compensation	373	373	334	39
Medicare	1,838	1,838	1,686	152
Contracts with other school systems	96,350	95,651	56,903	38,748
Other contracted services	9,028	9,028	6,883	2,145
Evaluation and testing	-	-	-	-
Instructional supplies	54,575	51,575	30,946	20,629
Other Charges	75,220	75,220	6,880	68,340
Capital outlay - equipment	16,000	16,000	14,109	1,891
	<u>400,152</u>	<u>400,153</u>	<u>248,456</u>	<u>151,697</u>
Vocational Education Program:				
Other salaries and wages	1,600	1,600	1,093	507
Social Security	99	99	68	31
State retirement	103	103	70	33
Medical insurance	12	12	-	12
Employer Medicare	23	23	16	7
Other contracted services	3,000	157	-	157
Other supplies and materials	10,051	10,051	10,798	(747)
	<u>14,888</u>	<u>12,045</u>	<u>12,045</u>	<u>-</u>
Total instruction	<u>1,057,988</u>	<u>1,058,651</u>	<u>864,585</u>	<u>194,066</u>
Support Services:				
Other Student Support:				
Bus Drivers	999	-	-	-
Other salaries and wages	2,000	-	-	-
Travel	3,532	4,999	5,194	(195)
Other contracted services	4,375	4,375	2,147	2,228
Other supplies and materials	5,057	5,057	395	4,662
In-service/staff development	336	4,711	4,369	342
Other charges	4,600	4,500	1,737	2,763
	<u>20,899</u>	<u>23,642</u>	<u>13,842</u>	<u>9,800</u>
Regular Instruction Program:				
Supervisor/director	26,800	26,900	26,871	29
Certified substitute teachers	100	100	-	100
In-service training	19,843	19,843	19,424	419
Non-certified substitute teachers	100	100	110	(10)
Social Security	2,946	2,946	2,465	481
State retirement	3,566	3,519	2,620	899
Life insurance	126	-	-	-
Medical insurance	1,400	1,400	1,421	(21)

**WEST CARROLL SPECIAL SCHOOL DISTRICT
FEDERAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - Cont.)
FOR THE YEAR ENDED JUNE 30, 2010**

Expenditures (Cont.)	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Support Services (Cont.):				
Regular Instruction Program(Cont.):				
Unemployment compensation	221	221	42	179
Employer Medicare	540	540	576	(36)
Travel	11,000	11,346	7,592	3,754
Library books	3,600	3,500	2,821	679
In-service/staff development	17,177	20,917	18,559	2,358
	<u>87,419</u>	<u>91,332</u>	<u>82,501</u>	<u>8,831</u>
Special Education Program:				
Supervisor	4,000	4,000	4,000	-
In-service training	2,100	2,100	1,578	522
Social Security	370	670	472	198
State retirement	400	750	537	213
Medical insurance	-	800	380	420
Unemployment compensation	80	80	8	72
Medicare	90	150	110	40
Travel	8,000	10,002	8,660	1,342
Other contracted services	71,240	67,731	42,349	25,382
In-service/staff development	11,700	11,700	10,438	1,262
	<u>97,980</u>	<u>97,983</u>	<u>68,532</u>	<u>29,451</u>
Vocational Education Program:				
Supervisors/directors	1,000	1,000	1,000	-
Social Security	62	62	62	-
State Retirement	64	64	64	-
Employer Medicare	15	15	15	-
Travel	100	100	100	-
	<u>1,241</u>	<u>1,241</u>	<u>1,241</u>	<u>-</u>
Total support services	<u>207,539</u>	<u>214,198</u>	<u>166,116</u>	<u>48,082</u>
Total expenditures	<u>1,265,527</u>	<u>1,272,849</u>	<u>1,030,701</u>	<u>242,148</u>
Excess (deficiency) of revenues over (under) expenditures	37,600	37,597	27,174	(10,423)
Other financing sources (uses)				
Transfers to other funds	<u>(37,600)</u>	<u>(37,600)</u>	<u>27,174</u>	<u>64,774</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ (3)</u>	<u>-</u>	<u>\$ 3</u>
Fund balance - beginning			<u>-</u>	
Fund balance - ending			<u><u>\$ -</u></u>	

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity:

The West Carroll Special School District (District) was created by an act to amend Chapter 504 of the Private Acts of 1945 as amended by Chapter 82 of the Private Acts of 1981. This act was passed by the General Assembly of the State of Tennessee on July 23, 1981. The purpose of the West Carroll Special School District is to operate and administer the area of West Carroll County's public schools.

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

As required by generally accepted accounting principles, these financial statements present all funds, which comprise the District. These financial statements present the District as "The Primary Government", and there are no other component units, entities for which the District is considered financially accountable, which should be included.

The financial statements of the District are prepared in accordance with generally accepted accounting principles. The District applies all relevant *Governmental Accounting Standards Board (GASB)* pronouncements and applicable *Financial Accounting Standards Board (FASB)* pronouncements and *Accounting Principle Board (APB)* opinions issued on or before November 30, 1989 unless they conflict with GASB pronouncements. The District does not apply FASB pronouncements issued after November 30, 1989.

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

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions restricted to meeting the operational requirements of a particular function or segment, and 3) capital grants and contributions that are restricted to meeting the 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 are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered 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 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.

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010

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

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

However, debt service expenditures 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 measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

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

The federal projects fund is the fund used to account for all financial resources and expenditures related to federal and state grants.

The debt service fund is the fund used to account for all financial resources and expenditures related to repayment of debt.

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.

Receivables and Payables

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

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

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010

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

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

Receivables and Payables (Cont.)

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 \$1.56 on every \$100 of real and personal property located within the District.

Inventories and Prepaid Items

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

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

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the assets 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 are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	30 years
Machinery and equipment	5-15 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

All employees, except food service personnel, accumulate sick leave at the rate of one day per month of service. All professional employees and non-professional employees, except food service personnel, hired prior to July 1, 1980, may accumulate an unlimited amount of sick leave to build retirement. Non-professional employees, except food service personnel, hired after July 1, 1980, may accumulate up to 120 days of sick leave to build retirement. Full time non-professional food service employees, effective September 1, 1983, accumulate sick leave at the rate of one day for every 20 days employed. Half-day food service personnel accumulate sick leave at the rate of one-half day for every 20 days employed. Full time and half-day food service personnel may accumulate up to 50 days of sick leave. Food service managers may accumulate a maximum of 120 days of sick leave. Sick leave is not vested; therefore, no accrual is recorded.

**WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010**

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

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

All employees of the District, except custodial employees, receive two weeks paid vacation per year, which is not accumulated. All employees, except custodial employees, also receive two days of personal or professional leave per year. Since balances may not be accumulated, no liability is recorded.

Long-term Liabilities

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

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

Fund Equity

In the fund financial statements, the governmental fund reports 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 a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the district-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds, 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 (\$6,120,000) and (\$4,031) are as follows:

School Bonds Payable, Series 2005	\$ <u>(6,120,000)</u>
Bond premium related to the school bonds, series 2005	\$ <u>(4,031)</u>

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 \$6,557,112 are as follows:

Land	\$ 217,127
Buildings and improvements	11,707,164
Other fixed assets	<u>374,257</u>
	12,298,548
Less accumulated depreciation	<u>(5,741,437)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 6,557,111</u>

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont.)
 JUNE 30, 2010

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

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

Another element of that reconciliation explains that "other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds - bond issuance costs." The details of this \$403,116 are as follows:

Bond issuance costs	\$	48,455
Bond insurance premium		40,138
Bond discount		38,800
Loss on bond issuance		<u>275,723</u>
	\$	<u><u>403,116</u></u>

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 payment of debt issuance costs is an expenditure in the governmental funds, but is an asset to be amortized over the life of the bonds in the statement of activities." The details of this \$(21,216) are as follows:

Bond issuance costs	\$	(2,550)
Bond insurance premium		(2,112)
Bond discount		(2,042)
Loss on bond issuance		<u>(14,512)</u>
	\$	<u><u>(21,216)</u></u>

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 \$225,000 are as follows:

Principal repayments		
School Bonds Payable, Series 2005	\$	<u>225,000</u>

One element of that reconciliation states that "capital outlays are reported in the governmental funds as expenditures. However, in the statements of activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense." The details of this \$387,195 and (\$453,215) are as follows:

Capital Outlays	\$	<u>387,195</u>
Depreciation Expense	\$	<u><u>(453,215)</u></u>

**WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010**

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

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 (Cont.)

One element of that reconciliation states that “receipt of a debt premium is a revenue in the governmental funds, but it is a liability to be amortized over the life of the bonds on the statements of activities.” The details of this \$212 are as follows:

Debt premium	<u>\$ 212</u>
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One element of that reconciliation states that there are “expenses on the statement of activities that are not current financial uses and are not reported as expenses in governmental funds.” The details of (\$3,925) and \$7,048 are as follows:

Accrued interest payable	<u>\$ (3,925)</u>
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Change in inventory	<u>\$ 7,048</u>
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NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. These include the general purpose, federal projects, cafeteria, and debt service funds. The Board of Education approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal year end. Each budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

As an extension of the formal budgetary process, the Board of Education may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. The District's policy is to not allow expenditures to exceed budgetary amounts at the function level without obtaining additional appropriation approval from the Board of Education.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of June 30, 2010, the District had the following investments:

Investments	Fair Value Cost	Maturity (Years)
Certificate of deposit	\$ 200,000	4.46

**WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010**

A. Deposits and Investments (Cont.)

Custodial Credit Risk

The 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, by the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the District to invest in bonds, 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.

GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, requires investments with a remaining maturity of one year or more to be reported at fair value. The District had investments of \$200,000 as of June 30, 2010. This investment consists of a certificate of deposit at a local financial institution.

The following is a summary of cash and cash equivalents as of June 30, 2010:

Cash and cash equivalents:	
Cash in bank	\$ 2,498,955
Local Government Investment Pool	17,944
	2,516,899
Investments:	
Certificate of deposit	200,000
Total deposits	\$ 2,716,899

B. Receivables

Receivables as of the year-end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Purpose Fund	Debt Service Fund	Nonmajor Funds	Total
Receivables:				
Due from other governments - nongrant	\$ 1,159,793	\$ 281,755	\$ -	\$ 1,441,548
Due from other governments - grants	101,763	-	77,295	179,058
Due from other funds	50,934	-	53	50,987
Total receivables	\$ 1,312,490	\$ 281,755	\$ 77,348	\$ 1,671,593

Amounts in the general purpose fund called due from other governmental agencies represent the normal amounts due from state and county governments for shared revenues and tax allocations.

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont.)
 JUNE 30, 2010

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

C. Capital Assets

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

	<u>6/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/09</u>
Capital assets not being depreciated:				
Land	\$ 217,127	\$ -	\$ -	\$ 217,127
Capital assets being depreciated:				
Buildings and improvements	11,527,379	213,562	33,777	11,707,163
Other fixed assets	200,624	173,633	-	374,258
	<u>11,728,003</u>	<u>387,195</u>	<u>33,777</u>	<u>12,081,421</u>
Accumulated depreciation:				
Buildings and improvements	5,202,813	408,741	16,139	5,595,415
Other fixed assets	101,548	44,474	-	146,022
	<u>5,304,361</u>	<u>453,215</u>	<u>16,139</u>	<u>5,741,437</u>
Capital assets net of accumulated depreciation	6,640,769	(66,020)	17,638	6,557,111
Long-term debt related to capital assets (including bond costs and premiums)	<u>(5,924,910)</u>	-	<u>(203,995)</u>	<u>(5,720,915)</u>
Capital assets net of accumulated depreciation and related debt	<u>\$ 715,859</u>	<u>\$ (66,020)</u>	<u>\$(186,357)</u>	<u>\$ 836,196</u>

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

Instruction:	
Regular education	\$ 427,810
Support services:	
Office of the Director of Schools	12,643
Operation and maintenance of plant	10,517
Food Services	2,245
Total depreciation	<u>\$ 453,215</u>

Leases

Operating Leases

The District has entered into a lease agreement for the use of its copier. For financial reporting purposes, this lease has been determined to be an operating lease. The cost for this lease for the year ended June 30, 2010, was \$775. The future minimum lease payments are as follows:

Year ending June 30,	
2010	<u>\$ 775</u>

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont.)
 JUNE 30, 2010

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

D. Long-term Debt

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

Years Ending June 30,	Bonds		Total
	Principal	Interest	
2011	\$ 230,000	\$ 242,860	\$ 472,860
2012	240,000	234,810	474,810
2013	250,000	226,410	476,410
2014	255,000	217,660	472,660
2015	265,000	208,735	473,735
2016-2020	1,475,000	892,198	2,367,198
2021-2025	1,745,000	583,965	2,328,965
2026-2030	1,660,000	186,340	1,846,340
	<u>\$ 6,120,000</u>	<u>\$ 2,792,978</u>	<u>\$ 8,912,978</u>

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

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds Payable:					
School Bonds, Series 2005, 3.5% to 4.10 % interest, payable serially through 2029	\$ 6,345,000	\$ -	\$ 225,000	\$ 6,120,000	\$ 230,000
	<u>6,345,000</u>	<u>-</u>	<u>225,000</u>	<u>6,120,000</u>	<u>\$ 230,000</u>
Bond Issuance Cost	424,333	-	21,217	403,116	
Bond Premium	4,243	-	212	4,031	
Net Bonds Payable	<u>\$ 6,773,576</u>	<u>\$ -</u>	<u>\$ 246,429</u>	<u>\$ 6,527,147</u>	

The District issued school bonds for the purpose of providing funds for the acquisition and construction of a new building. During the year ended June 30, 2005, additional school bonds were issued to refund a portion of the School Bonds, Series 1999. The principal not refunded totaled \$660,000.

During the year ended June 30, 2005, the District issued \$6,535,000 of school refunding bonds for the purpose of providing funds to refund a portion of the District's School Bonds, Series 1999, maturing June 1, 2010, through June 1, 2012, inclusive, June 1, 2014, June 1, 2015, June 1, 2019, June 1, 2024, and June 1, 2029, and to pay costs of issuance on the bonds. The refunded bonds are considered defeased and the liability has been removed from the statement of net assets except for the portion not refunded. The reacquisition principal plus issuance costs, premiums, and discounts exceeded the net carrying amount of the old debt by \$348,281. This amount is being netted against the new debt and being amortized along with the issuance costs and premiums over the life of the new debt, which is the same life as the refunded debt. The advance refunding was undertaken to reduce the total debt service payments over the next fifteen years by \$753,105 and resulted in an economic loss of \$348,281.

**WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010**

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

E. Internal Balances

The following is a summary of due to and due from other funds as of June 30, 2010:

	General Purpose Fund	Federal Projects Fund	Centralized Cafeteria Fund	Total
Due to other funds	\$ (86)	\$ (50,934)	\$ -	\$ (51,020)
Due from other funds	50,934	53	33	51,020
	<u>\$ 50,848</u>	<u>\$ (50,881)</u>	<u>\$ 33</u>	<u>\$ -</u>

The above internal balance is the result of indirect costs and salaries that had not been paid as of the year-end.

The following is a summary of transfers during the year ended June 30, 2010:

Transfers From	Transfers To	Amount
Federal Projects Fund	General Purpose Fund	\$ 27,174
General Purpose Fund	Debt Service Fund	216,521
		<u>\$ 243,695</u>

Transfers are used to transfer indirect costs relating to the grant administration in the federal projects fund and for debt payments in the debt service fund.

NOTE 5 -OTHER INFORMATION

A. Pensions

Political Subdivision Pension Plan

Plan Description

Employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement District (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 district 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 the 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.

**WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010**

NOTE 5 -OTHER INFORMATION (Cont.)

A. Pensions (Cont.)

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

Funding Policy

The District requires employees to contribute 5.0% of earnable compensation. The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2010 was 8.03% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2010, the District's annual pension cost of \$58,871 to TCRS was equal to the 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% a year compounded annually, (b) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0% 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. The 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

Fiscal Year Ending	Annual Pension Cost (APC)	Trend Information	
		Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 58,871	100.00%	\$ -
June 30, 2009	60,481	100.00%	-
June 30, 2008	55,334	100.00%	-

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 88.36% funded. The actuarial accrued liability for benefits was \$1.56 million, and the actuarial value of assets was \$1.38 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.18 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.70 million, and the ratio of the UAAL to the covered payroll was 26.06%.

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

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010**

NOTE 5 - OTHER INFORMATION (Cont.)

A. Pensions (Cont.)

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2009	\$1,377	\$1,559	\$181	88.36%	\$696	26.06%
July 1, 2007	\$1,257	\$1,365	\$108	92.09%	\$637	16.95%

State Employees, Teachers, and Higher Education Employees Pension Plan

Plan Description

The District contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at 3%.

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

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for the District 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 the District is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2010, 2009, and 2008 were \$247,352, \$247,510, and \$237,451, respectively, equal to the required contributions for each year.

B. On-Behalf Payments for Fringe Benefits and Salaries

The District recognizes as revenues and expenses contributions made by the State of Tennessee to the Teacher Group Plan and the Medicare Supplement Plan on behalf of the District's employees. In fiscal year 2010 the State made contributions allocated to the General Purpose, Federal Projects, and Centralized Cafeteria funds for \$35,847, \$3,465, and \$1,568 respectively.

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2010

NOTE 5 - OTHER INFORMATION (Cont.)

C. 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.

D. Risk Management

The District is exposed to various risks related to workers' compensation, general liability, automobile liability, and property. The District felt it was more economically feasible to join public entity risk pools as opposed to purchasing commercial insurance for these areas. The District is a member of the Tennessee Risk Management Trust (TNRMT), which is a public entity risk pool. The District pays an annual premium to these pools for coverage under the above areas. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. TNRMT reinsures through commercial insurance companies for claims in excess of \$100,000 for each uninsured event. The District's premiums are calculated based on its claims history. The District continues to carry commercial insurance for all other risks of loss, including public officials' bond. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

E. Endowment

During the year ended June 30, 2005, a certificate of deposit in the amount of \$100,130 was contributed to the District. Another contribution was made during year ended June 30, 2008 in the amount of \$99,870 which brought the balance of the certificate of deposit to \$200,000. The revenue from the certificate of deposit is to be used for scholarships for deserving seniors. The revenue in the endowment fund for the year ended June 30, 2010 was \$10,899. Scholarships paid as of June 30, 2010 totaled \$10,000.

REQUIRED SUPPLEMENTARY INFORMATION

WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULES OF FUNDING PROGRESS - EMPLOYEE RETIREMENT SYSTEM
 JUNE 30, 2010

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2009	\$1,377	\$1,559	\$181	88.36%	\$696	26.06%
July 1, 2007	\$1,257	\$1,365	\$108	92.09%	\$637	16.95%

(Dollar amounts in thousands)

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

OTHER SUPPLEMENTARY INFORMATION

**WEST CARROLL SPECIAL SCHOOL DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
County Tax Revenues:				
Property Taxes	\$ 259,214	\$ 259,214	\$ 260,472	\$ 1,258
Total revenues	<u>259,214</u>	<u>259,214</u>	<u>260,472</u>	<u>1,258</u>
Expenditures:				
Debt Service				
Principal on bonds	225,000	225,000	225,000	-
Interest on bonds	250,735	250,735	250,735	-
Total expenditures	<u>475,735</u>	<u>475,735</u>	<u>475,735</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (216,521)</u>	<u>\$ (216,521)</u>	(215,263)	<u>\$ 1,258</u>
Other financing sources (uses)				
Transfers in	<u>216,521</u>	<u>216,521</u>	<u>216,521</u>	<u>-</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,258	<u>\$ 1,258</u>
Fund balance - beginning			<u>12,829</u>	
Fund balance - ending			<u>\$ 14,087</u>	

**WEST CARROLL SPECIAL SCHOOL DISTRICT
OTHER GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010**

	<u>Special Revenue Fund</u>	<u>Permanent Fund</u>	
	Centralized Cafeteria Fund	Endowment Fund	Total Other Governmental Funds
Assets			
Cash and cash equivalents	\$ 273,765	\$ 13,333	\$ 287,098
Due from other governments - grants	26,101	-	26,101
Investments	-	200,000	200,000
Inventory	43,192	-	43,192
Total assets	<u>\$ 343,058</u>	<u>\$ 213,333</u>	<u>\$ 556,391</u>
Liabilities and fund balances			
Liabilities:			
Due from other funds	\$ (33)	\$ -	\$ (33)
Total liabilities	<u>(33)</u>	<u>-</u>	<u>(33)</u>
Fund balances:			
Reserved for inventory	43,192	-	43,192
Reserved for endowment scholarships	-	213,333	213,333
Unreserved	299,899	-	299,899
Total fund balances	<u>343,091</u>	<u>213,333</u>	<u>556,424</u>
Total liabilities and fund balances	<u>\$ 343,058</u>	<u>\$ 213,333</u>	<u>\$ 556,391</u>

**WEST CARROLL SPECIAL SCHOOL DISTRICT
OTHER GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Special Revenue Fund</u>	<u>Permanent Fund</u>	
	Centralized Cafeteria Fund	Endowment Fund	Total Other Governmental Funds
Revenues:			
Federal revenue	\$ 257,387	\$ -	\$ 257,387
Intergovernmental	1,568	-	1,568
Interest earned	1,297	10,899	12,196
Food service	<u>362,698</u>	<u>-</u>	<u>362,698</u>
Total revenues	<u>622,950</u>	<u>10,899</u>	<u>633,849</u>
Expenditures:			
Noninstructional services	<u>590,452</u>	<u>10,000</u>	<u>600,452</u>
Total expenditures	<u>590,452</u>	<u>10,000</u>	<u>600,452</u>
Net changes in fund balances	<u>32,498</u>	<u>899</u>	<u>33,397</u>
Fund balances - beginning	303,545	212,434	515,979
Inventory adjustment	<u>7,048</u>	<u>-</u>	<u>7,048</u>
Fund balances - beginning restated	<u>310,593</u>	<u>212,434</u>	<u>523,027</u>
Fund balances - ending	<u>\$ 343,091</u>	<u>\$ 213,333</u>	<u>\$ 556,424</u>

**WEST CARROLL SPECIAL SCHOOL DISTRICT
CENTRALIZED CAFETERIA FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance-
	Original	Final		Favorable (Unfavorable)
Revenues:				
Lunch payments - students	\$ 110,000	\$ 110,000	\$ 114,808	\$ 4,808
Lunch payments - adults	14,500	14,500	14,993	493
Breakfast - students	13,500	13,500	22,229	8,729
A-la-carte	65,878	65,878	55,549	(10,329)
USDA Breakfast Reimbursement	86,000	86,000	114,049	28,049
USDA commodities	-	-	34,054	34,054
USDA ARRA	-	-	7,000	7,000
USDA reimbursements	244,000	244,000	250,387	6,387
Refunds	-	-	162	162
Sale of Equipment	-	-	213	213
Interest earnings	1,450	1,450	1,297	(153)
Other local revenues	6,000	6,000	6,521	521
Other charges for services	-	-	120	120
	<u>541,328</u>	<u>541,328</u>	<u>621,382</u>	<u>80,054</u>
 Other State Funds:				
On behalf payments	-	-	1,568	1,568
 Total revenues	 <u>541,328</u>	 <u>541,328</u>	 <u>622,950</u>	 <u>81,622</u>
 Expenditures:				
Food services:				
Supervisor	31,518	31,518	23,548	7,970
Cafeteria personnel	136,000	136,000	150,813	(14,813)
Social Security	10,450	10,450	10,217	233
State retirement	13,532	13,532	11,781	1,751
Medical insurance	5,575	5,575	9,176	(3,601)
Unemployment compensation	525	525	753	(228)
Medicare	2,445	2,445	2,390	55
Communications	950	950	-	950
Maintenance & repair service - equipment	10,000	10,000	12,327	(2,327)
Travel	3,500	3,500	3,444	56
Other contracted services	6,100	6,100	6,801	(701)
Food preparation supplies	15,000	15,000	10,746	4,254
Food supplies	350,000	350,000	272,518	77,482
USDA donated food expense	-	-	34,054	(34,054)
Electricity	-	-	10,000	(10,000)
Uniforms	-	-	1,832	(1,832)
Other supplies and materials	4,500	4,500	6,040	(1,540)
In-service/staff development	6,035	6,035	2,726	3,309
Other charges	1,000	1,000	4,747	(3,747)

**WEST CARROLL SPECIAL SCHOOL DISTRICT
CENTRALIZED CAFETERIA FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Cont.):				
Food services (Cont.):				
On behalf payments	-	-	1,568	(1,568)
Capital outlay - equipment	-	-	14,971	(14,971)
	<u>597,130</u>	<u>597,130</u>	<u>590,452</u>	<u>6,678</u>
Total expenditures				
	<u>597,130</u>	<u>597,130</u>	<u>590,452</u>	<u>6,678</u>
Net changes in fund balance	<u>\$ (55,802)</u>	<u>\$ (55,802)</u>	<u>32,498</u>	<u>\$ 88,300</u>
Fund balance - beginning			303,545	
Inventory adjustment			<u>7,048</u>	
Fund balance - beginning restated			<u>310,593</u>	
Fund balance - ending			<u>\$ 343,091</u>	

**WEST CARROLL SPECIAL SCHOOL DISTRICT
ENDOWMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010**

Revenues:	
Interest earnings	<u>\$ 10,899</u>
Expenditures:	
Tuition	<u>10,000</u>
Net changes in fund balance	899
Fund balance - beginning	<u>212,434</u>
Fund balance - ending	<u>\$ 213,333</u>

WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS - LAST TEN YEARS
JUNE 30, 2010

<u>Year Ended</u> <u>June, 30</u>	<u>Tax Rates</u>	<u>Assessments</u>	<u>Tax Levy</u>
2010	\$ 1.56	\$ 76,152,032	\$ 1,187,972
2009	1.56	75,323,670	1,175,041
2008	1.56	71,830,909	1,120,554
2007	1.81	61,221,535	1,108,110
2006	1.81	60,686,035	1,098,417
2005	1.81	59,800,920	1,082,397
2004	1.81	58,799,987	1,064,280
2003	1.91	56,305,629	1,075,438
2002	1.74	-	-
2001	1.74	-	-

The following is the tax levied January 1, 2010:

2011	\$ 1.56	\$ 76,152,032	\$ 1,187,972
------	---------	---------------	--------------

WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF LONG-TERM DEBT
 JUNE 30, 2010

Year Ending June 30,	School Bonds, Series 2005		
	Principal	Interest	Total
2011	\$ 230,000	\$ 242,860	\$ 472,860
2012	240,000	234,810	474,810
2013	250,000	226,410	476,410
2014	255,000	217,660	472,660
2015	265,000	208,735	473,735
2016	275,000	199,460	474,460
2017	285,000	189,560	474,560
2018	295,000	179,015	474,015
2019	305,000	167,953	472,953
2020	315,000	156,210	471,210
2021	325,000	143,925	468,925
2022	335,000	130,925	465,925
2023	350,000	117,525	467,525
2024	360,000	103,175	463,175
2025	375,000	88,415	463,415
2026	390,000	73,040	463,040
2027	405,000	55,880	460,880
2028	425,000	38,060	463,060
2029	440,000	19,360	459,360
	<u>\$ 6,120,000</u>	<u>\$ 2,792,978</u>	<u>\$ 8,912,978</u>

WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF INTERFUND TRANSFERS
 JUNE 30, 2010

Transfer Out			Transfer In		
	Budget	Actual		Budget	Actual
General Fund	\$ 216,521	\$ 216,521	Debt Service Fund	\$ 216,521	\$ 216,521
Federal Projects Fund	37,600	27,174	General Fund	-	27,174
	\$ 254,121	\$ 243,695		\$ 216,521	\$ 243,695

WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF SALARIES AND BONDS
JUNE 30, 2010

	<u>Salary</u>	<u>Bond</u>	
Director of Schools	\$ 82,001	\$ 150,000	*
Secretary/Treasurer	-	250,000	

*A fidelity bond of \$150,000 covers all employees including the Director of Schools for each occurrence.

**WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Federal CFDA Number	Agency or Pass-through Number	Balance 7/1/09 (Receivable) Unearned	Adjust- ment	Cash Receipts	Expenditures	Balance 6/30/10 (Receivable) Unearned	(Receivable)	Unearned	Net (Receivable) Unearned
U.S. Department of Education										
Pass-through the State of Tennessee Department of Education										
ARRA - Title I, Grants to Local Education Agencies	84.389*	N/A	\$ -	\$ -	\$ 222,708	\$ 229,469	\$ (6,761)	\$ (6,761)	\$ -	\$ (6,761)
Title I, Grants to Local Education Agencies	84.010*	N/A	(28,005)	-	382,814	364,380	(9,571)	(9,571)	-	(9,571)
			<u>(28,005)</u>	<u>-</u>	<u>605,522</u>	<u>593,849</u>	<u>(16,332)</u>	<u>(16,332)</u>	<u>-</u>	<u>(16,332)</u>
Special Education Grants to States										
IDEA Program	84.027*	N/A	(59,236)	-	227,202	177,410	(9,444)	(9,444)	-	(9,444)
IDEA, Additional	84.027*	N/A	(3,160)	-	3,160	-	-	-	-	-
ARRA - IDEA Program	84.391	N/A	-	-	129,336	139,332	(9,996)	(9,996)	-	(9,996)
			<u>(62,396)</u>	<u>-</u>	<u>359,698</u>	<u>316,742</u>	<u>(19,440)</u>	<u>(19,440)</u>	<u>-</u>	<u>(19,440)</u>
Vocational Education-Basic Grants to States	84.048	N/A	(7,183)	-	22,808	24,996	(9,371)	(9,380)	9	(9,371)
Special Education Preschool Grants:										
ARRA - IDEA Preschool	84.173*	N/A	-	-	4,028	4,028	-	-	-	-
IDEA Preschool	84.173*	N/A	(8,901)	-	17,227	8,325	1	1	-	1
			<u>(8,901)</u>	<u>-</u>	<u>21,255</u>	<u>12,353</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>
Safe and Drug Free Schools and Communities - State Grants										
Title IV, Part A	84.186	N/A	(598)	-	3,306	3,849	(1,141)	(1,141)	-	(1,141)
Innovative Education Program Strategies - State Grants										
Title VI, CSR	84.298	N/A	(17,155)	-	46,104	29,224	(275)	(275)	-	(275)
ARRA - Title X, Part C Homeless	84.387	N/A	-	-	342	367	(25)	(25)	-	(25)

See independent auditor's report.

**WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Cont.)
FOR THE YEAR ENDED JUNE 30, 2010**

	Federal CFDA Number	Agency or Pass-through Number	Balance 7/1/09 (Receivable) Unearned	Adjust- ment	Cash Receipts	Expenditures	Balance 6/30/10 (Receivable) Unearned	(Receivable)	Unearned	Net (Receivable) Unearned
U.S. Department of Education (Cont.)										
Improving Teacher Quality State Grants										
	84.367	N/A	\$ (1,186)	\$ -	\$ 4,635	\$ 3,490	(41)	(41)	\$ -	(41)
	84.386	N/A	-	-	4,305	8,583	(4,278)	(4,278)	-	(4,278)
	84.367	N/A	(18,870)	-	79,545	60,957	(282)	(282)	-	(282)
			<u>(20,056)</u>	<u>-</u>	<u>88,485</u>	<u>73,030</u>	<u>(4,601)</u>	<u>(4,601)</u>	<u>-</u>	<u>(4,601)</u>
State Fiscal Stabilization Fund - Education State Grants, Recovery Act										
	84.397	N/A	\$ -	\$ -	\$ 191,400	\$ 191,400	-	-	\$ -	-
	84.397	N/A	-	-	2,950	2,950	-	-	-	-
	84.397	N/A	-	-	2,546	2,546	-	-	-	-
	84.397	N/A	-	-	-	34,300	(34,300)	(34,300)	-	(34,300)
	84.397	N/A	-	-	-	3,600	(3,600)	(3,600)	-	(3,600)
			<u>-</u>	<u>-</u>	<u>196,896</u>	<u>234,796</u>	<u>(37,900)</u>	<u>(37,900)</u>	<u>-</u>	<u>(37,900)</u>
	Total Pass-through the U.S. Department of Education		<u>(144,294)</u>	<u>-</u>	<u>1,344,416</u>	<u>1,289,206</u>	<u>(89,084)</u>	<u>(89,093)</u>	<u>9</u>	<u>(89,084)</u>
U.S. Department of Agriculture										
Pass-through the Tennessee Department of Agriculture										
	10.553*	N/A	-	-	105,578	114,049	(8,471)	(8,471)	-	(8,471)
	10.555*	N/A	-	-	232,756	250,387	(17,631)	(17,631)	-	(17,631)
			<u>-</u>	<u>-</u>	<u>338,334</u>	<u>364,436</u>	<u>(26,102)</u>	<u>(26,102)</u>	<u>-</u>	<u>(26,102)</u>
	10.579	N/A	-	-	7,000	7,000	-	-	-	-
	Total Cash Federal Awards		<u>(144,294)</u>	<u>-</u>	<u>1,689,750</u>	<u>1,660,642</u>	<u>(115,186)</u>	<u>(115,195)</u>	<u>9</u>	<u>(115,186)</u>
U.S. Department of Agriculture										
Pass-through the Tennessee Department of Agriculture										
	10.555*	N/A	-	-	34,054	34,054	-	-	-	-
	Total Federal Awards		<u>\$ (144,294)</u>	<u>\$ -</u>	<u>\$ 1,716,804</u>	<u>\$ 1,687,696</u>	<u>\$ (115,186)</u>	<u>\$ (115,195)</u>	<u>\$ 9</u>	<u>\$ (115,186)</u>

* Major federal assistance programs

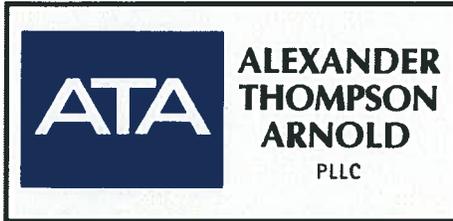
All expenditures reported are under the modified accrual basis of accounting, whereby, revenues are recorded when measurable and available, and expenditures are recorded when the liability is incurred.

See independent auditor's report.

**WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2010**

	State Grant Number	Balance 7/1/09 (Receivable) Unearned	Adjust- ment	Cash Receipts	Expenditures	Balance 6/30/10 (Receivable) Unearned	(Receivable)	Unearned	Net (Receivable) Unearned
Tennessee Department of Education									
Safe Schools - ARRA		\$ -	\$ -	\$ 3,600	\$ 3,600	\$ -	\$ -	\$ -	\$ -
Safe Schools	06-07	-	-	-	-	-	-	-	-
		-	-	3,600	3,600	-	-	-	-
Early Childhood Education - Lottery		(13,466)	-	13,466	-	-	-	-	-
Early Childhood Education - Expansion		(17,611)	-	160,779	196,155	(52,987)	(52,987)	-	(52,987)
		(31,077)	-	174,245	196,155	(52,987)	(52,987)	-	(52,987)
Energy Efficient Schools		-	-	-	10,875	(10,875)	(10,875)	-	(10,875)
Total State Awards		(31,077)	-	177,845	210,630	(63,862)	(63,862)	-	(63,862)
Total per Schedule of Expenditures of Federal Awards		(144,294)	-	1,716,804	1,687,696	(115,186)	(115,195)	9	(115,186)
Total Grants		\$ (175,371)	\$ -	\$ 1,894,649	\$ 1,898,326	\$ (179,048)	\$ (179,057)	\$ 9	\$ (179,048)

INTERNAL CONTROL AND COMPLIANCE SECTION



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Kentucky Society of Certified Public Accountants

**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***

Members of the Board of Education
West Carroll Special School District
Atwood, Tennessee

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Carroll Special School District (District) as of and for the year ended June 30, 2010 which collectively comprise the District's basic financial statements and have issued our report thereon dated January 20, 2011. 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 the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weakness have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weakness and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies.
10-01.

Dyersburg, TN
Henderson, TN
Jackson, TN
Martin, TN
McKenzie, TN

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

Members of the Board of Education
West Carroll Special School District
Atwood, Tennessee

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

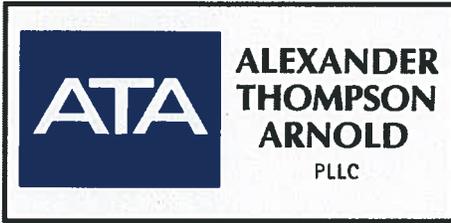
We noted certain matters that we reported to management of the District in a separate letter dated January 20, 2011.

The District's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the District's response, and, accordingly, we express no opinion on it.

This report is intended for the information and the use of the Board of Education, management, and State of Tennessee, Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Alexander Thompson Arnold PLLC

Certified Public Accountants
Jackson, Tennessee
January 20, 2011



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Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

**Report on Compliance with Requirements
Applicable to Each Major Program and on
Internal Control over Compliance in
Accordance with OMB Circular A-133**

Members of the Board of Education
West Carroll Special School District
Atwood, Tennessee

We have audited the compliance of the West Carroll Special School District (District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

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

Members of the Board of Education
West Carroll Special School District
Atwood, Tennessee

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 a 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, others within the organization, the Board of Education, the Comptroller of the Treasury, State of Tennessee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Alexander Thompson Arnold PLLC

Certified Public Accountants
Jackson, Tennessee
January 20, 2011

**WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:		Unqualified
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	_____ <u>X</u> no
Significant deficiency identified not considered to be material weaknesses?	_____ <u>X</u> yes	_____ none reported
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no

Federal Awards

Internal Control over major programs:		
Material weaknesses identified?	_____ yes	_____ <u>X</u> no
Significant deficiency identified not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported

Type of auditor's report issued on compliance for major programs:	Unqualified
---	-------------

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ yes	_____ <u>X</u> no
---	-----------	-------------------

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster Programs:</u>
10.553	USDA Cluster:
10.555	USDA, School Breakfast Program
	USDA, National School Lunch Program
84.027	IDEA Cluster:
84.173	Special Education - Grants to States
	Special Education - Preschool Grants
84.010	Title I Cluster:
84.389	Title I Grants to Local Educational Agencies
	Title I Grants to Local Educational Agencies, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
--	-------------------

Auditee qualified as low-risk auditee?	_____ <u>X</u> yes	_____ no
--	--------------------	----------

**WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont.)
JUNE 30, 2010**

SECTION II - FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

PRIOR YEAR FINDINGS

07- 09 Fund Balance Unreconciled (Significant Deficiency) – Corrected

CURRENT YEAR FINDINGS

10-01 Gas Usage not Properly Reconciled (Significant Deficiency)

Condition: During the testing of gas reconciliations the auditor noted that gas reconciliations are not properly reconciled. A ledger for gas usage is kept but not complete to allow proper monthly reconciliation.

Criteria: A ledger should be kept for gas usage to allow proper monthly reconciliation of usage and to verify that the usage is reasonable.

Effect: Failure to properly reconcile gas usage could lead to the misstatement of expenses incurred from gas usage.

Recommendation: We recommend that the client add three more columns to the current ledger to have a place to record gallons purchased, miles between purchases and miles per gallon. The miles per gallon calculation should be compared against all purchases to determine reasonableness. The gallons and the amount calculated should be checked against the invoice monthly to ensure that all purchases are logged.

Response: West Carroll Special School District will adjust their current gas usage reconciliation in order to account for gallons purchased, miles between purchases and miles per gallon in order to properly reconcile gas usage on a monthly basis and determine that it is reasonable.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CORRECTIVE ACTION PLAN

The West Carroll Special School District respectfully submits the following corrective action plan for the year ended June 30, 2010.

Name and address of independent public accounting firm:

Alexander Thompson Arnold PLLC
227 Oil Well Road
Jackson, TN 38305

Audit period:

June 30, 2010

The findings from the June 30, 2010, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Findings required to be reported in accordance with governmental auditing standards.

10-01 Gas Usage not Properly Reconciled (Significant Deficiency)

Recommendation: We recommend that the client add three more columns to the current ledger to have a place to record gallons purchased, miles between purchases and miles per gallon. The miles per gallon calculation should be compared against all purchases to determine reasonableness. The gallons and the amount calculated should be checked against the invoice monthly to ensure that all purchases are logged.

Response: West Carroll Special School District will adjust their current gas usage reconciliation in order to account for gallons purchased, miles between purchases and miles per gallon in order to properly reconcile gas usage on a monthly basis and determine that it is reasonable.