

SOUTH CARROLL SPECIAL SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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INTRODUCTORY SECTION

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2010**

Board Chairman	Philip Moore
Vice-Chairman	Marty McKnight
Secretary	Andrew Stokes
Treasurer	Tony Hunley
Vice-Treasurer	Kevin Hart

Director of Schools	Diana Collins
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FINANCIAL SECTION



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AICPA Employee Benefit Plan Audit Quality Center
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Independent Auditor’s Report

Board of Education
South Carroll Special School District
Clarksburg, Tennessee

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Carroll Special School District 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 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 for the general purpose fund and federal projects fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2011, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Accounting principles generally accepted in the United States of America require that the schedule of funding progress on page 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section, combining and individual nonmajor governmental fund financial statements and schedules, and other supplementary information 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 combining and individual nonmajor governmental fund financial statements and schedules and the other supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section 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

Martin, Tennessee
April 4, 2011

BASIC FINANCIAL STATEMENTS

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

ASSETS

Cash and cash equivalents	\$	1,342,931
Taxes receivable		322,380
Accounts receivable		2,467
Due from other governmental agencies		48,163
Due from grantor		87,882
Inventory		4,561
Capital assets, not being depreciated		
Land		275,000
Construction in process		161,974
Capital assets, net of accumulated depreciation		
Buildings and improvements		4,633,359
Other fixed assets		109,431
Total Assets		6,988,148

LIABILITIES

Accounts payable		3,219
Other accrued expenses		92,181
Deferred revenue - taxes		322,380
Noncurrent liabilities:		
Bonds and notes payable, due within one year		63,099
Portion due or payable after one year		3,462,086
Total Liabilities		3,942,965

NET ASSETS

Invested in capital assets, net of related debt		1,654,579
Restricted for		
Career Ladder		1,142
Debt Service		83,593
Food Service - inventory		4,561
Unrestricted		1,301,308
Total Net Assets	\$	3,045,183

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL 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	
Governmental activities:				
Instruction:				
Regular education	\$ 1,253,230	\$ 3,000	\$ 236,277	\$ (1,013,953)
Alternate education	5,205	-	-	(5,205)
Special education	299,825	-	219,983	(79,842)
Vocational education	167,789	-	61,097	(106,692)
Early Childhood Education	98,079	-	98,077	(2)
Support Services:				
Student support	269,223	-	1,387	(267,836)
Instructional staff	144,598	-	-	(144,598)
General administration	133,531	-	-	(133,531)
School administration	152,100	-	-	(152,100)
Business administration	55,890	-	-	(55,890)
Operation and maintenance of plant	258,116	-	-	(258,116)
Student transportation	600	-	-	(600)
Noninstructional Services				
Food service	189,355	67,899	144,710	23,254
Debt service	119,649	-	-	(119,649)
Total District	\$ 3,147,190	\$ 70,899	\$ 761,531	(2,314,760)
General Revenues:				
				192,211
Local taxes				494,673
Property taxes				
Intergovernmental:				
Basic Education Program				1,707,700
Other				48,647
Interest				8,259
Other miscellaneous revenues				7,919
Total General Revenues				2,459,409
				144,649
Change in Net Assets				
Net Assets, beginning				2,892,828
Prior period adjustment				7,706
Net Assets, beginning - as restated				2,900,534
Net Assets, ending				\$ 3,045,183

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

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

	General Purpose	Federal Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 1,250,852	\$ -	\$ 92,079	\$ 1,342,931
Taxes receivable	322,380	-	-	322,380
Accounts receivable	-	-	2,467	2,467
Due from other governmental agencies	44,663	-	3,500	48,163
Due from grantor	44,192	31,895	11,795	87,882
Due from other funds	25,659	-	-	25,659
Inventory	-	-	4,561	4,561
Total Assets	<u>\$ 1,687,746</u>	<u>\$ 31,895</u>	<u>\$ 114,402</u>	<u>\$ 1,834,043</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 3,219	\$ -	\$ -	\$ 3,219
Other accrued expenses	85,619	6,236	326	92,181
Due to other funds	-	25,659	-	25,659
Deferred revenue - taxes	322,380	-	-	322,380
Total Liabilities	<u>411,218</u>	<u>31,895</u>	<u>326</u>	<u>443,439</u>
Fund Balances				
Reserved for:				
Career Ladder	1,142	-	-	1,142
Debt Service	-	-	83,593	83,593
Food Service - inventory	-	-	4,561	4,561
Unreserved, undesignated reported in:				
General Fund	1,275,386	-	-	1,275,386
Special Revenue Fund	-	-	25,922	25,922
Total Fund Balances	<u>1,276,528</u>	<u>-</u>	<u>114,076</u>	<u>1,390,604</u>
Total Liabilities and Fund Balances	<u>\$ 1,687,746</u>	<u>\$ 31,895</u>	<u>\$ 114,402</u>	<u>\$ 1,834,043</u>

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010**

Total Governmental Fund Balances	\$ 1,390,604
Amounts reported for governmental activities on the statement of net assets are different because of the following:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in governmental funds.	5,179,764
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>(3,525,185)</u>
Net Assets of Governmental Activities	<u>\$ 3,045,183</u>

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

	General Purpose	Federal Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 554,192	\$ -	\$ -	\$ 554,192
Intergovernmental	2,004,909	368,208	144,710	2,517,827
Meal sales	-	-	67,899	67,899
Interest earnings	8,199	-	60	8,259
Note proceeds	-	-	164,634	164,634
Miscellaneous	10,919	-	51	10,970
Current property tax	-	-	132,692	132,692
Total Revenues	<u>2,578,219</u>	<u>368,208</u>	<u>510,046</u>	<u>3,456,473</u>
EXPENDITURES				
Instruction	1,375,301	297,036	-	1,672,337
Support services	893,273	71,172	-	964,445
Food services	-	-	184,702	184,702
Non-instructional services	111,484	-	-	111,484
Capital outlay	8,170	-	128,019	136,189
Debt service	35,857	-	166,607	202,464
Total Expenditures	<u>2,424,085</u>	<u>368,208</u>	<u>479,328</u>	<u>3,271,621</u>
Excess Revenues over Expenditures	<u>154,134</u>	<u>-</u>	<u>30,718</u>	<u>184,852</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	87,995	87,995
Operating transfers out	(40,489)	-	(47,506)	(87,995)
Total Other Financing Sources (Uses)	<u>(40,489)</u>	<u>-</u>	<u>40,489</u>	<u>-</u>
Net Change in Fund Balances	<u>113,645</u>	<u>-</u>	<u>71,207</u>	<u>184,852</u>
Fund balances, beginning	1,155,177	-	42,869	1,198,046
Prior period adjustment	7,706	-	-	7,706
Fund balances, beginning - as restated	<u>1,162,883</u>	<u>-</u>	<u>42,869</u>	<u>1,205,752</u>
Fund balances, ending	<u>\$ 1,276,528</u>	<u>\$ -</u>	<u>\$ 114,076</u>	<u>\$ 1,390,604</u>

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

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

Net Change in Fund Balances - Total Governmental Funds \$ 184,852

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

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Proceeds from long-term debt	(2,858,634)
Repayments of long-term debt	2,776,815

Capital outlay is 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	136,189
Depreciation	<u>(94,573)</u>

Change in Net Assets of Governmental Activities \$ 144,649

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
REVENUES				
Local Taxes:				
Local option sales tax	\$ 180,000	\$ 180,000	\$ 186,113	\$ 6,113
Interstate telecommunications tax	275	275	203	(72)
Circuit Clerk-Master Collections	-	-	5,895	5,895
City/Special School District Property Taxes:				
Current property tax	322,380	322,380	337,998	15,618
Prior year's property tax	7,000	7,000	13,078	6,078
Interest and penalty	1,000	1,000	3,325	2,325
Payment in lieu of taxes	<u>5,000</u>	<u>5,000</u>	<u>7,580</u>	<u>2,580</u>
Total Local Taxes	<u>515,655</u>	<u>515,655</u>	<u>554,192</u>	<u>38,537</u>
Intergovernmental:				
Licenses and Permits:				
Marriage licenses	<u>100</u>	<u>100</u>	<u>142</u>	<u>42</u>
State Revenues:				
State Education Funds:				
Basic Education Program	1,706,700	1,706,700	1,707,700	1,000
Early Childhood Education	97,552	98,078	98,077	(1)
Career Ladder	<u>21,673</u>	<u>21,673</u>	<u>17,510</u>	<u>(4,163)</u>
Total State Education Funds	<u>1,825,925</u>	<u>1,826,451</u>	<u>1,823,287</u>	<u>(3,164)</u>
Other State Revenues:				
State on-behalf payments for postretirement benefits	-	-	13,405	13,405
Other state revenues	-	-	3,355	3,355
Mixed drink tax	<u>100</u>	<u>100</u>	<u>184</u>	<u>84</u>
Total Other State Revenues	<u>100</u>	<u>100</u>	<u>16,944</u>	<u>16,844</u>
Total State Revenues	<u>1,826,125</u>	<u>1,826,651</u>	<u>1,840,373</u>	<u>13,722</u>
Federal Revenues:				
Other direct federal revenue	25,000	25,000	24,000	(1,000)
Federal Funds Received Through State:				
ARRA - Education State Grants	72,300	72,300	72,300	-
Career Ladder - Extended Contract	-	14,000	14,000	-
Other federal through State	<u>30,872</u>	<u>30,872</u>	<u>54,236</u>	<u>23,364</u>
Total Federal Funds	<u>128,172</u>	<u>142,172</u>	<u>164,536</u>	<u>22,364</u>
Total Intergovernmental	<u>1,954,297</u>	<u>1,968,823</u>	<u>2,004,909</u>	<u>36,086</u>

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
REVENUES (Cont.)				
Miscellaneous:				
Charges for Current Services:				
Receipts from individual schools	3,000	3,000	3,000	-
Other Local Revenues:				
Interest earned	4,000	4,000	8,199	4,199
Lease/rentals	-	-	375	375
Miscellaneous refunds	1,700	1,700	6,863	5,163
Miscellaneous revenue	-	-	65	65
Contributions from local groups	-	-	505	505
Damages recovered from individuals	-	-	111	111
Total Other Local Revenues	<u>5,700</u>	<u>5,700</u>	<u>16,118</u>	<u>10,418</u>
Total Miscellaneous	<u>8,700</u>	<u>8,700</u>	<u>19,118</u>	<u>10,418</u>
Total Revenues	<u>2,478,652</u>	<u>2,493,178</u>	<u>2,578,219</u>	<u>85,041</u>
EXPENDITURES				
Instruction:				
Regular Education:				
Teachers	838,153	813,009	820,127	7,118
Career Ladder Program	9,250	9,250	9,000	(250)
Career Ladder - Extended Contract	-	8,000	8,000	-
Homebound teachers	-	-	29	29
Teacher assistants	12,156	32,131	30,993	(1,138)
Other salaries and wages	500	500	1,119	619
Substitute teachers	14,200	14,503	11,303	(3,200)
Social security	54,204	55,938	50,713	(5,225)
State retirement	53,767	55,879	55,879	-
Medical insurance	56,877	58,861	58,861	-
Unemployment compensation	465	1,665	627	(1,038)
Medicare	12,676	13,082	11,860	(1,222)
Contracts with other government agencies	-	-	2,000	2,000
Operating lease payments	2,000	3,454	3,454	-
Maintenance and repair - equipment	2,500	5,691	5,691	-
Other contracted services	14,000	7,589	995	(6,594)
Instructional supplies/materials	21,000	21,000	13,044	(7,956)
Textbooks	26,000	26,000	21,624	(4,376)
Other supplies and materials	100	421	279	(142)
Other charges	100	100	-	(100)
Equipment	16,350	16,350	15,185	(1,165)
Total Regular Education	<u>1,134,298</u>	<u>1,143,423</u>	<u>1,120,783</u>	<u>(22,640)</u>

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

	Original Budget	Final Budget	Actual	Variance- Over (Under)
EXPENDITURES (Cont.)				
Instruction (Cont.):				
Alternate Instruction Program:				
Contracts with other schools	6,000	5,205	5,205	-
Special Education:				
Teachers	52,816	52,805	52,805	-
Homebound teachers	750	-	-	-
Career Ladder Program	1,000	1,000	1,000	-
Substitute teachers	1,000	2,390	2,390	-
Social security	3,373	3,287	3,287	-
State retirement	3,414	3,454	3,454	-
Medical insurance	1,808	1,169	1,169	-
Unemployment compensation	30	43	43	-
Medicare	798	769	769	-
Contracts with other school systems	12,500	13,070	13,070	-
Evaluation and testing	750	2,333	2,333	-
Maintenance and repair - equipment	1,750	972	972	-
Other contracted services	5,500	3,553	3,553	-
Instrucional supplies and materials	250	1,689	1,689	-
Other charges	250	250	250	-
Total Special Education	85,989	86,784	86,784	-
Vocational Education:				
Teachers	116,638	116,638	116,638	-
Career Ladder Program	1,000	1,000	1,000	-
Substitute teachers	2,200	1,821	1,819	(2)
Social security	7,430	6,271	6,271	-
State retirement	7,341	7,552	7,552	-
Medical insurance	14,477	15,411	15,411	-
Unemployment compensation	60	80	80	-
Medicare	1,738	1,513	1,467	(46)
Maintenance and repair	250	250	203	(47)
Other contracted services	2,900	2,910	2,910	-
Instructional supplies	3,000	3,585	3,585	-
Textbooks	4,000	4,000	4,000	-
Other supplies and materials	125	125	114	(11)
Other charges	100	100	17	(83)
Equipment	3,000	3,000	1,462	(1,538)
Total Vocational Education	164,259	164,256	162,529	(1,727)
Total Instruction	1,390,546	1,399,668	1,375,301	(24,367)

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

	Original Budget	Final Budget	Actual	Variance- Over (Under)
EXPENDITURES (Cont.)				
Support Services:				
Student Support				
Attendance:				
Travel	350	370	370	-
Other contracted services	28,800	31,800	31,800	-
Other supplies/materials	-	-	20	20
In-service/staff development	500	661	641	(20)
Equipment	1,000	1,000	1,000	-
Total Attendance	30,650	33,831	33,831	-
Health Services:				
Medical personnel	15,334	15,334	15,334	-
Social security	951	951	951	-
State retirement	1,083	1,033	1,033	-
Medical insurance	490	482	482	-
Unemployment compensation	20	25	25	-
Medicare	222	222	222	-
Maintenance and repair service	-	853	853	-
Travel	125	120	35	(85)
Drugs and medical supplies	1,000	-	-	-
Other supplies/materials	500	448	448	-
In-service/staff development	125	20	20	-
Other charges	200	98	98	-
Total Health Services	20,050	19,586	19,501	(85)
Other Student Support:				
Career Ladder Program	3,000	3,000	3,000	-
Guidance personnel	65,395	66,395	66,395	-
Career Ladder - Extended Contract	-	4,000	4,000	-
Social security	4,240	4,141	4,141	-
State retirement	4,268	4,712	4,712	-
Medical insurance	6,275	6,450	6,450	-
Unemployment compensation	30	37	37	-
Medicare	992	968	968	-
Evaluation/testing	1,000	3,617	3,617	-
Maintenance and repair	500	-	-	-
Travel	700	869	869	-
Other contracted services	500	648	648	-
Other supplies/materials	100	270	255	(15)
In-service/staff development	1,500	1,169	1,169	-
Other charges	-	-	15	15
Total Other Student Support	88,500	96,276	96,276	-
Total Student Support	139,200	149,693	149,608	(85)

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

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

	Original Budget	Final Budget	Actual	Variance- Over (Under)
EXPENDITURES (Cont.)				
Support Services (Cont.):				
Instructional Staff:				
Regular Education:				
Director	50,434	50,434	52,684	2,250
Career Ladder Program	1,650	1,795	2,000	205
Career Ladder - Extended Contract	-	273	273	-
Librarian(s)	33,176	32,989	32,989	-
Instructional computer personnel	9,851	9,851	9,851	-
Social security	6,021	5,145	5,145	-
State retirement	5,445	5,592	5,592	-
Medical insurance	8,108	8,627	8,627	-
Unemployment compensation	53	67	67	-
Medicare	1,408	1,332	1,332	-
Maintenance and repair	500	-	-	-
Travel	550	592	592	-
Other contracted services	7,500	9,060	10,036	976
Library books	5,000	5,113	5,113	-
Periodicals	500	401	401	-
Other supplies and materials	250	250	250	-
In-service/staff development	1,000	1,000	1,000	-
Other charges	100	87	87	-
Other equipment	750	-	-	-
Total Regular Education	<u>132,296</u>	<u>132,608</u>	<u>136,039</u>	<u>3,431</u>
Special Education:				
Director	2,000	2,000	-	(2,000)
Social security	124	124	-	(124)
State retirement	128	128	-	(128)
Unemployment compensation	5	5	-	(5)
Medicare	29	29	-	(29)
In-service/staff development	400	400	-	(400)
Total Special Education	<u>2,686</u>	<u>2,686</u>	<u>-</u>	<u>(2,686)</u>
Vocational Education:				
Director	5,826	5,826	5,826	-
Career Ladder Program	100	100	-	(100)
Social security	367	367	361	(6)
State retirement	370	428	428	-
Medical insurance	860	461	-	(461)
Unemployment compensation	2	2	-	(2)
Medicare	86	86	85	(1)
Travel	1,000	1,341	1,340	(1)
In-service/staff development	2,000	2,000	20	(1,980)
Other equipment	500	500	499	(1)
Total Vocational Education	<u>11,111</u>	<u>11,111</u>	<u>8,559</u>	<u>(2,552)</u>
Total Instructional Staff	<u>146,093</u>	<u>146,405</u>	<u>144,598</u>	<u>(1,807)</u>

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

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

EXPENDITURES (Cont.)	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
Support Services (Cont.):				
General Administration:				
Board of Education Services:				
Audit services	8,500	9,500	9,500	-
Dues and memberships	2,100	1,746	1,746	-
Legal services	3,500	7,708	7,708	-
Postal charges	100	137	137	-
Travel	100	100	-	(100)
Maintenance and repair	1,500	1,500	1,500	-
Other contracted services	200	200	200	-
Other supplies and materials	200	537	537	-
Liability insurance	8,169	7,921	7,921	-
Premium on surety bond	600	525	525	-
Trustee commissions	10,500	11,521	11,715	194
Workmen's compensation insurance	15,180	7,416	7,416	-
In-service/staff development	1,000	955	955	-
Criminal investigation of applicant	400	400	192	(208)
Other charges	<u>1,500</u>	<u>2,191</u>	<u>2,191</u>	<u>-</u>
Total Board of Education Services	<u>53,549</u>	<u>52,357</u>	<u>52,243</u>	<u>(114)</u>
Office of the Superintendent:				
County official/administrative officer	64,652	64,652	64,652	-
Career Ladder Program	1,000	1,000	-	(1,000)
Social security	4,070	4,070	3,966	(104)
State retirement	4,097	4,151	4,151	-
Medical insurance	490	490	482	(8)
Unemployment compensation	20	24	24	-
Medicare	952	952	927	(25)
Communication	1,500	1,500	1,280	(220)
Dues and memberships	1,100	1,100	1,081	(19)
Maintenance and repair	1,000	1,120	1,120	-
Postal charges	550	550	550	-
Travel	1,500	1,500	1,348	(152)
Other contracted services	125	125	-	(125)
Office supplies	500	500	-	(500)
Other supplies and materials	250	72	63	(9)
In-service/staff development	1,500	1,500	379	(1,121)
Administration equipment	1,000	234	-	(234)
Other charges	<u>400</u>	<u>400</u>	<u>95</u>	<u>(305)</u>
Total Office of the Superintendent	<u>84,706</u>	<u>83,940</u>	<u>80,118</u>	<u>(3,822)</u>
Total General Administration	<u>138,255</u>	<u>136,297</u>	<u>132,361</u>	<u>(3,936)</u>

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

	Original Budget	Final Budget	Actual	Variance- Over (Under)
EXPENDITURES (Cont.)				
Support Services (Cont.):				
Office of the Principal:				
Principals	51,425	51,425	51,425	-
Career ladder program	1,000	1,000	1,000	-
Assistant(s)	48,685	48,685	48,685	-
Secretary(s)	18,931	18,931	18,931	-
Social security	7,443	7,443	6,346	(1,097)
State retirement	7,646	7,646	7,883	237
Medical insurance	13,100	13,100	12,704	(396)
Unemployment compensation	60	60	73	13
Medicare	1,741	1,741	1,484	(257)
Communication	500	500	188	(312)
Dues and memberships	1,300	1,300	1,282	(18)
Maintenance and repair	250	250	5	(245)
Postal charges	750	750	713	(37)
Travel	500	500	386	(114)
Other contracted services	250	250	-	(250)
Other supplies and materials	250	250	25	(225)
Office supplies	750	750	970	220
In-service/staff development	1,000	1,000	-	(1,000)
Other charges	250	250	-	(250)
Total School Administration	155,831	155,831	152,100	(3,731)
Business Administration:				
Fiscal Services:				
Accountants/bookkeepers	37,200	33,200	33,200	-
Social security	2,275	1,657	1,657	-
State retirement	2,591	2,440	2,440	-
Medical insurance	-	6,161	6,161	-
Unemployment compensation	20	49	49	-
Medicare	532	388	388	-
Data processing services	5,500	5,391	5,391	-
Dues and memberships	100	-	-	-
Maintenance and repair	400	-	-	-
Postal charges	200	200	200	-
Travel	400	625	625	-
Other contracted services	100	-	-	-
Data processing supplies	1,000	617	617	-
Office supplies	650	507	507	-
Other supplies and materials	100	54	54	-
In-service/staff development	800	229	229	-
Other charges	100	3,569	3,569	-
Administration equipment	1,500	803	803	-
Total Business Administration	53,468	55,890	55,890	-

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
EXPENDITURES (Cont.)				
Support Services (Cont.):				
Operation and Maintenance of Plant:				
Operation of Plant:				
Plant supervisor/director	-	-	20,225	20,225
Custodial personnel	27,980	27,980	2,567	(25,413)
Social security	1,735	1,735	1,412	(323)
State retirement	1,220	2,231	2,231	-
Medical insurance	490	490	471	(19)
Unemployment compensation	60	60	32	(28)
Medicare	406	406	330	(76)
Janitorial services	8,000	8,739	8,739	-
Maintenance and repair	500	500	210	(290)
Travel	125	125	-	(125)
Disposal fees	5,000	6,344	6,344	-
Other contracted services	6,000	6,000	1,400	(4,600)
Custodial supplies	9,500	10,785	10,785	-
Electricity	60,000	66,870	66,870	-
Natural gas	40,000	40,000	18,353	(21,647)
Water and sewer	51,000	39,720	38,397	(1,323)
Other supplies and materials	100	100	100	-
Boiler insurance	627	659	659	-
Building and contents insurance	16,000	16,000	11,996	(4,004)
Other charges	100	100	42	(58)
Plant operation equipment	5,000	5,000	4,393	(607)
Total Operation of Plant	<u>233,843</u>	<u>233,844</u>	<u>195,556</u>	<u>(38,288)</u>
Maintenance of Plant:				
Maintenance supervisor/director	-	-	18,617	18,617
Maintenance personnel	19,776	18,917	300	(18,617)
Social security	1,226	1,173	1,173	-
State retirement	1,396	1,262	1,262	-
Medical insurance	490	193	193	-
Unemployment compensation	20	26	26	-
Medicare	287	274	274	-
Maintenance and repair - buildings	25,000	24,099	25,603	1,504
Maintenance and repair - equipment	2,000	8,474	8,474	-
Travel	250	181	181	-
Other contracted services	4,500	-	-	-
Gasoline	500	285	285	-
Other supplies and materials	1,000	890	890	-
Other charges	100	-	3,142	3,142
Maintenance equipment	5,000	5,771	10,310	4,539
Total Maintenance of Plant	<u>61,545</u>	<u>61,545</u>	<u>70,730</u>	<u>9,185</u>
Total Operation and Maintenance of Plant	<u>295,388</u>	<u>295,389</u>	<u>266,286</u>	<u>(29,103)</u>

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
EXPENDITURES (Cont.)				
Support Services (Cont.):				
Student Transportation:				
Bus drivers	3,324	209	209	-
Social security	206	13	16	3
State retirement	235	-	-	-
Unemployment compensation	48	-	-	-
Medicare	-	(3)	4	7
Contracts with parents	1,000	-	-	-
Maintenance and repair	1,000	-	-	-
Diesel fuel	1,500	700	371	(329)
Total Student Transportation	<u>7,313</u>	<u>919</u>	<u>600</u>	<u>(319)</u>
Total Support Services	<u>935,548</u>	<u>940,424</u>	<u>901,443</u>	<u>(38,981)</u>
Non-Instructional Services				
Early Childhood Education:				
Teachers	43,985	43,985	43,985	-
Career Ladder Program	1,000	1,000	1,000	-
Educational assistants	14,080	14,080	14,080	-
Substitute teachers	960	578	578	-
Social security	3,662	3,226	3,226	-
State retirement	3,801	3,923	3,923	-
Medical insurance	6,520	6,866	6,866	-
Unemployment compensation	30	51	51	-
Medicare	856	754	754	-
Communication	-	1,503	1,503	-
Maintenance and repair - equipment	825	810	810	-
Travel	1,350	364	364	-
Other contracted services	3,000	3,315	3,315	-
Diesel fuel	-	124	124	-
Electricity	-	3,000	3,000	-
Food supplies	1,000	237	237	-
Instructional supplies	1,500	1,500	1,500	-
Textbooks	400	400	400	-
Water and sewer	-	2,000	2,000	-
Other supplies and materials	1,292	1,234	1,234	-
In-service/staff development	2,250	115	115	-
Other charges	4,280	2,674	2,674	-
Other equipment	6,760	6,340	6,340	-
Total Early Childhood Education	<u>97,551</u>	<u>98,079</u>	<u>98,079</u>	<u>-</u>
State On-Behalf Payments:				
State on-behalf payments for postretirement benefits	<u>-</u>	<u>-</u>	<u>13,405</u>	<u>13,405</u>

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
EXPENDITURES (Cont.)				
Non-Instructional Services:				
Debt Service:				
Principal on bonds	30,000	30,000	30,000	-
Interest on bonds	25,000	25,000	4,108	(20,892)
Other debt service	-	-	1,749	1,749
Total Debt Service	<u>55,000</u>	<u>55,000</u>	<u>35,857</u>	<u>(19,143)</u>
Total Non-Instructional Services	<u>152,551</u>	<u>153,079</u>	<u>147,341</u>	<u>(5,738)</u>
Total Expenditures	<u>2,478,645</u>	<u>2,493,171</u>	<u>2,424,085</u>	<u>(69,086)</u>
Excess Revenues over Expenditures	\$ 7	\$ 7	154,134	154,127
OTHER FINANCING SOURCES (USES)				
Operating transfers to other funds	<u>-</u>	<u>-</u>	<u>(40,489)</u>	<u>(40,489)</u>
Net Change in Fund Balance	<u>\$ 7</u>	<u>\$ 7</u>	113,645	<u>\$ 113,638</u>
Fund Balance, beginning			1,155,177	
Prior period adjustment			<u>7,706</u>	
Fund Balance, beginning - as restated			<u>1,162,883</u>	
Fund Balance, ending			<u><u>\$ 1,276,528</u></u>	

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
REVENUES				
Federal Revenues:				
Vocational program improvement - Carl D. Perkins	\$ 6,436	\$ 6,861	\$ 6,861	\$ -
Title I	117,146	117,146	104,810	(12,336)
Special Education - Grants to States	229,622	229,703	214,366	(15,337)
Special Education - Preschool Grants	7,118	7,118	5,617	(1,501)
Eisenhower	21,446	21,446	15,149	(6,297)
Safe and Drug-free Schools	1,399	1,399	1,387	(12)
Other federal through State	7,783	7,783	4,707	(3,076)
Other direct federal	<u>-</u>	<u>20,000</u>	<u>15,311</u>	<u>(4,689)</u>
Total Revenues	<u>390,950</u>	<u>411,456</u>	<u>368,208</u>	<u>(43,248)</u>
EXPENDITURES				
Instruction:				
Regular Instruction:				
Educational assistants	12,000	11,905	11,613	(292)
Substitute teachers	2,000	-	-	-
Social security	868	744	729	(15)
State retirement	898	782	782	-
Medical insurance	415	493	493	-
Unemployment compensation	20	25	25	-
Medicare	203	174	171	(3)
Other contracted services	2,900	1,455	1,100	(355)
Instructional supplies	20,566	22,140	22,140	-
Other charges	200	200	50	(150)
Equipment	<u>51,477</u>	<u>51,348</u>	<u>41,632</u>	<u>(9,716)</u>
Total Regular Instruction	<u>91,547</u>	<u>89,266</u>	<u>78,735</u>	<u>(10,531)</u>
Special Education Program:				
Teachers	19,704	19,704	19,702	(2)
Aides	30,000	30,364	30,364	-
Non-certified substitute teachers	500	500	51	(449)
Social security	3,253	3,239	3,017	(222)
State retirement	1,661	3,311	3,311	-
Medical Insurance	2,318	2,318	2,140	(178)
Unemployment compensation	60	87	87	-
Medicare	690	705	705	-

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
EXPENDITURES (Cont.)				
Instruction (Cont.):				
Special Education Program (Cont.):				
Other contracted services	28,650	29,755	26,873	(2,882)
Contracts with other school systems	37,150	34,561	33,464	(1,097)
Instructional supplies	18,968	21,198	19,817	(1,381)
Other supplies and materials	1,200	1,219	1,279	60
Other charges	66	117	201	84
Equipment	84,500	81,692	72,030	(9,662)
Total Special Education Program	<u>228,720</u>	<u>228,770</u>	<u>213,041</u>	<u>(15,729)</u>
Vocational Education:				
Other charges	300	201	-	(201)
Equipment	4,737	5,260	5,260	-
Total Vocational Education	<u>5,037</u>	<u>5,461</u>	<u>5,260</u>	<u>(201)</u>
Total Instruction	<u>325,304</u>	<u>323,497</u>	<u>297,036</u>	<u>(26,461)</u>
Support Services:				
Other Student Support:				
Guidance personnel	22,000	22,000	20,410	(1,590)
Other salaries and wages	-	2,000	1,995	(5)
Social security	1,333	1,457	1,389	(68)
State retirement	1,381	1,469	1,438	(31)
Medical insurance	193	231	231	-
Unemployment compensation	10	12	12	-
Medicare	312	341	325	(16)
Travel	1,600	1,725	1,725	-
Other supplies and materials	534	834	663	(171)
In-service/staff development	3,736	541	541	-
Other charges	150	2,921	50	(2,871)
Total Other Student Support	<u>31,249</u>	<u>33,531</u>	<u>28,779</u>	<u>(4,752)</u>
Regular Instruction:				
Other salaries and wages	4,500	4,500	3,975	(525)
Substitute teachers	600	600	-	(600)
Social security	275	275	246	(29)
State retirement	275	264	247	(17)
Unemployment compensation	-	11	11	-
Medicare	76	76	58	(18)
Travel	7,910	7,801	6,107	(1,694)
Other contracted services	4,485	4,485	1,615	(2,870)
In-service/staff development	8,020	8,092	7,548	(544)
Repair and maintenance - equipment	236	272	272	-
Total Regular Instruction	<u>26,377</u>	<u>26,376</u>	<u>20,079</u>	<u>(6,297)</u>

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

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

	Original Budget	Final Budget	Actual	Variance- Over (Under)
EXPENDITURES (Cont.)				
Support Services:				
Special Education:				
Travel	3,000	3,172	2,691	(481)
Other supplies and materials	420	450	89	(361)
In-service/staff development	2,600	2,430	2,282	(148)
Total Special Education	6,020	6,052	5,062	(990)
Community Services:				
Supervisor/Director	-	100	90	(10)
Teachers	-	10,295	6,593	(3,702)
Guidance personnel	-	1,170	1,170	-
Clerical personnel	-	165	165	-
Non-certified substitute teachers	-	100	102	2
Social security	-	500	503	3
State retirement	-	500	496	(4)
Unemployment	-	10	-	(10)
Medicare	-	120	118	(2)
Postal charges	-	450	418	(32)
Travel	-	2,900	2,563	(337)
Instructional supplies	-	490	377	(113)
Other supplies and materials	-	1,300	1,307	7
In-service/staff development	-	1,900	1,350	(550)
Total Community Services	-	20,000	15,252	(4,748)
Transportation:				
Contracts with other school systems	2,000	2,000	2,000	-
Total Support Services	65,646	87,959	71,172	(16,787)
Total Expenditures	390,950	411,456	368,208	(43,248)
Excess Revenues over Expenditures	\$ -	\$ -	-	\$ -
Fund Balance, Beginning			-	
Fund Balance, Ending			\$ -	

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The South Carroll Special School District (District) is a school district separately chartered by the State Legislature. The five-member school board, which is the governing authority, is elected by the public, approves its own budgets and controls surpluses and deficits, has the authority to issue debt and to levy taxes, and has control over hiring and firing employees.

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

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

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

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

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

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

Gross receipt taxes, sales taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The general fund is the District’s primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

The federal projects fund accounts for federal grant revenue and expenditures.

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

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 Fund Balance

Deposits and Investments

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

Investments for the District consist of a bank money market account and a savings account. Both banks used by the District are included in the Tennessee Bank Collateral 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 Gibson County and remitted to the District. District property tax revenues are recognized in the period in which the taxes are permitted to be used.

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

For the purpose of operating and maintaining the District, the private act creating the District authorized an annual property tax on every one hundred dollar (\$100) assessment of real and personal property located within the District. The current property tax is \$1.80 on every \$100 of real and personal property located within the District.

Inventories and Prepaid Items

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

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

Capital Assets

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

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

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

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

Deferred Revenue

Deferred revenue represents amounts that were receivable and measurable at June 30, 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

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

Long-term Liabilities

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

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

Fund Balance

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

On-Behalf Payments for Fringe Benefits

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The Board of Education approves and appropriates the budgets for these funds annually at the department level. 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 departmental expenditure level without obtaining additional appropriation approval from the Board of Education.

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The District’s policies limit deposits and investments to those instruments allowed by applicable state laws as described in Note 1. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District’s agent in the District’s name, or by the Federal Reserve Banks acting as third-party agents. 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.

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 275,000	\$ -	\$ -	\$ 275,000
Construction in progress	2,686,707	120,190	2,644,923	161,974
Total capital assets not being depreciated	<u>2,961,707</u>	<u>120,190</u>	<u>2,644,923</u>	<u>436,974</u>
Capital assets being depreciated				
Buildings and improvements	7,438,416	2,644,923	-	10,083,339
Other fixed assets	166,476	15,999	-	182,475
Total capital assets being depreciated	<u>7,604,892</u>	<u>2,660,922</u>	<u>-</u>	<u>10,265,814</u>
Less accumulated depreciation for:				
Buildings and improvements	5,368,515	81,465	-	5,449,980
Other fixed assets	59,936	13,108	-	73,044
Total accumulated depreciation	<u>5,428,451</u>	<u>94,573</u>	<u>-</u>	<u>5,523,024</u>
Total capital assets being depreciated, net	<u>2,176,441</u>	<u>2,566,349</u>	<u>-</u>	<u>4,742,790</u>
Capital assets, net	<u>\$ 5,138,148</u>	<u>\$ 2,686,539</u>	<u>\$ 2,644,923</u>	<u>\$ 5,179,764</u>

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

Regular education	\$ 40,307
General administration	1,170
Student support	48,443
Food service	4,653
Total	<u>\$ 94,573</u>

C. Interfund Balances and Transfers

As of June 30, 2010, there was a payable to the General Purpose Fund from the Federal Projects Fund in the amount of \$25,659 for money advanced for temporary cash needs.

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

During the year ended June 30, 2010, the District made a transfer of \$40,489 from the General Purpose fund to the Capital Projects fund in order to provide funding for capital projects. The District also made a transfer of \$47,506 from the Capital Projects fund to the Debt Service fund to close out the gymnasium construction project and apply the remaining proceeds against the debt payment on the project.

D. Long-term Debt

The District has a capital outlay note, Series 2001, payable to Tennessee Municipal Bond Fund with monthly interest payments and annual principal payments through 2028. The interest rate as of June 30, 2010, was .52% and the balance outstanding was \$884,000. A construction loan was converted to a note payable to USDA Rural Development during the current year. The note was in the principal amount of \$2,694,000 and requires monthly payments of \$11,719 due the 13th of each month. The balance outstanding as of June 30, 2010, was \$2,641,185 and the interest rate was 4.125%.

Debt service requirements on the above debt are as follows:

Years Ending June 30,	Principal	Interest	Total
2011	\$ 63,099	\$ 114,021	\$ 177,120
2012	65,406	112,547	177,953
2013	68,769	111,013	179,782
2014	72,188	109,411	181,599
2015	74,668	107,739	182,407
2016 – 2020	428,797	511,053	939,850
2021 – 2025	537,307	457,176	994,483
2026 – 2030	519,676	391,071	910,747
2031 – 2035	385,389	317,176	702,565
2036 – 2040	473,500	229,065	702,565
2041 – 2045	581,755	120,810	702,565
2046 – 2048	254,631	12,637	267,268
Total	<u>\$ 3,525,185</u>	<u>\$ 2,593,722</u>	<u>\$ 6,118,907</u>

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Capital Outlay Note Payable	\$ 914,000	\$ -	\$ 30,000	\$ 884,000
Construction Loan – Bank	2,529,366	164,634	2,694,000	-
USDA Note Payable	-	2,694,000	52,815	2,641,185
	<u>\$ 3,443,366</u>	<u>\$ 2,858,634</u>	<u>\$ 2,776,815</u>	<u>\$ 3,525,185</u>

NOTE 4 – OTHER INFORMATION

A. Pensions

Political Subdivision Pension Plan

Plan Description

Employees of South Carroll Special School District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as South Carroll Special School District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body. The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

South Carroll Special School District requires employees to contribute 5.0 percent of earnable compensation. South Carroll Special School District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2010 was 7.35% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for South Carroll Special School District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2010, South Carroll Special School District's annual pension cost of \$17,694 to TCRS was equal to South Carroll Special School District's required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. South Carroll Special School District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 11 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$17,694	100.00%	\$0
6/30/2009	\$16,502	100.00%	\$0
6/30/2008	\$16,753	100.00%	\$0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 81.35 percent funded. The actuarial accrued liability for benefits was \$0.25 million, and the actuarial value of assets was \$0.20 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.05 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.21 million, and the ratio of the UAAL to the covered payroll was 21.95 percent.

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2009	\$ 203	\$ 249	\$ 47	81.35%	\$ 212	21.95%
July 01, 2007	\$ 203	\$ 234	\$ 31	86.75%	\$ 206	15.05%

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 went into effect during the year of the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

State Employees, Teachers, and Higher Education Employees Pension Plan

Plan Description

The South Carroll County Special School District contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after 5 years of service. Members joining prior to July 1, 1979, are vested after 4 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. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for South Carroll County Special School District is established at an actuarially determined rate. The rate for the fiscal year ending June 30, 2010, was 6.42% of annual covered payroll. The employer contribution requirement for South Carroll County Special School District is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2010, 2009, and 2008 were \$92,459, \$95,635 and \$93,337, respectively, equal to the required contributions for each year.

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

B. Contingent Liabilities and Losses

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

C. Risk Management

The District is exposed to various risks related to workers' compensation, general liability, automobile liability, and property. The District felt it was more economically feasible to join public entity risk pools as opposed to purchasing commercial insurance for these areas. The District is a member of the Tennessee Municipal League Risk Management Pool (Pool), which is a public entity risk pool, established in 1979 by the Tennessee Municipal League. The District is also a member of the Tennessee School Boards Workmen's Compensation Trust (TSB-WCT) which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The District pays an annual premium to these pools for coverage under the above areas. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. TSB-WCT reinsures through commercial insurance companies for claims in excess of \$100,000 for each uninsured event. The District's premiums are calculated based on its claims history. The District continues to carry commercial insurance for all other risks of loss, including public officials' bond. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

D. On-Behalf Payments for Postretirement Insurance Benefits

The District recognizes as revenues and expenses contributions made by the State of Tennessee to the Teacher Group Plan and Medicare Plan on behalf of the District's employees. For the year ended June 30, 2010, the State made contributions of \$10,667 and \$2,738 respectively.

E. Commitments

On February 19, 2004, the District entered into an agreement with the Town of Clarksburg stating that the Town would construct a sewer line to service the needs of the District using grant funds and a loan in the amount of \$416,000 obtained from the Tennessee Department of Environment and Conservation. In return and in light of the fact that at the time, the District was the only customer connected to the new sewer line, the District pays to the Town a monthly Construction Loan Assessment, in addition to a reasonable rate for water use, to cover the debt service on the loan. The assessment shall no longer be effective at such time as the construction loan has been paid by the Town or after twenty years, whichever shall first occur. The rate is subject to modification if any additional customers are connected to the sewer line. The current assessment is \$2,007 per month. Assessments to be paid in future years are estimated to be \$24,084 annually.

F. Prior Period Adjustment

The prior year financial statements reported \$7,706 in deferred revenue in the General Fund in error. Revenue in the General Fund was understated by this amount. An adjustment was made to beginning fund balance in the General Fund and beginning net assets in the statement of activities to correct the misstatement.

REQUIRED SUPPLEMENTARY INFORMATION

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	(a)	(b)	(b) - (a)	(a/b)	(c)	
7/1/2009	\$203	\$249	\$47	81.35%	\$212	21.95%
7/1/2007	\$203	\$234	\$31	86.75%	\$206	15.05%

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 went into effect during the year of the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

OTHER SUPPLEMENTARY INFORMATION

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010**

	Debt Service Fund	Special Revenue Fund Centralized Cafeteria	Capital Projects Fund	Totals
ASSETS				
Cash	\$ 80,093	\$ 11,986	\$ -	\$ 92,079
Due from other governmental agencies	3,500	-	-	3,500
Due from grantor	-	11,795	-	11,795
Inventory	-	4,561	-	4,561
Accounts receivable	-	2,467	-	2,467
Total Assets	<u>\$ 83,593</u>	<u>\$ 30,809</u>	<u>\$ -</u>	<u>\$ 114,402</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accrued expenses	\$ -	\$ 326	\$ -	\$ 326
Fund Balances				
Reserved for inventory	-	4,561	-	4,561
Reserved for debt service	83,593	-	-	83,593
Unreserved, undesignated reported in:				
Special revenue fund	-	25,922	-	25,922
Capital projects fund	-	-	-	-
Total Fund Balances	<u>83,593</u>	<u>30,483</u>	<u>-</u>	<u>114,076</u>
Total Liabilities and Fund Balances	<u>\$ 83,593</u>	<u>\$ 30,809</u>	<u>\$ -</u>	<u>\$ 114,402</u>

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

	Debt Service Fund	Special Revenue Fund Centralized Cafeteria	Capital Projects Fund	Totals
REVENUES				
Charges for current services	\$ -	\$ 67,899	\$ -	\$ 67,899
Property taxes	132,692	-	-	132,692
Other local revenues	-	111	-	111
State revenue	-	2,011	-	2,011
Federal revenue	-	142,699	-	142,699
Note proceeds	-	-	164,634	164,634
Total Revenues	<u>132,692</u>	<u>212,720</u>	<u>164,634</u>	<u>510,046</u>
EXPENDITURES				
Food services	-	192,802	-	192,802
Architects	-	-	390	390
Legal services	-	-	11,649	11,649
Other contracted services	-	-	2,585	2,585
Building construction	-	-	64,875	64,875
Capital outlay	-	-	32,046	32,046
Site Development	-	-	8,374	8,374
Debt service - principal	27,512	-	24,682	52,194
Debt service expenses	-	-	3,180	3,180
Debt service - interest	<u>101,397</u>	<u>-</u>	<u>9,836</u>	<u>111,233</u>
Total Expenditures	<u>128,909</u>	<u>192,802</u>	<u>157,617</u>	<u>479,328</u>
Excess Revenues over Expenditures	<u>3,783</u>	<u>19,918</u>	<u>7,017</u>	<u>30,718</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	47,506	-	40,489	87,995
Operating transfers out	<u>-</u>	<u>-</u>	<u>(47,506)</u>	<u>(47,506)</u>
Total Other Financing Sources (Uses)	<u>47,506</u>	<u>-</u>	<u>(7,017)</u>	<u>40,489</u>
Net Change in Fund Balances	<u>51,289</u>	<u>19,918</u>	<u>-</u>	<u>71,207</u>
Fund Balances, Beginning	<u>32,304</u>	<u>10,565</u>	<u>-</u>	<u>42,869</u>
Fund Balances, Ending	<u>\$ 83,593</u>	<u>\$ 30,483</u>	<u>\$ -</u>	<u>\$ 114,076</u>

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
REVENUES				
Current property tax	\$ 123,992	\$ 123,992	\$ 130,089	\$ 6,097
Prior year's property tax	<u>-</u>	<u>-</u>	<u>2,603</u>	<u>2,603</u>
Total Revenues	<u>123,992</u>	<u>123,992</u>	<u>132,692</u>	<u>8,700</u>
EXPENDITURES				
Principal on notes	27,512	27,512	27,512	-
Interest on notes and bonds	<u>101,397</u>	<u>101,397</u>	<u>101,397</u>	<u>-</u>
Total Expenditures	<u>128,909</u>	<u>128,909</u>	<u>128,909</u>	<u>-</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	(4,917)	(4,917)	3,783	8,700
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>47,506</u>	<u>47,506</u>	<u>47,506</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 42,589</u>	<u>\$ 42,589</u>	<u>51,289</u>	<u>\$ 8,700</u>
Fund Balance, Beginning			<u>32,304</u>	
Fund Balance, Ending			<u><u>\$ 83,593</u></u>	

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
CENTRAL CAFETERIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
REVENUES				
Charges for Current Services:				
Lunch payments - children	\$ 47,415	\$ 47,415	\$ 43,533	\$ (3,882)
Lunch payments - adults	4,600	4,600	3,447	(1,153)
Income from breakfast	12,900	12,900	11,759	(1,141)
A La Carte sales	<u>9,000</u>	<u>9,000</u>	<u>9,160</u>	<u>160</u>
Total Charges for Current Services	<u>73,915</u>	<u>73,915</u>	<u>67,899</u>	<u>(6,016)</u>
Other Local Revenues:				
Refunds	40	40	51	11
Sale of equipment	25	25	-	(25)
Interest earned	<u>-</u>	<u>-</u>	<u>60</u>	<u>60</u>
Total Other Local Revenues	<u>65</u>	<u>65</u>	<u>111</u>	<u>46</u>
State Education Funds:				
School Food Services	<u>2,100</u>	<u>2,100</u>	<u>2,011</u>	<u>(89)</u>
Federal through State:				
USDA - Lunch	75,000	75,000	86,716	11,716
USDA - Breakfast	43,250	43,250	46,853	3,603
USDA - Commodities received	<u>-</u>	<u>-</u>	<u>9,130</u>	<u>9,130</u>
Total Federal through State	<u>118,250</u>	<u>118,250</u>	<u>142,699</u>	<u>24,449</u>
Total Revenues	<u>194,330</u>	<u>194,330</u>	<u>212,720</u>	<u>18,390</u>
EXPENDITURES				
Current Expenditures:				
Food Services:				
Director	17,622	17,850	17,850	-
Clerical personnel	4,000	4,000	4,000	-
Cafeteria personnel	49,289	49,289	42,600	(6,689)
Social security	4,397	4,397	3,975	(422)
State retirement	4,071	4,071	3,337	(734)
Medical insurance	3,063	3,063	2,191	(872)
Unemployment compensation	105	168	168	-
Medicare liability	1,028	1,028	930	(98)
Communication	500	500	-	(500)
Maintenance and repair - equipment	6,000	17,279	17,279	-
Postage	100	100	100	-
Travel	150	284	284	-
Other contracted services	300	300	220	(80)
Food preparation supplies	1,808	5,289	5,289	-
Food supplies	94,000	76,456	73,374	(3,082)

See independent auditor's report.

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
CENTRAL CAFETERIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Cont.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
EXPENDITURES (Cont.)				
Current Expenditures (Cont.):				
Food Services (Cont.):				
USDA commodities used	-	-	9,130	9,130
Office supplies	250	250	168	(82)
Uniforms	300	300	56	(244)
Utilities	6,000	6,000	6,000	-
Other supplies and materials	500	720	720	-
Refunds	-	1,360	1,360	-
In-service/staff development	200	200	150	(50)
Other charges	250	1,029	1,085	56
Equipment	<u>3,300</u>	<u>3,300</u>	<u>2,536</u>	<u>(764)</u>
Total Expenditures	<u>197,233</u>	<u>197,233</u>	<u>192,802</u>	<u>(4,431)</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>\$ (2,903)</u>	<u>\$ (2,903)</u>	<u>19,918</u>	<u>\$ 22,821</u>
Fund Balance, Beginning			<u>10,565</u>	
Fund Balance, Ending			<u>\$ 30,483</u>	

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
REVENUES				
Note proceeds	\$ 162,000	\$ 162,000	\$ 164,634	\$ 2,634
EXPENDITURES				
Architects	25,000	25,000	390	(24,610)
Legal services	10,000	10,000	11,649	1,649
Other contracted services	1,500	1,500	2,585	1,085
Building construction	65,000	65,000	64,875	(125)
Capital outlay	45,000	45,000	32,046	(12,954)
Site development	-	-	8,374	8,374
Debt service - principal	-	-	24,682	24,682
Debt service expenses	3,500	3,500	3,180	(320)
Debt service - interest	9,000	9,000	9,836	836
Total Expenditures	<u>159,000</u>	<u>159,000</u>	<u>157,617</u>	<u>(1,383)</u>
Excess Revenues Over Expenditures	3,000	3,000	7,017	4,017
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(48,000)	(48,000)	(47,506)	494
Operating transfers in	45,000	45,000	40,489	(4,511)
Total Other Financing Sources (Uses)	<u>(3,000)</u>	<u>(3,000)</u>	<u>(7,017)</u>	<u>(4,017)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance, Beginning			-	
Fund Balance, Ending			<u>\$ -</u>	

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT
JUNE 30, 2010

Year Ended June 30,	Capital Outlay Note		USDA Note		Total
	Principal	Interest	Principal	Interest	
2011	\$ 32,000	\$ 4,608	\$ 31,099	\$ 109,413	177,120
2012	33,000	4,441	32,406	108,106	177,953
2013	35,000	4,269	33,769	106,744	179,782
2014	37,000	4,087	35,188	105,324	181,599
2015	38,000	3,894	36,668	103,845	182,407
2016	40,000	3,696	38,209	102,303	184,208
2017	42,000	3,487	39,815	100,697	185,999
2018	44,000	3,268	41,489	99,023	187,780
2019	46,000	3,039	43,233	97,279	189,551
2020	49,000	2,799	45,051	95,462	192,312
2021	51,000	2,544	46,945	93,568	194,057
2022	54,000	2,278	48,918	91,594	196,790
2023	56,000	1,996	50,975	89,538	198,509
2024	59,000	1,704	53,118	87,395	201,217
2025	62,000	1,397	55,351	85,162	203,910
2026	65,000	1,074	57,677	82,835	206,586
2027	69,000	735	60,103	80,410	210,248
2028	<u>72,000</u>	<u>375</u>	62,629	77,884	212,888
2029	<u>\$ 884,000</u>	<u>\$ 49,691</u>	65,262	75,251	140,513
2030			68,005	72,508	140,513
2031			70,864	69,649	140,513
2032			73,843	66,670	140,513
2033			76,947	63,566	140,513
2034			80,182	60,331	140,513
2035			83,553	56,960	140,513
2036			87,065	53,448	140,513
2037			90,726	49,787	140,513
2038			94,540	45,973	140,513
2039			98,514	41,999	140,513
2040			102,655	37,858	140,513
2041			106,971	33,542	140,513
2042			111,468	29,045	140,513
2043			116,154	24,359	140,513
2044			121,037	19,476	140,513
2045			126,125	14,388	140,513
2046			131,426	9,087	140,513
2047			<u>123,205</u>	<u>3,552</u>	<u>126,757</u>
			<u>\$ 2,641,185</u>	<u>\$ 2,544,031</u>	<u>\$ 6,118,907</u>

See independent auditor's report.

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS
JUNE 30, 2010**

	<u>Salary</u>	<u>Bond</u>
Superintendent	\$ 64,652	\$ 145,000

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF TRANSFERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Transfer From	Transfer To	Transfer Amount	Purpose
Capital Projects Fund	Debt Service Fund	47,506	transfer balance from completed project
General Fund	Capital Projects Fund	40,489	transfer funds for costs

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

	Federal CFDA Number	Balance 7/1/09	Cash Receipts	Expenditures/ Amount Earned/ Amount Issued	Balance Unearned (Receivable) 6/30/10
U.S. DEPARTMENT OF EDUCATION					
Pass-through the Tennessee Department of Education					
Special Education Grants to States					
IDEA Program	84.027 *	\$ (45,368)	\$ 128,331	\$ 86,804	\$ (3,841)
IDEA Part B Discretionary Funding	84.027A *	-	50,700	50,700	-
ARRA - IDEA Program	84.391 *	-	68,884	76,862	(7,978)
Preschool Program	84.173 *	(3,327)	7,777	4,450	-
ARRA - Preschool Program	84.392 *	-	-	1,167	(1,167)
Total Special Education Grants to States Cluster		<u>(48,695)</u>	<u>255,692</u>	<u>219,983</u>	<u>(12,986)</u>
Title I, Grants to Local Education Agencies	84.010 *	(25,974)	83,617	66,652	(9,009)
ARRA - Title I, Grants to Local Education Agencies	84.389 *	-	37,950	38,158	(208)
Total Title I Cluster		<u>(25,974)</u>	<u>121,567</u>	<u>104,810</u>	<u>(9,217)</u>
Vocational Education - Carl D. Perkins	84.048	-	6,861	6,861	-
Title IV, Safe and Drug Free Schools	84.186	(35)	1,422	1,387	-
ARRA - Title X, Education of Homeless Children and Youth	84.196A	-	-	2,276	(2,276)
Title II, Eisenhower Professional Development State Grants					
Title II, Eisenhower Professional Development State Grants, Part D	84.318	(200)	903	703	-
Title II, Eisenhower Professional Development State Grants, Part A3	84.318	(6,471)	20,013	15,149	(1,607)
Subtotal		<u>(6,671)</u>	<u>20,916</u>	<u>15,852</u>	<u>(1,607)</u>
ARRA - Title II, Eisenhower Professional Development State Grants, Part D	84.386	-	1,728	1,728	-
Total Title II Cluster		<u>(6,671)</u>	<u>22,644</u>	<u>17,580</u>	<u>(1,607)</u>
Rural Education Achievement Program	84.358A	-	44,083	52,210	(8,127)
State Stabilization Fiscal Funds					
ARRA - Education State Grants	84.394	-	72,300	72,300	-
ARRA - Government Services	84.397	-	-	1,050	(1,050)
ARRA - Government Services	84.397	-	976	976	-
ARRA - Government Services	84.397	-	-	14,000	(14,000)
Total State Stabilization Fiscal Funds Cluster		<u>-</u>	<u>73,276</u>	<u>88,326</u>	<u>(15,050)</u>
Total U.S. Department of Education		<u>(81,375)</u>	<u>525,545</u>	<u>493,433</u>	<u>(49,263)</u>

See independent auditor's report.

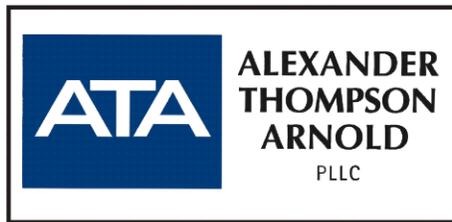
**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Federal CFDA Number	Balance 7/1/09	Cash Receipts	Expenditures/ Amount Earned/ Amount Issued	Balance Unearned (Receivable) 6/30/10
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					
Small Learning Community	94.004	(9,409)	18,911	15,311	(5,809)
U.S. DEPARTMENT OF LABOR					
ARRA - Workforce Investment Act Youth Activities	17.259	-	24,000	24,000	-
U.S. DEPARTMENT OF AGRICULTURE					
Pass-through the Tennessee Department of Agriculture					
School Breakfast Program	10.553	(2,819)	45,345	46,853	(4,327)
National School Lunch Program	10.555	(5,258)	84,507	86,716	(7,467)
Food-Distribution - Commodities	10.555	-	9,130	9,130	-
		(8,077)	138,982	142,699	(11,794)
Community Facilities Loans and Grants	10.766	(2,529,366)	2,694,000	164,634	-
Total U. S. Department of Agriculture		(2,537,443)	2,832,982	307,333	(11,794)
Total		\$ (2,628,227)	\$ 3,401,438	\$ 840,077	\$ (66,866)

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

	<u>Balance 7/1/2009</u>	<u>Adjustments</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance Unearned (Receivable) 6/30/2010</u>
Safe School Grant	\$ (2,500)	\$ -	\$ 2,500	\$ -	\$ -
Early Childhood	<u>(17,603)</u>	<u>-</u>	<u>94,664</u>	<u>98,077</u>	<u>(21,016)</u>
Total State Awards	<u>\$ (20,103)</u>	<u>\$ -</u>	<u>\$ 97,164</u>	<u>\$ 98,077</u>	<u>\$ (21,016)</u>

INTERNAL CONTROL AND COMPLIANCE SECTION



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

Board of Education
South Carroll Special School District
Clarksburg, Tennessee

We have audited the district-wide financial statements of the governmental activities, each major fund and the aggregate remaining fund information of South Carroll Special School District (the District), as of and for the year ended June 30, 2010, which collectively comprise South Carroll Special School District's basic financial statements and have issued our report thereon dated April 4, 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 South Carroll Special School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the South Carroll Special School District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as Item 10-01, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a 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.

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

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

Board of Education
South Carroll Special School District

Compliance and Other Matters

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

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

We noted certain matters that we reported to the management of the District in a separate letter dated April 4, 2011.

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

Alexander Thompson Arnold PLLC

Martin, Tennessee
April 4, 2011



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**Independent Auditor's Report on Compliance with Requirements That Could Have
a Direct and Material Effect on Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133**

Board of Education
South Carroll Special School District
Clarksburg, Tennessee

Compliance

We have audited South Carroll Special School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of South Carroll Special School District's major federal programs for the year ended June 30, 2010. The South Carroll Special School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the 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. 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 South Carroll Special School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the South Carroll Special School District's compliance with those requirements.

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

Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily disclose 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 the management, the Board of Education, others within the South Carroll Special School District, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Alexander Thompson Arnold PLLC

Martin, Tennessee
April 4, 2011

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED 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 weakness(es) identified? yes X no
- significant deficiency(ies) identified? Xyes none reported
- noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- material weakness(es) identified? yes X no
- significant deficiency(ies) identified? yes X 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 section 510(a) of OMB Circular A-133? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I – Grants to Local Education Agencies
84.389	ARRA - Title I – Grants to Local Education Agencies
84.027	Special Education Grants to States - IDEA
84.173	Special Education Grants to States – Preschool
84.391	ARRA – IDEA
84.392	ARRA – Preschool
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Xyes no

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Section II – Financial Statement Findings

10-01 Segregation of Duties

Condition: The District cannot fully segregate the record-keeping, custodial, and authorization functions of its internal accounting controls due to the size of its staff.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that internal accounting controls are effective

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: We realize that the staff size will not allow the District to completely segregate the duties to the optimum level desired. However, the accounting functions should be segregated as much as possible. Management needs to be aware that this weakness exists in the system of internal accounting control.

Response: *We concur. Procedures are in place to segregate the accounting functions as much as possible.*

Section III – Federal Award Findings and Questioned Costs

None reported.

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

09-01 Unaccounted-for Cash Receipts, Cash Disbursements and Construction in Progress - corrected