

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

**AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

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## FINANCIAL SECTION



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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Gibson County Special School District  
Dyer, Tennessee

We have audited the accompanying financial statements of the governmental activities and each major fund including budgetary comparisons for the general, federal projects and cafeteria funds of the Gibson County Special School District (District), Dyer, Tennessee, as of June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund thereof and the budgetary comparisons for the general, federal projects and cafeteria funds of the District as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparisons for the general, federal projects and cafeteria funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

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

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

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

Cowart Reese Sargent, CPAs, P.C.

December 4, 2011

## Management's Discussion and Analysis

This section of the Gibson County Special School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2011 and a comparison of financial information between the 2011 and 2010 fiscal years. The District was required to implement the Governmental Accounting Standards Board (GASB) Statement No. 34 for fiscal year ending June. 30, 2003. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Gibson County Special School District.

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

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Recall that the statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets as of June 30, 2011 and June 30, 2010:

### STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>	
	<u>6/30/2011</u>	<u>6/30/2010</u>
<b>Assets</b>		
Current and other assets	\$ 13,367,073	\$ 12,590,895
Capital assets, net of accumulated depreciation	<u>37,592,352</u>	<u>37,727,130</u>
Total assets	<u>50,959,425</u>	<u>50,318,025</u>
<b>Liabilities</b>		
Current liabilities	7,053,196	6,983,098
Long-term liabilities	<u>32,219,508</u>	<u>33,046,577</u>
Total liabilities	<u>39,272,704</u>	<u>40,029,675</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	5,797,352	4,987,130
Restricted	668,265	100,585
Unrestricted	<u>5,221,104</u>	<u>5,200,635</u>
Total net assets	<u>11,686,721</u>	<u>10,288,350</u>
Total liabilities and net assets	<u>\$ 50,959,425</u>	<u>\$ 50,318,025</u>

The above analysis focuses on the net assets. The change in net assets of the District's governmental activities is discussed below. The District's net assets were \$11,686,721 and \$10,288,350 as of June 30, 2011 and 2010 respectively.

Capital assets, net of related debt totaling \$5,797,352 compares the original cost, less depreciation of the District's capital assets, to long-term debt, including accreted interest on capital appreciation bonds, used to finance the acquisition of those assets. Most of the debt will be repaid from property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net assets for day-to-day operations. The remaining amount of net assets, \$5,221,104, was unrestricted.

The \$5,221,104 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the District as a whole are reported in the statement of activities, which shows the changes in net assets for fiscal year 2011. The following schedule also provides the changes in net assets for fiscal year 2010 so that comparisons can be made between the two years presented.

	<u>Governmental Activities</u>	
	<u>6/30/2011</u>	<u>6/30/2010</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 911,378	\$ 856,585
Operating grants and contributions	4,336,449	3,955,634
Capital grants and contributions	-	357,077
General revenues:		
Property taxes	4,805,784	4,739,202
Local option sales taxes	1,736,608	1,615,140
Other taxes	43,867	40,400
Intergovernmental	16,342,000	15,183,000
Interest	27,507	57,141
Other sources	<u>102,754</u>	<u>124,259</u>
Total revenues	<u>28,306,347</u>	<u>26,928,438</u>
<b>Function/Program Expenses</b>		
Instruction	14,938,522	14,029,174
Support services	7,675,848	6,987,920
Food service	1,717,647	1,547,227
Other non-instructional services	841,821	734,515
Capital outlay	212,076	221,457
Interest on debt	<u>1,522,062</u>	<u>1,509,484</u>
Total expenses	<u>26,907,976</u>	<u>25,029,777</u>
Change in net assets	1,398,371	1,898,661
Net assets, beginning	<u>10,288,350</u>	<u>8,389,689</u>
Net assets - ending	<u>\$ 11,686,721</u>	<u>\$ 10,288,350</u>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$26,907,976 with an increase of \$1,878,199 between the 2011 and 2010 fiscal years. Certain activities were partially funded from those who benefited from the programs (\$911,378) or by other governments and organizations that subsidized certain programs with grants (\$4,336,449). We paid for the remaining "public benefit" portion of our governmental activities with \$6,586,259 in taxes, and with our other revenues, such as interest and general entitlements.

The District experienced a increase in net assets of \$1,398,371.

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

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

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

As the District completed this year, the governmental funds reported a combined fund balance of \$6,619,435, which is an increase of 707,359 from last year. In the General Fund, our principal operating fund, the fund balance increased by \$649,967.

## GENERAL FUND BUDGETARY HIGHLIGHTS

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

- \* Budgeted revenues were increased \$618,829, which is mainly attributable to increases in basic education program revenues received during the current fiscal year.
- \* Budgeted expenditures were increased \$1,294,018 to basically account for an increase in capital outlay.
- \* There were several immaterial variances between the final budget and actual amounts regarding the general purpose expenditures.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** At June 30, 2011, the District had \$37,592,352 invested in a broad range of capital assets, including buildings, furniture, and equipment. Additional information on the District's capital assets, including depreciation expense, can be found in Note 4 of the Notes to Financial Statements.

**Debt.** At the end of the current fiscal year, the District had general long-term debt outstanding of \$31,795,000 versus \$32,740,000 at June 30, 2010, a change of 2%. We present more detailed information about our long-term liabilities in Note 4 of the Notes to Financial Statements.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

## Basic Financial Statements

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
DISTRICT-WIDE STATEMENT OF NET ASSETS  
June 30, 2011**

<b>ASSETS</b>	
Cash	\$ 5,982,781
Investments	500,000
Accounts Receivable	205,815
Taxes Receivable	4,709,415
Due from other Governments	1,603,232
Inventory	52,787
Prepaid Bond Issue Costs	94,905
Prepaid Bond Insurance	125,512
Prepaid Bond Discount	92,626
Capital Assets:	
Land	124,936
Buildings and Improvements	50,825,552
Vehicles	2,715,612
Furniture and Equipment	966,132
Less: Accumulated Depreciation	<u>(17,039,880)</u>
<b>Total Assets</b>	<u><u>50,959,425</u></u>
<b>LIABILITIES</b>	
Accounts Payable	10,922
Accrued Liabilities	600,629
Accrued Payroll	1,330,305
Deferred Revenue	4,492,739
Accrued Interest Payable	294,444
Deferred Bond Reoffering Premium	324,157
Long-term Liabilities:	
Net OPEB Obligation	424,508
Portion due or payable within one year:	
Bonds and notes payable	1,000,000
Portion due or payable after one year	
Bonds and notes payable	<u>30,795,000</u>
<b>Total Liabilities</b>	<u><u>39,272,704</u></u>
<b>NET ASSETS</b>	
Invested in Capital Assets, net of Related Debt	5,797,352
Restricted for:	
Career Ladder	97,305
Federal Projects	9,888
Cafeteria	561,072
Unrestricted	<u>5,221,104</u>
<b>Total Net Assets</b>	<u><u>\$ 11,686,721</u></u>

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
DISTRICT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular Education	\$ 11,940,908	\$ -	\$ -	\$ 2,366,410	\$ (9,574,498)
Special Education	2,298,457	-	-	812,924	(1,485,533)
Student Body Education	119,998	-	-	-	(119,998)
Vocational Education	579,159	-	-	124,536	(454,623)
Support Services:					
Attendance Services	56,070	-	-	-	(56,070)
Health Services	266,632	-	-	-	(266,632)
Other Student Support	493,101	-	-	-	(493,101)
Regular Instruction	1,490,421	-	-	-	(1,490,421)
Vocational Education	42,051	-	-	-	(42,051)
Special Education	107,372	-	-	-	(107,372)
Guidance	36,471	-	-	-	(36,471)
Adult School	3,800	-	-	-	(3,800)
Board of Education	376,825	-	-	-	(376,825)
Office of Superintendent	217,308	-	-	-	(217,308)
Office of the Principal	1,262,526	-	-	-	(1,262,526)
Fiscal Services	142,497	-	-	-	(142,497)
School Age Childcare	143,437	170,195	-	-	26,758
Operation of Plant	1,670,190	-	-	-	(1,670,190)
Maintenance of Plant	484,263	-	-	-	(484,263)
Transportation	882,884	-	-	-	(882,884)
Non-Instructional Services:					
Food Service	1,717,647	741,183	-	1,032,579	56,115
Community Services	449,535	-	-	-	(449,535)
Early Childhood Education	392,286	-	-	-	(392,286)
Capital Outlay	212,076	-	-	-	(212,076)
Interest on Debt	1,522,062	-	-	-	(1,522,062)
<b>Total District</b>	<b>\$ 26,907,976</b>	<b>\$ 911,378</b>	<b>\$ -</b>	<b>\$ 4,336,449</b>	<b>\$ (21,660,149)</b>
General Revenues:					
Local Option Sales Tax					1,736,608
Property Taxes					4,805,784
Interstate Telecommunications Taxes					1,331
Other Taxes					42,536
Intergovernmental:					
Basic Education Program					16,342,000
Interest					27,507
Other Miscellaneous Revenues					102,754
<b>Total General Revenues</b>					<b>23,058,520</b>
<b>Change in Net Assets</b>					<b>1,398,371</b>
<b>Net Assets, Beginning</b>					<b>10,288,350</b>
<b>Net Assets, Ending</b>					<b>\$ 11,686,721</b>

See auditors' report and accompanying notes to financial statements.

## Fund Financial Statements

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2011**

	<u>General</u>	<u>Federal Projects</u>	<u>Cafeteria</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 4,890,917	\$ 664,590	\$ 427,274	\$ 5,982,781
Investments	500,000	-	-	500,000
Accounts Receivable	205,815	-	-	205,815
Property Taxes Receivable	4,709,415	-	-	4,709,415
Due from Other Governments	888,883	632,888	81,461	1,603,232
Due from Other Funds	1,288,159	1,702	-	1,289,861
Inventory	-	-	52,787	52,787
Total Assets	<u>\$ 12,483,189</u>	<u>\$ 1,299,180</u>	<u>\$ 561,522</u>	<u>\$ 14,343,891</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 9,339	\$ 1,583	\$ -	\$ 10,922
Accrued Liabilities	600,629	-	-	600,629
Accrued Payroll	1,330,305	-	-	1,330,305
Due To Other Funds	1,702	1,287,709	450	1,289,861
Deferred Revenue - Taxes	4,492,739	-	-	4,492,739
Total Liabilities	<u>6,434,714</u>	<u>1,289,292</u>	<u>450</u>	<u>7,724,456</u>
Fund Balances:				
Nonspendable:				
Inventory	-	-	52,787	52,787
Restricted for:				
Career Ladder	97,305	-	-	97,305
Federal Projects	-	9,888	-	9,888
Cafeteria	-	-	508,285	508,285
Unassigned	5,951,170	-	-	5,951,170
Total Fund Balances	<u>6,048,475</u>	<u>9,888</u>	<u>561,072</u>	<u>6,619,435</u>
Total Liabilities and Fund Balances	<u>\$ 12,483,189</u>	<u>\$ 1,299,180</u>	<u>\$ 561,522</u>	<u>\$ 14,343,891</u>

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2011**

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

Fund balances - total governmental funds	\$ 6,619,435
Capital assets used in governmental funds are not financial resources and therefore are not reported as assets in governmental funds	37,592,352
Prepaid bond issue costs ,insurance, and discount are carried as a prepaid asset on the statement of net assets and are to be amortized over the life of the bond issue	313,043
Some payables are not due and payable in the current period and, therefore are not reported in the funds: Accrued interest	(294,444)
Deferred bond reoffering premium is carried as a deferred liability on the statement of net assets and is to be recognized over the life of the bond issue	(324,157)
Net OPEB Obligation is considered a long-term liability and not due in the current period, therefore, is not reported in the funds	(424,508)
Long-term liabilities, including bonds, notes, and lease payables, are not due in the current period and , therefore, are not reported in the funds	<u>(31,795,000)</u>
Net assets of governmental activities	<u><u>\$ 11,686,721</u></u>

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

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Federal Projects</u>	<u>Cafeteria</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 6,586,259	\$ -	\$ -	\$ 6,586,259
Intergovernmental	17,166,581	2,479,289	1,032,579	20,678,449
Miscellaneous	299,179	-	742,460	1,041,639
<b>Total Revenues</b>	<u>24,052,019</u>	<u>2,479,289</u>	<u>1,775,039</u>	<u>28,306,347</u>
<b>Expenditures</b>				
Current:				
Instruction	12,075,231	1,445,529	-	13,520,760
Student Support	7,247,033	584,225	-	7,831,258
Food Services	-	-	1,717,647	1,717,647
Operation of Non-Instructional Services	392,286	449,535	-	841,821
Capital Outlay	1,215,744	-	-	1,215,744
Debt Service:				
Principal	945,000	-	-	945,000
Interest	1,526,758	-	-	1,526,758
<b>Total Expenditures</b>	<u>23,402,052</u>	<u>2,479,289</u>	<u>1,717,647</u>	<u>27,598,988</u>
<b>Excess Revenues Over (Under) Expenditures</b>	<u>649,967</u>	<u>-</u>	<u>57,392</u>	<u>707,359</u>
<b>Other Financing Sources (Uses)</b>				
Transfer From (To) Other Funds	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	649,967	-	57,392	707,359
<b>Fund Balance, Beginning</b>	<u>5,398,508</u>	<u>9,888</u>	<u>503,680</u>	<u>5,912,076</u>
<b>Fund Balance, Ending</b>	<u>\$ 6,048,475</u>	<u>\$ 9,888</u>	<u>\$ 561,072</u>	<u>\$ 6,619,435</u>

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**RECONCILIATION OF STATEMENT REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2011**

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

Net change in fund balances - total governmental funds	\$ 707,359
Governmental funds report capital outlay as expenditures. However, in the district-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	1,355,247
The repayment of the principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.	945,000
Increase in the Net OPEB Obligation is reported in the district-wide statement of activities and changes in net assets, but it does not require the use of current financial resources.	(117,931)
Amortization of bond issue costs, insurance, and discount is reported in the district-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. The expense is recognized over the life of the bond issue.	(16,680)
Amortization of bond reoffering premium is reported in the district-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. The premium is recognized over the life of the bond issue	10,705
Depreciation expense on capital assets is reported in the district-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.	(1,490,025)
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.	<u>4,696</u>
Change in net assets of governmental activities	<u><u>\$ 1,398,371</u></u>

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

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL PURPOSE FUND**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
<b>Taxes</b>				
Real Estate Taxes	\$ 4,738,790	\$ 4,738,790	\$ 4,805,784	\$ 66,994
In Lieu of Taxes	-	-	9,846	9,846
Penalties and Interest	17,000	17,000	29,255	12,255
Local Sales Tax	1,595,000	1,595,000	1,736,608	141,608
Interstate Telecommunications	2,000	2,000	1,331	(669)
Trustee Collections - Bankruptcy	-	-	2,008	2,008
Marriage License	1,400	1,400	1,427	27
<b>Total Taxes</b>	<u>6,354,190</u>	<u>6,354,190</u>	<u>6,586,259</u>	<u>232,069</u>
<b>Intergovernmental Revenues</b>				
State of Tennessee - Basic Education Program	15,807,000	16,342,000	16,342,000	-
State of Tennessee - Career Ladder	138,500	138,500	149,617	11,117
State of Tennessee - Other	581,136	664,965	674,964	9,999
<b>Total Intergovernmental Revenues</b>	<u>16,526,636</u>	<u>17,145,465</u>	<u>17,166,581</u>	<u>21,116</u>
<b>Miscellaneous Revenues</b>				
Receipts From Individual Schools	65,000	65,000	102,519	37,519
Interest Earnings	19,000	19,000	26,230	7,230
School Age Childcare	176,297	176,297	170,195	(6,102)
Miscellaneous	-	-	235	235
<b>Total Miscellaneous Revenues</b>	<u>260,297</u>	<u>260,297</u>	<u>299,179</u>	<u>38,882</u>
<b>Total Revenues</b>	<u>23,141,123</u>	<u>23,759,952</u>	<u>24,052,019</u>	<u>292,067</u>
<b>Expenditures</b>				
<b>Instruction</b>				
<b>Regular Instruction Program</b>				
Salaries - Teachers	7,219,711	7,272,235	7,025,067	247,168
Salaries - Career Ladder	98,000	103,998	86,198	17,800
Salaries - Educational Assistants	267,814	280,122	259,565	20,557
Salaries - Substitute Teachers	85,000	134,103	134,103	-
Salaries - Homebound ISS	5,000	7,664	7,664	-
Social Security	475,883	484,625	421,529	63,096
State Retirement	687,979	700,570	652,337	48,233
Life Insurance	10,000	10,000	7,344	2,656
Medical Insurance	748,581	783,626	719,498	64,128
Medicare	111,295	113,339	100,509	12,830
Other Contracted Services	85,000	85,000	74,450	10,550
Instructional Supplies	154,000	168,270	167,441	829
Other Supplies and Materials	170,269	193,769	169,042	24,727
Equipment	10,000	10,000	7,699	2,301
Maintenance and Repair	1,000	1,000	-	1,000
Textbooks	94,000	94,000	73,444	20,556
<b>Total Regular Instructional Program</b>	<u>10,223,532</u>	<u>10,442,321</u>	<u>9,905,890</u>	<u>536,431</u>
<b>Special Education Program</b>				
Salaries - Teachers	882,044	876,975	876,975	-
Salaries - Career Ladder	8,500	13,378	13,378	-
Salaries - Homebound ISS	2,000	580	580	-
Salaries - Educational Assistants	215,122	216,391	216,391	-
Salaries - Substitute Teachers	5,000	5,964	5,392	572
Social Security	68,985	65,900	62,862	3,038
State Retirement	97,297	97,297	96,591	706

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL PURPOSE FUND**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Medicare	16,134	16,134	14,703	1,431
Medical Insurance	125,907	125,907	124,200	1,707
Contracted Services	25,000	52,320	48,425	3,895
Evaluation and Testing	32,000	32,000	32,000	-
Instructional Supplies	10,000	10,000	9,830	170
Equipment	-	493	1,193	(700)
In-service Training	-	700	-	700
Maintenance and Repair	2,000	2,000	1,195	805
Textbooks	2,000	2,000	-	2,000
Other Supplies and Materials	4,000	5,269	5,269	-
Total Special Education Program	<u>1,495,989</u>	<u>1,523,308</u>	<u>1,508,984</u>	<u>14,324</u>
Student Body Education Program				
Salaries - Other	67,314	77,819	77,819	-
Social Security	4,173	4,290	4,289	1
State Retirement	5,170	5,998	5,998	-
Medicare	976	1,003	1,003	-
Medical Insurance	8,127	8,422	8,421	1
Communication	1,700	854	854	-
Contracted services	1,000	831	830	1
Travel	5,000	5,837	5,838	(1)
Other Charges	3,500	6,500	6,500	-
Other Supplies and Materials	3,040	8,446	8,446	-
Total Student Body Education Program	<u>100,000</u>	<u>120,000</u>	<u>119,998</u>	<u>2</u>
Vocational Education Program				
Salaries - Teachers	417,436	414,380	402,627	11,753
Salaries - Career Ladder	2,500	2,500	2,500	-
Salaries - Substitute Teachers	10,000	12,500	11,378	1,122
Other Charges	5,000	5,556	5,556	-
Social Security	26,656	26,656	22,261	4,395
State Retirement	38,004	38,004	34,720	3,284
Medical Insurance	48,611	48,611	40,333	8,278
Medicare	6,234	6,234	5,524	710
Equipment	6,000	6,000	4,831	1,169
Instructional Supplies	10,706	10,706	10,629	77
Total Vocational Education Program	<u>571,147</u>	<u>571,147</u>	<u>540,359</u>	<u>30,788</u>
<b>Total Instruction</b>	<u>12,390,668</u>	<u>12,656,776</u>	<u>12,075,231</u>	<u>581,545</u>
<b>Student Support</b>				
Student Support Attendance Services				
Salaries - Supervisor/Director	42,000	42,000	41,991	9
Salaries - Career Ladder	1,000	1,000	-	1,000
Social Security	2,604	2,604	2,333	271
State Retirement	3,801	3,801	3,800	1
Medical Insurance	4,966	5,029	5,029	-
Medicare	609	546	546	-
Travel	2,500	2,500	2,371	129
Total Student Support Attendance Services	<u>57,480</u>	<u>57,480</u>	<u>56,070</u>	<u>1,410</u>
Health Services				
Medical Personnel	191,884	203,443	190,242	13,201
Travel	4,000	5,304	5,304	-
Drugs and Medical Supplies	4,800	4,800	3,001	1,799
Social Security	11,897	12,982	10,966	2,016

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL PURPOSE FUND**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
State Retirement	14,737	16,081	14,611	1,470
Medical Insurance	14,897	14,897	13,481	1,416
Medicare	2,782	3,036	2,565	471
Other Charges	1,500	2,544	2,544	-
Equipment	3,000	6,598	6,598	-
Total Student Support Health Services	<u>249,497</u>	<u>269,685</u>	<u>249,312</u>	<u>20,373</u>
Other Student Support				
Salaries - Career Ladder	11,000	9,000	9,000	-
Salaries - Guidance Personnel	309,440	307,757	307,757	-
Social Security	19,867	18,288	18,288	-
Travel	1,200	1,402	1,403	(1)
Medical Insurance	22,045	20,590	20,590	-
State Retirement	29,000	28,641	28,641	-
Medicare	4,646	4,277	4,276	1
Evaluation and Testing	55,000	62,743	62,743	-
Contracted Services	40,235	40,403	40,403	-
Total Student Support Other Services	<u>492,433</u>	<u>493,101</u>	<u>493,101</u>	<u>-</u>
Regular Instruction Program				
Salaries - Supervisor/Director	173,046	173,046	172,081	965
Salaries - Career Ladder	10,500	10,500	8,500	2,000
Salaries - Librarian	216,229	216,492	216,492	-
Salaries - Other	134,279	134,955	134,955	-
Medicare	7,744	7,744	7,093	651
Social Security	33,111	33,111	30,334	2,777
Consultants	5,000	5,000	-	5,000
State Retirement	46,492	46,492	46,327	165
Medical Insurance	46,254	47,686	47,686	-
Maintenance and Repair	15,000	18,881	18,881	-
In-service Training	50,000	56,140	56,140	-
Equipment	125,000	238,820	215,816	23,004
Travel	24,000	24,000	19,677	4,323
Contracted Services	166,728	185,967	144,142	41,825
Other Supplies and Materials	39,000	26,009	2,487	23,522
Library Books/Media	30,500	31,099	31,099	-
Total Regular Instruction Program	<u>1,122,883</u>	<u>1,255,942</u>	<u>1,151,710</u>	<u>104,232</u>
Special Education Program				
Salaries - Supervisor/Director	35,739	35,739	35,739	-
Salaries - Career Ladder	3,500	3,500	3,500	-
Salaries - Clerical Personnel	25,913	26,572	26,572	-
Travel	8,000	6,582	4,843	1,739
Medical Insurance	1,865	1,865	1,810	55
Social Security	4,039	4,039	3,913	126
State Retirement	5,541	5,592	5,591	1
Other Supplies and Materials	1,000	1,000	-	1,000
Medicare	945	945	915	30
In-service Training	5,000	8,000	7,784	216
Equipment	2,000	2,000	1,761	239
Consultants	1,000	1,000	-	1,000
Contracted Services	-	708	708	-
Repairs	1,000	1,000	-	1,000
Total Special Education Program	<u>95,542</u>	<u>98,542</u>	<u>93,136</u>	<u>5,406</u>
Vocational Education Program				

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL PURPOSE FUND**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Salaries - Supervisor/Director	34,071	34,071	34,071	-
Salaries - Career Ladder	3,500	3,500	3,500	-
Medicare	545	545	487	58
Travel	4,000	4,000	3,993	7
Total Vocational Education Program	<u>42,116</u>	<u>42,116</u>	<u>42,051</u>	<u>65</u>
Adult Education				
Other Contracted Services	3,600	3,800	3,800	-
Total Adult Education	<u>3,600</u>	<u>3,800</u>	<u>3,800</u>	<u>-</u>
Office of the Superintendent				
Salaries - Administrative Officer	109,074	119,527	119,527	-
Salaries - Other	27,835	27,835	25,842	1,993
Career Ladder	1,000	1,000	1,000	-
Social Security	8,550	8,726	8,727	(1)
State Retirement	12,099	12,099	11,946	153
Medical Insurance	18,194	21,763	21,763	-
Medicare	2,000	2,041	2,041	-
Communication	18,500	18,500	15,877	2,623
Travel	1,875	1,875	871	1,004
Office Supplies	13,000	13,000	6,336	6,664
Postal Charges	4,500	4,500	3,378	1,122
Total Office of the Superintendent	<u>216,627</u>	<u>230,866</u>	<u>217,308</u>	<u>13,558</u>
School Age Childcare				
Educational Assistants	82,686	82,686	78,908	3,778
Instructional Supplies	11,345	14,070	14,070	-
Other Supplies and Materials	53,250	50,412	32,276	18,136
Other Charges	11,190	11,190	11,000	190
Social Security	5,127	5,127	4,926	201
State Retirement	-	113	113	-
Medicare	1,199	1,199	1,155	44
Travel	500	500	-	500
Equipment	11,000	11,000	989	10,011
Total School Age Childcare	<u>176,297</u>	<u>176,297</u>	<u>143,437</u>	<u>32,860</u>
Office of the Principal				
Salaries - Principals	563,687	566,974	566,974	-
Salaries - Assistant Principals	241,215	232,025	160,422	71,603
Salaries - Career Ladder	12,500	16,500	16,500	-
Salaries - Secretaries	190,309	192,212	192,212	-
Social Security	62,478	62,478	51,275	11,203
Medicare	14,612	14,612	12,429	2,183
State Retirement	88,591	88,591	79,283	9,308
Medical Insurance	103,332	103,332	84,117	19,215
Total Office of the Principal	<u>1,276,724</u>	<u>1,276,724</u>	<u>1,163,212</u>	<u>113,512</u>
Fiscal Services				
Salaries - Supervisor/Director	66,629	67,740	67,740	-
Salaries - Accountants/Bookkeepers	44,842	41,742	39,914	1,828
Salaries - Internal Audit Personnel	4,700	-	-	-
State Retirement	9,474	9,474	8,584	890
Social Security	6,911	6,911	5,467	1,444
Medicare	1,616	1,616	1,493	123
Medical Insurance	3,419	4,361	4,361	-
In-service Training	1,000	1,000	725	275

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL PURPOSE FUND**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Travel	1,000	1,000	966	34
Data Processing Supplies	7,500	13,247	13,247	-
Total Fiscal Services	<u>147,091</u>	<u>147,091</u>	<u>142,497</u>	<u>4,594</u>
Maintenance of Plant				
Salaries - Maintenance Personnel	168,476	170,415	170,415	-
Social Security	10,446	10,446	9,921	525
State Retirement	12,939	12,939	11,369	1,570
Medical Insurance	13,984	14,239	14,240	(1)
Medicare	2,443	2,443	2,348	95
Other Supplies and Materials	110,000	103,822	102,497	1,325
Maintenance and Repairs	110,000	121,961	121,961	-
Other Contracted Services	55,000	47,022	47,022	-
Other Charges	8,000	8,000	4,490	3,510
Total Maintenance of Plant	<u>491,288</u>	<u>491,287</u>	<u>484,263</u>	<u>7,024</u>
Board of Education				
Board Fees	22,000	22,000	17,992	4,008
Social Security	900	900	609	291
Medicare	200	200	142	58
Audit Service	30,000	30,000	30,000	-
Dues and Memberships	15,000	15,000	7,054	7,946
Legal Services	45,000	40,422	33,744	6,678
Travel	8,000	8,000	2,826	5,174
Other Contracted Services	10,000	10,000	9,552	448
Insurance	45,357	45,507	45,507	-
Workers Compensation	63,000	63,000	60,605	2,395
Trustee Commission	111,200	113,480	113,355	125
Premium on Bonds	3,665	5,813	5,813	-
Unemployment Compensation	50,000	50,000	49,626	374
Total Board of Education	<u>404,322</u>	<u>404,322</u>	<u>376,825</u>	<u>27,497</u>
Operation of Plant				
Contracted Services	690,000	676,292	667,477	8,815
Disposal Fee	46,000	46,000	38,179	7,821
Electricity	650,000	659,201	659,201	-
Natural Gas	205,000	205,000	120,252	84,748
Water and Sewer	70,000	74,375	74,375	-
Other Supplies	20,000	20,000	6,516	13,484
Insurance	104,058	104,190	104,190	-
Total Operation of Plant	<u>1,785,058</u>	<u>1,785,058</u>	<u>1,670,190</u>	<u>114,868</u>
Transportation				
Salaries - Supervisor/Director	20,297	20,306	20,306	-
Salaries - Bus Drivers	326,648	335,278	335,278	-
State Retirement	31,120	20,585	20,585	-
Social Security	21,511	17,441	17,441	-
Medicare	5,031	4,910	4,907	3
Medical Insurance	27,021	23,091	23,091	-
Gasoline	175,000	173,889	173,889	-
Travel	1,000	1,706	1,706	-
Contracts with Public Agencies	142,150	152,231	152,229	2
Vehicle and Equipment Insurance	30,455	30,455	30,455	-
Equipment	6,187	166,949	166,950	(1)
Other Charges	15,000	13,283	13,284	(1)
Total Transportation	<u>801,420</u>	<u>960,124</u>	<u>960,121</u>	<u>3</u>

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL PURPOSE FUND**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Total Student Support</b>	<u>7,362,378</u>	<u>7,692,435</u>	<u>7,247,033</u>	<u>445,402</u>
<b>Operation of Non-instructional Services</b>				
Early Childhood Education				
Salaries - Teachers	144,952	146,902	146,902	-
Salaries - Career Ladder	-	1,000	1,000	-
Salaries - Other	61,405	66,489	66,489	-
Social Security	12,794	11,485	11,485	-
State Retirement	17,834	18,136	18,136	-
Medical Insurance	33,278	32,387	32,387	-
Medicare	2,992	2,692	2,692	-
Travel	10,000	2,121	2,121	-
Other Contracted Services	31,395	43,534	43,534	-
Other Supplies and Materials	65,915	64,368	64,368	-
In-service Training	10,000	3,172	3,172	-
Equipment	1,721	-	-	-
Total Early Childhood Education	<u>392,286</u>	<u>392,286</u>	<u>392,286</u>	<u>-</u>
Debt Services				
Principal	945,000	945,000	945,000	-
Interest	1,526,791	1,526,791	1,526,758	33
Total Debt Services	<u>2,471,791</u>	<u>2,471,791</u>	<u>2,471,758</u>	<u>33</u>
Capital Outlay/Capital Projects				
Other Capital Outlay	524,000	1,221,853	1,215,744	6,109
Total Capital Outlay/Capital Projects	<u>524,000</u>	<u>1,221,853</u>	<u>1,215,744</u>	<u>6,109</u>
<b>Total Expenditures</b>	<u>23,141,123</u>	<u>24,435,141</u>	<u>23,402,052</u>	<u>1,033,089</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>(675,189)</u>	<u>649,967</u>	<u>1,325,156</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds From Bond Issue	-	-	-	-
Bond Issue Costs	-	-	-	-
Underwriter's Discount	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>-</u>	<u>(675,189)</u>	<u>649,967</u>	<u>1,325,156</u>
<b>Fund Balance - Beginning</b>	<u>5,398,508</u>	<u>5,398,508</u>	<u>5,398,508</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 5,398,508</u>	<u>\$ 4,723,319</u>	<u>\$ 6,048,475</u>	<u>\$ 1,325,156</u>

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - FEDERAL PROJECTS FUND**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
State of Tennessee	\$ 3,058,774	\$ 3,155,990	\$ 2,479,289	\$ (676,701)
<b>Total Revenues</b>	<u>3,058,774</u>	<u>3,155,990</u>	<u>2,479,289</u>	<u>(676,701)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Vocational Instruction				
Salaries - Teachers	17,805	17,805	17,805	-
Social Security	1,104	1,104	993	111
State Retirement	1,612	1,612	1,612	-
Medical Insurance	545	545	231	314
Medicare	258	258	232	26
Instructional Supplies	5,922	5,922	5,850	72
Equipment	99,467	99,467	11,027	88,440
Other Charges	2,423	2,423	1,050	1,373
Total Vocational Instruction	<u>129,136</u>	<u>129,136</u>	<u>38,800</u>	<u>90,336</u>
Regular Instruction				
Salaries - Teachers	547,501	546,204	266,483	279,721
Salaries - Educational Assistants	201,755	201,755	183,105	18,650
Salaries - Other	-	-	4,000	(4,000)
Social Security	52,930	52,929	25,769	27,160
State Retirement	65,666	63,483	37,468	26,015
Medical Insurance	75,240	74,889	59,327	15,562
Medicare	10,848	10,849	6,165	4,684
Instructional Supplies	11,891	45,585	24,488	21,097
Equipment	36,402	36,165	10,451	25,714
Other Charges	1,226	1,226	-	1,226
Total Regular Instruction	<u>1,003,459</u>	<u>1,033,085</u>	<u>617,256</u>	<u>415,829</u>
Special Education				
Salaries - Teachers	143,684	143,684	204,170	(60,486)
Salaries - Speech Pathologist	124,375	124,375	125,018	(643)
Salaries - Educational Assistants	245,400	245,400	243,239	2,161
Salaries - Homebound ISS	4,000	4,000	-	4,000
Salaries - Other	7,526	5,184	5,184	-
Social Security	34,704	34,558	28,917	5,641
State Retirement	43,932	43,720	42,134	1,586
Medical Insurance	57,468	57,468	59,193	(1,725)
Medicare	8,114	8,080	6,691	1,389
Evaluation and Testing	9,000	9,000	5,000	4,000
Contracted Services	2,892	2,892	-	2,892
Instructional Supplies	32,923	41,753	35,076	6,677
Equipment	8,000	20,000	12,798	7,202
Maintenance and Repairs	5,645	5,645	2,906	2,739
In-Service Training	-	1,500	-	1,500
Other Supplies and Materials	3,941	2,631	19,147	(16,516)
Total Special Education	<u>731,604</u>	<u>749,890</u>	<u>789,473</u>	<u>(39,583)</u>
<b>Total Instruction</b>	<u>1,864,199</u>	<u>1,912,111</u>	<u>1,445,529</u>	<u>466,582</u>
<b>Other Student Support</b>				
Regular Instruction				
Salaries - Supervisors	37,099	37,099	38,421	(1,322)

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - FEDERAL PROJECTS FUND**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Salaries - Substitutes	-	6,300	-	6,300
Salaries - Clerical Personnel	15,906	15,906	16,171	(265)
Salaries - Other	210,016	210,016	193,277	16,739
Social Security	17,920	18,311	15,535	2,776
State Retirement	25,027	25,028	22,920	2,108
Medical Insurance	9,894	9,894	9,284	610
Medicare	4,191	4,284	3,755	529
Travel	6,057	6,057	4,312	1,745
Other Supplies and Materials	24,049	13,331	2,651	10,680
Equipment	2,500	3,900	-	3,900
In-Service Training	84,546	58,584	27,387	31,197
Other Charges	1,500	1,500	4,998	(3,498)
Total Regular Instruction	<u>438,705</u>	<u>410,210</u>	<u>338,711</u>	<u>71,499</u>
Guidance				
Salaries - Social Workers	17,993	17,993	17,993	-
Social Security	1,116	1,116	1,116	-
State Retirement	1,628	1,628	1,628	-
Medicare	261	261	261	-
Travel	-	-	9,185	(9,185)
Contracted Services	-	-	-	-
Other Supplies and Materials	-	-	4,712	(4,712)
In-Service Training	-	-	1,576	(1,576)
Total Guidance	<u>20,998</u>	<u>20,998</u>	<u>36,471</u>	<u>(15,473)</u>
Health Services				
Medical Personnel	35,010	35,010	15,017	19,993
Social Security	2,678	2,678	931	1,747
State Retirement	2,689	2,689	1,154	1,535
Medical Insurance	6,637	6,637	-	6,637
Medicare	508	508	218	290
Total Health Services	<u>47,522</u>	<u>47,522</u>	<u>17,320</u>	<u>30,202</u>
Office of the Principal				
Salaries - Assistant Principals	164,502	164,502	79,218	85,284
Social Security	12,584	12,584	4,654	7,930
State Retirement	14,887	14,887	7,169	7,718
Medical Insurance	14,484	14,484	7,185	7,299
Medicare	2,385	2,385	1,088	1,297
Total Office of the Principal	<u>208,842</u>	<u>208,842</u>	<u>99,314</u>	<u>109,528</u>
Other Student Support				
Travel	9,263	9,300	-	9,300
Contracted Services	7,360	6,382	-	6,382
In-Service Training	600	1,148	-	1,148
Total Other Student Support	<u>17,223</u>	<u>16,830</u>	<u>-</u>	<u>16,830</u>
Special Education				
Communication	-	-	-	-
Travel	6,916	6,916	794	6,122
Maintenance and Repairs	2,500	2,500	-	2,500
Equipment	-	-	1,398	(1,398)
Other Supplies and Materials	66	66	-	66
In-Service Training	2,125	2,125	12,044	(9,919)
Total Special Education	<u>11,607</u>	<u>11,607</u>	<u>14,236</u>	<u>(2,629)</u>

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - FEDERAL PROJECTS FUND**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Transportation				
Salaries - Bus Drivers	25,933	7,798	8,139	(341)
Social Security	1,608	473	494	(21)
State Retirement	1,761	489	556	(67)
Medicare	376	110	115	(5)
Gasoline	-	1,000	-	1,000
Equipment	70,000	68,000	68,869	(869)
Total Transportation	<u>99,678</u>	<u>77,870</u>	<u>78,173</u>	<u>(303)</u>
<b>Total Other Student Support</b>	<u>844,575</u>	<u>793,879</u>	<u>584,225</u>	<u>209,654</u>
<b>Non-Instructional Services</b>				
Community Services				
Salaries - Supervisors	80,650	140,840	140,840	-
Salaries - Teachers	71,920	63,205	63,205	-
Salaries - Educational Assistants	92,341	64,870	64,869	1
Social Security	15,185	16,161	16,161	-
State Retirement	18,276	15,666	15,666	-
Medical Insurance	7,500	9,718	9,253	465
Medicare	3,552	3,782	3,783	(1)
Communication	1,560	1,654	1,654	-
Maintenance and Repairs	2,400	337	337	-
Travel	16,500	10,295	10,295	-
In-Service Training	-	12,359	12,359	-
Other Contracted Services	30,280	13,648	13,648	-
Other Supplies and Materials	9,836	97,465	97,465	-
Total Community Services	<u>350,000</u>	<u>450,000</u>	<u>449,535</u>	<u>465</u>
<b>Total Non-Instructional Services</b>	<u>350,000</u>	<u>450,000</u>	<u>449,535</u>	<u>465</u>
<b>Total Expenditures</b>	<u>3,058,774</u>	<u>3,155,990</u>	<u>2,479,289</u>	<u>676,701</u>
<b>Excess Revenues Over (Under) Expenditures</b>	-	-	-	-
<b>Other Financing Sources (Uses)</b>				
Transfer From Other Funds	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	-	-	-	-
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	-	-	-	-
<b>Fund Balance - Beginning</b>	<u>9,888</u>	<u>9,888</u>	<u>9,888</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 9,888</u>	<u>\$ 9,888</u>	<u>\$ 9,888</u>	<u>\$ -</u>

See auditors' report and accompanying notes to financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - CAFETERIA FUND**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Lunch Payment - Children	\$ 662,293	\$ 662,293	\$ 696,796	\$ 34,503
Lunch Payment - Adults	10,160	10,160	11,836	1,676
U.S.D.A. Reimbursements	871,568	871,568	1,014,330	142,762
State School Matching	17,000	17,000	18,249	1,249
Interest	1,000	1,000	1,277	277
A La Carte Sales	<u>22,877</u>	<u>22,877</u>	<u>32,551</u>	<u>9,674</u>
<b>Total Revenues</b>	<u>1,584,898</u>	<u>1,584,898</u>	<u>1,775,039</u>	<u>190,141</u>
<b>Expenditures</b>				
Food	622,105	653,834	755,678	(101,844)
Labor	510,976	506,155	566,620	(60,465)
Supervisor	46,171	46,170	-	46,170
Accountants	11,938	14,292	-	14,292
Other Contracted Services	16,962	20,062	20,060	2
Social Security	34,045	31,063	31,061	2
State Retirement	42,171	41,695	41,695	-
Medical Insurance	88,021	83,802	83,802	-
Unemployment	500	-	-	-
Employer Medicare	7,962	7,286	7,285	1
Communication	-	705	706	(1)
Utilities	84,000	90,985	90,985	-
In-Service Training	2,500	1,364	1,364	-
Equipment	16,094	19,173	19,173	-
Non-Food Supplies	72,153	71,970	71,970	-
Maintenance and Repair	22,100	20,733	20,733	-
Travel	1,500	1,244	1,243	1
Uniforms	<u>5,700</u>	<u>5,271</u>	<u>5,272</u>	<u>(1)</u>
<b>Total Expenditures</b>	<u>1,584,898</u>	<u>1,615,804</u>	<u>1,717,647</u>	<u>(101,843)</u>
<b>Excess Revenues Over (Under) Expenditures</b>	-	(30,906)	57,392	88,298
<b>Fund Balance - Beginning</b>	<u>503,680</u>	<u>503,680</u>	<u>503,680</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 503,680</u>	<u>\$ 472,774</u>	<u>\$ 561,072</u>	<u>\$ 88,298</u>

See auditors' report and accompanying notes to financial statements.

## NOTES TO BASIC FINANCIAL STATEMENTS

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

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

**A. Reporting Entity**

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

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

**B. District-wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues.

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

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

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

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

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

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

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

The District reports the following major governmental funds:

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

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

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

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

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

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

**D. Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments**

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

Investments for the District are reported at fair value.

**Receivables and Payables**

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

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1, and become delinquent on March 1. The property taxes are collected by the Trustee of Gibson County and remitted to the District. District property tax revenues are recognized when levied to the extent the resources can be spent, otherwise the revenue is deferred to subsequent periods.

Gibson county has a period public sales of delinquent tax properties. Accordingly, there is no allowance for uncollectibles recorded in the financial statements.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

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

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

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

**Inventories and Prepaid Items**

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

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

**Capital Assets**

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

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

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

Buildings and improvements	20 - 40 years
Machinery and equipment	5 - 20 years

**Deferred Revenue**

Deferred revenue represents amounts that were receivable and measurable at June 30, 2011 but were not available to finance expenditures for the year ended June 30, 2011. Deferred revenues primarily include unearned or unavailable revenues.

**Compensated Absences**

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

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

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

**Long-term Liabilities**

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

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

**Fund Equity**

For the fiscal year ending June 30, 2011, the School System implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the System itself, using its highest level of decision-making authority, the School Board. To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the System intends to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the Board delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by School Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

The details of the fund balances are included in the Governmental Funds Balance Sheet as listed in the table of contents. Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the School Board or the Assignment has been changed by the Superintendent. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

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

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the district-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds, notes and capital leases payable, are not due and payable in the current period, and; therefore, are not reported in the funds." The details of this \$31,795,000 are as follows:

School Bonds Payable, Series 2001	\$ 5,405,000
School Bonds Payable, Series 2005	1,380,000
School Bonds Payable, Series 2007	14,275,000
School Bonds Payable, Series 2008	6,900,000
School Bonds Payable, Series 2009	<u>3,835,000</u>
	<b>\$ <u>31,795,000</u></b>

Another element of that reconciliation explains that "capital assets used in governmental funds are not financial resources and therefore are not reported as assets in the governmental funds." The details of this \$37,592,352 are as follows:

Land	\$ 124,936
Buildings and Improvements	50,825,552
Vehicles	2,715,612
Furniture and Equipment	<u>966,132</u>
	54,632,232
Less accumulated depreciation	<u>(17,039,880)</u>
Total capital assets, net of accumulated depreciation	<b>\$ <u>37,592,352</u></b>

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

One element of that reconciliation states that, "the repayment of the principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets." The details of this \$945,000 are as follows:

Principal repayments:

School Bonds Payable, Series 2001	\$ 410,000
School Bonds Payable, Series 2005	70,000
School Bonds Payable, Series 2007	100,000
School Bonds Payable, Series 2008	100,000
School Bonds Payable, Series 2009	<u>265,000</u>
	<b>\$ <u>945,000</u></b>

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

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

**A. Budgetary Information**

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

The Cafeteria Fund exceeded the limited of their budgeted appropriations.

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

**A. Deposits and Investments**

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

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

**Custodial Credit Risk**

The School District's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance of the Tennessee Bank Collateral Pool, by collateral held by the School District's agent in the School District's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the School District to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2011, all bank deposits were fully collateralized or insured.

**B. Receivables**

	<u>General</u>	<u>Federal</u>	<u>Cafeteria</u>	<u>Total</u>
Receivables:				
Property Taxes	\$ 4,709,415	\$ -	\$ -	\$ 4,709,415
Accounts	205,815	-	-	205,815
Intergovernmental	<u>888,883</u>	<u>632,888</u>	<u>81,461</u>	<u>1,603,232</u>
Total Receivables	<u>\$ 5,804,113</u>	<u>\$ 632,888</u>	<u>\$ 81,461</u>	<u>\$ 6,518,462</u>

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

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Beginning Bal</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Bal</u>
Capital Assets, being depreciated				
Land	\$ 35,436	\$ 89,500	\$ -	\$ 124,936
Construction in Progress	-	-	-	
Buildings and Improvements	49,821,884	1,003,668		50,825,552
Vehicles	2,560,202	155,410	-	2,715,612
Furniture and Equipment	859,463	106,669	-	966,132
Total Capital Assets, being depreciated	<u>\$53,276,985</u>	<u>\$ 1,355,247</u>	<u>\$ -</u>	<u>\$54,632,232</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	13,101,468	1,288,422	-	14,389,890
Vehicles	2,182,239	125,555	-	2,307,794
Furniture and Equipment	266,149	76,048	-	342,197
Total Accumulated Depreciation	<u>15,549,855</u>	<u>1,490,025</u>	<u>-</u>	<u>17,039,880</u>
Net Capital Assets	<u>\$37,727,130</u>	<u>(\$ 134,778)</u>	<u>\$ -</u>	<u>\$37,592,352</u>

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

Governmental Activities:

Regular Instruction	\$ 1,364,470
Transportation	<u>125,555</u>
Total Depreciation Expense-	
Governmental Activities	<u>\$ 1,490,025</u>

**D. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2011, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Federal Projects	\$ 1,287,709
General Fund	Cafeteria	450
Federal Projects	General Fund	1,702

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

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**

**E. Long-Term Debt**

Long-Term Debt consists of the following:

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

During the year ended June 30, 2002, the School system issued \$6,350,000 in School Refunding Bonds, Series 2001, that bears interest varying from 4.0% to 5.25% to advance refund \$6,170,000 of outstanding 1999 Series bonds bearing interest in a range of 4.75% to 5.625%. The net proceeds of \$6,543,491 (after payment of \$125,975 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 1999 Series bonds. As a result, a portion of the 1999 Series bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. No principal payments were made on the defeased bonds during the year ended June 30, 2010, which resulted in a \$6,225,000 balance. Principal payments of \$2,595,000 were made on the remaining Series 1999 bonds during the year ended June 30, 2010 through the issuance of Series 2009 bonds. Principal payments of \$410,000 were made on the Series 2001 bonds during the year which resulted in a June 30, 2011 balance of \$5,405,000.

During the year ended June 30, 2006, the School system issued \$1,700,000 in School Bonds, Series 2005, which bears interest at an average rate of 4.5%. The bonds are callable on April 1, 2015 at par for bonds maturing April 1, 2016 and thereafter. The current debt service schedule provides for the bonds to mature as of April 1, 2025. The proceeds of the bonds were used for building construction within the School system. Principal payments of \$70,000 were made on the Series 2005 bonds during the year which resulted in a June 30, 2011 balance of \$1,380,000.

During the year ended June 30, 2008, the School system issued \$14,575,000 in School Bonds, Series 2007, which bears interest at an average rate of 4.73%. The bonds are callable on April 1, 2017 at par for bonds maturing April 1, 2018 and thereafter. The current debt service schedule provides for the bonds to mature as of April 1, 2033. The proceeds of the bonds were used for building construction of a new high school within the School system. Principal payments of \$100,000 were made on the Series 2007 bonds during the year which resulted in a June 30, 2011 balance of \$14,275,000.

During the year ended June 30, 2009, the School system issued \$7,100,000 in School Bonds, Series 2008, which bears interest at an average rate of 4.83%. The bonds are callable on April 1, 2018 at par for bonds maturing April 1, 2019 and thereafter. The current debt service schedule provides for the bonds to mature as of April 1, 2029. The proceeds of the bonds were used for building construction of a new high school within the School system. Principal payments of \$100,000 were made on the Series 2008 bonds during the year which resulted in a June 30, 2011 balance of \$6,900,000.

During the year ended June 30, 2010, the School system issued \$4,285,000 in School Bonds, Series 2009, which bears interest at an average rate of 4.01%. The bonds are callable on April 1, 2018 at par for bonds maturing April 1, 2019 and thereafter. The current debt service schedule provides for the bonds to mature as of April 1, 2019. The proceeds of the bonds were used for building construction of a new high school within the School system and the refinance of Series 1993 & 1999 Bonds. Principal payments of \$265,000 were made on the Series 2009 bonds during the year which resulted in a June 30, 2011 balance of \$3,835,000.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

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

The annual requirements to amortize all long-term debt obligations outstanding as of June 30, 2011 are as follows:

Year Ending June 30,	Bonds		Total
	Principal	Interest	
2012	\$ 1,000,000	\$ 1,493,415	\$ 2,493,415
2013	1,065,000	1,458,039	2,523,039
2014	1,140,000	1,413,664	2,553,664
2015	1,220,000	1,365,716	2,585,716
2016	1,300,000	1,313,041	2,613,041
2017-2021	7,610,000	5,601,456	13,211,456
2022-2026	8,960,000	3,701,565	12,661,565
2027-2031	7,925,000	1,430,618	9,355,618
2032-2036	1,575,000	107,500	1,682,500
	<u>\$ 31,795,000</u>	<u>\$ 17,885,011</u>	<u>\$ 49,680,011</u>

Following is a summary of long-term debt transactions for the year ended June 30, 2011:

	Beginning Bal	Additions	Retirements	Ending Bal
Governmental Activities				
Bonds Payable:				
School Bonds, Series 2001, 4.00% to 5.25% interest, payable serially through 2019	\$ 5,815,000	\$ -	\$ 410,000	\$ 5,405,000
School Bonds, Series 2005, 4.50% interest payable serially through 2025	1,450,000	-	70,000	1,380,000
School Bonds, Series 2007, 4.73% interest payable serially through 2033	14,375,000	-	100,000	14,275,000
School Bonds, Series 2008, 4.83% interest payable serially through 2029	7,000,000	-	100,000	6,900,000
School Bonds, Series 2009, 4.01% interest payable serially through 2029	4,100,000	-	185,000	3,835,000
	<u>\$32,740,000</u>	<u>\$ -</u>	<u>\$3,800,000</u>	<u>\$31,795,000</u>

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

**NOTE 5 - OTHER INFORMATION**

**A. Pensions**

Plan Description Non-Certified

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

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

Funding Policy

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

Gibson County Special School District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011, was 0.00% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Gibson County Special School District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2011, Gibson County Special School District's annual pension cost of \$110,110 to TCRS was equal to Gibson County Special School District's required and actual contributions. The required contribution was determined as part of the July 1, 2009 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 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Gibson County Special School District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 6 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$ 110,100	100.00%	\$ 0
6/30/2010	110,100	100.00%	0
6/30/2009	109,923	100.00%	0

Plan Description - Certified

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SEHTTTPP. The report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us).

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Gibson County Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2011 was 9.05% of annual covered payroll. The employer contribution requirement for Gibson County Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2011, 2010, and 2009 were \$1,009,321, \$696,253, and \$646,253, respectively, equal to the required contributions for each year.

**B. Contingent Liabilities and Losses**

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

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**

**C. Risk Management**

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

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

**D. Litigation**

At June 30, 2011, Gibson County Special School District was noted to be the defendants in three lawsuits. The lawsuits have been filed in the County Circuit Court and are currently pending with any outcomes from rulings unknown. The District will actively defend their position and do not expect losses to exceed any insurance that is maintained.

**E. Postemployment Healthcare Plan**

Plan Description

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

Funding Policy

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

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

**E. Postemployment Healthcare Plan**

<u>Annual OPEB Cost and Net OPEB Obligation</u> (dollars in thousands)	<u>Teacher Group Plan</u>
ARC	\$242,688.99
Interest on the NPO	13,795.95
Adjustment to the ARC	<u>13,067.50</u>
Annual OPEB cost:	269,552.44
Amount of contribution:	<u>(151,620.64)</u>
Increase/Decrease in NPO	117,931.80
Net OPEB obligation—beginning of year	<u>306,576.65</u>
Net OPEB obligation—end of year	\$424,508.45

<u>Year End</u>	<u>Plan</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation at Year End</u>
6/30/2009	Teacher Group	\$ 231,819.23	\$ 24,408.47 (10.52%)	\$207,410.76
6/30/2010	Teacher Group	247,036.36	147,870.47 (59.86%)	306,576.65
6/30/2011	Teacher Group	269,552.44	151,620.64 (56.24%)	424,508.45

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

Actuarial Methods and Assumptions

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

In the July 1, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate 10.0 percent initially, reduced by 0.5 percent per year to an ultimate rate of 5.0 percent after ten years. Both rates include a 3.0 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with the fiscal year ended June 30, 2008.

**NOTE 6 – SUBSEQUENT EVENTS**

Management of the District has evaluated events and transactions through October 31, 2011, which is the earliest date the financials were available.

## OTHER SUPPLEMENTARY INFORMATION

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
SCHEDULES OF FUNDING PROGRESS  
For the Year Ended June 30, 2011**

**Pension Plan**

(Dollar Amounts in Thousnads)

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

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

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

**Postemployment Healthcare Plan**

(Dollar Amounts in Thousnads)

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

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

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

## REQUIRED SUPPLEMENTARY INFORMATION

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS  
SCHOOL BONDS - SERIES 2001  
For the Year Ended June 30, 2011**

Due Date	Principal Payment	Rate	Interest Payment	Total Payment
10/01/11			\$ 137,525	\$ 137,525
04/01/12	450,000	4.25	137,525	587,525
10/01/12			127,962	127,962
04/01/13	490,000	5.00	127,962	617,962
10/01/13			115,712	115,712
04/01/14	545,000	5.00	115,712	660,712
10/01/14			102,088	102,088
04/01/15	650,000	5.00	102,088	752,088
10/01/15			85,838	85,838
04/01/16	715,000	5.25	85,838	800,838
10/01/16			67,069	67,069
04/01/17	785,000	5.25	67,069	852,069
10/01/17			46,463	46,463
04/01/18	850,000	5.25	46,463	896,463
10/01/18			24,150	24,150
04/01/19	920,000	5.25	24,150	944,150
	<u>\$ 5,405,000</u>		<u>\$ 1,413,614</u>	<u>\$ 6,818,614</u>

See auditors' report

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS  
SCHOOL BONDS - SERIES 2005  
For the Year Ended June 30, 2011**

Due Date	Principal Payment	Rate	Interest Payment	Total Payment
10/01/11			\$ 31,050	\$ 31,050
04/01/12	70,000	4.50	31,050	101,050
10/01/12			29,475	29,475
04/01/13	75,000	4.50	29,475	104,475
10/01/13			27,788	27,788
04/01/14	80,000	4.50	27,787	107,787
10/01/14			25,988	25,988
04/01/15	85,000	4.50	25,987	110,987
10/01/15			24,075	24,075
04/01/16	85,000	4.50	24,075	109,075
10/01/16			22,163	22,163
04/01/17	90,000	4.50	22,162	112,162
10/01/17			20,138	20,138
04/01/18	95,000	4.50	20,137	115,137
10/01/18			18,000	18,000
04/01/19	100,000	4.50	18,000	118,000
10/01/19			15,750	15,750
04/01/20	105,000	4.50	15,750	120,750
10/01/20			13,388	13,388
04/01/21	110,000	4.50	13,387	123,387
10/01/21			10,913	10,913
04/01/22	115,000	4.50	10,912	125,912
10/01/22			8,325	8,325
04/01/23	120,000	4.50	8,325	128,325
10/01/23			5,625	5,625
04/01/24	125,000	4.50	5,625	130,625
10/01/24			2,813	2,813
04/01/25	125,000	4.50	2,812	127,812
	<u>\$ 1,380,000</u>		<u>\$ 510,975</u>	<u>\$ 1,890,975</u>

See auditors' report

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS  
SCHOOL BONDS - SERIES 2007  
For the Year Ended June 30, 2011**

Due Date	Principal Payment	Rate	Interest Payment	Total Payment
10/01/11			\$ 350,163	\$ 350,163
04/01/12	100,000	4.00	350,162	450,162
10/01/12			348,163	348,163
04/01/13	100,000	4.00	348,162	448,162
10/01/13			346,163	346,163
04/01/14	100,000	4.00	346,162	446,162
10/01/14			344,163	344,163
04/01/15	100,000	4.00	344,162	444,162
10/01/15			342,163	342,163
04/01/16	100,000	4.125	342,162	442,162
10/01/16			340,100	340,100
04/01/17	100,000	4.20	340,100	440,100
10/01/17			338,000	338,000
04/01/18	100,000	4.25	338,000	438,000
10/01/18			335,875	335,875
04/01/19	100,000	4.30	335,875	435,875
10/01/19			333,725	333,725
04/01/20	900,000	4.30	333,725	1,233,725
10/01/20			314,375	314,375
04/01/21	1,000,000	5.00	314,375	1,314,375
10/01/21			289,375	289,375
04/01/22	1,000,000	5.00	289,375	1,289,375
10/01/22			264,375	264,375
04/01/23	1,000,000	5.00	264,375	1,264,375
10/01/23			239,375	239,375
04/01/24	1,000,000	5.00	239,375	1,239,375
10/01/24			214,375	214,375
04/01/25	1,000,000	5.00	214,375	1,214,375
10/01/25			189,375	189,375
04/01/26	1,000,000	5.00	189,375	1,189,375
10/01/26			164,375	164,375
04/01/27	1,000,000	5.00	164,375	1,164,375
10/01/27			139,375	139,375
04/01/28	1,000,000	5.00	139,375	1,139,375
10/01/28			114,375	114,375
01/01/29	1,000,000	5.00	114,375	1,114,375
10/01/29			89,375	89,375
04/01/30	1,000,000	5.00	89,375	1,089,375
10/01/30			64,375	64,375
04/01/31	1,000,000	5.00	64,375	1,064,375
10/01/31			39,375	39,375
04/01/32	1,000,000	5.00	39,375	1,039,375
10/01/32			14,375	14,375
04/01/33	575,000	5.00	14,375	589,375
	<u>\$ 14,275,000</u>		<u>\$ 10,430,775</u>	<u>\$ 24,705,775</u>

See auditors' report

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS  
SCHOOL BONDS - SERIES 2008  
For the Year Ended June 30, 2011**

Due Date	Principal Payment	Rate	Interest Payment	Total Payment
10/01/11			\$ 163,806	\$ 163,806
04/01/12	100,000	3.50	163,806	263,806
10/01/12			162,056	162,056
04/01/13	100,000	3.50	162,056	262,056
10/01/13			160,306	160,306
04/01/14	100,000	3.65	160,306	260,306
10/01/14			158,481	158,481
04/01/15	100,000	3.80	158,481	258,481
10/01/15			156,581	156,581
04/01/16	100,000	4.00	156,581	256,581
10/01/16			154,581	154,581
04/01/17	100,000	4.15	154,581	254,581
10/01/17			152,506	152,506
04/01/18	100,000	4.25	152,506	252,506
10/01/18			150,381	150,381
04/01/19	100,000	4.38	150,381	250,381
10/01/19			148,194	148,194
04/01/20	400,000	4.50	148,194	548,194
10/01/20			139,194	139,194
04/01/21	400,000	4.60	139,194	539,194
10/01/21			129,994	129,994
04/01/22	400,000	4.65	129,994	529,994
10/01/22			120,694	120,694
04/01/23	475,000	4.75	120,694	595,694
10/01/23			109,413	109,413
04/01/24	550,000	4.80	109,413	659,413
10/01/24			96,213	96,213
04/01/25	625,000	4.85	96,213	721,213
10/01/25			81,056	81,056
04/01/26	775,000	4.95	81,056	856,056
10/01/26			61,875	61,875
04/01/27	825,000	5.00	61,875	886,875
10/01/27			41,250	41,250
04/01/28	825,000	5.00	41,250	866,250
10/01/28			20,625	20,625
04/01/29	825,000	5.00	20,625	845,625
	<u>\$ 6,900,000</u>		<u>\$ 4,414,412</u>	<u>\$ 11,314,412</u>

See auditors' report

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS  
SCHOOL BONDS - SERIES 2009  
For the Year Ended June 30, 2011**

Due Date	Principal Payment	Rate	Interest Payment	Total Payment
10/01/11			\$ 64,164	\$ 64,164
04/01/12	280,000	2.00	64,164	344,164
10/01/12			61,364	61,364
04/01/13	300,000	3.00	61,364	361,364
10/01/13			56,864	56,864
04/01/14	315,000	3.00	56,864	371,864
10/01/14			52,139	52,139
04/01/15	285,000	3.00	52,139	337,139
10/01/15			47,864	47,864
04/01/16	300,000	3.00	47,864	347,864
10/01/16			43,364	43,364
04/01/17	320,000	3.00	43,364	363,364
10/01/17			38,564	38,564
04/01/18	345,000	3.20	38,564	383,564
10/01/18			33,044	33,044
04/01/19	365,000	3.38	33,044	398,044
10/01/19			26,884	26,884
04/01/20	110,000	3.75	26,884	136,884
10/01/20			24,822	24,822
04/01/21	115,000	3.75	24,822	139,822
10/01/21			22,666	22,666
04/01/22	120,000	3.88	22,666	142,666
10/01/22			20,341	20,341
04/01/23	125,000	3.88	20,341	145,341
10/01/23			17,919	17,919
04/01/24	130,000	4.00	17,919	147,919
10/01/24			15,319	15,319
04/01/25	135,000	4.00	15,319	150,319
10/01/25			12,619	12,619
04/01/26	140,000	4.20	12,619	152,619
10/01/26			9,679	9,679
04/01/27	145,000	4.20	9,679	154,679
10/01/27			6,634	6,634
04/01/28	150,000	4.35	6,634	156,634
10/01/28			3,371	3,371
04/01/29	155,000	4.35	3,371	158,371
	<u>\$ 3,835,000</u>		<u>\$ 1,115,235</u>	<u>\$ 4,950,235</u>

See auditors' report

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF OFFICIAL BOND AND SALARIES OF PRINCIPAL OFFICIALS**  
**For the Year Ended June 30, 2011**

<u>Title</u>	<u>Name</u>	<u>Salary</u>	<u>Official Bond</u>
Superintendent	Robert Galloway	\$ 119,527	\$ 563,500

See auditors' report

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARD PROGRAMS**  
**For the Year Ended June 30, 2011**

<u>Program Name</u>	<u>CFDA Number</u>	<u>Grantor Agency</u>	<u>Unearned (Due From) 07/01/10</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Unearned (Due From) 06/30/11</u>
IDEA Part B	84.027	State of Tennessee Dept. of Education	\$ (322,438)	\$ 917,165	\$ 768,837	\$ (174,110)
Carl Perkins-Vocational Education	84.048 *	State of Tennessee Dept. of Education	(5,276)	124,852	124,536	(4,960)
IDEA-Pre-school	84.173	State of Tennessee Dept. of Education	(5,216)	12,538	9,445	(2,123)
IDEA-Pre-school - ARRA	84.392	State of Tennessee Dept. of Education	(9,014)	11,550	4,322	(1,786)
ESEA-Title I	84.010 *	State of Tennessee Dept. of Education	(123,627)	491,798	470,345	(102,174)
ESEA-Title I - ARRA	84.389 *	State of Tennessee Dept. of Education	(61,296)	86,201	30,203	(5,298)
Job Training Partnership Act	17.250	State of Tennessee Dept. of Education	(11,500)	24,000	12,500	-
Drug Free School	84.186	State of Tennessee Dept. of Education	(98,780)	322,130	357,680	(134,330)
English Language Acquisition	84.365	State of Tennessee Dept. of Education	-	3,133	3,133	-
Even Start	84.213	State of Tennessee Dept. of Education	(13,606)	16,196	5,153	(2,563)
Education Technology	84.318	State of Tennessee Dept. of Education	(3,899)	6,445	5,311	(2,765)
Innovative Programs	84.298	State of Tennessee Dept. of Education	(7,095)	262,506	337,779	(82,368)
Title II-Training	84.367	State of Tennessee Dept. of Education	(33,495)	131,862	142,465	(44,098)
Youth Empowerment Initiative	93.910	State of Tennessee Dept. of Education	-	44,346	100,000	(55,654)
First to the Top	84.395 *	State of Tennessee Dept. of Education	-	95,231	115,890	(20,659)
National School Lunch Program	10.555 *	U.S. Dept of Agriculture	(5,024)	634,907	691,347	(61,464)

See auditors' report

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARD PROGRAMS**  
**For the Year Ended June 30, 2011**

<u>Program Name</u>	<u>CFDA Number</u>		<u>Grantor Agency</u>	<u>Unearned (Due From) 07/01/10</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Unearned (Due From) 06/30/11</u>
National School Breakfast Program	10.553	*	U.S. Dept of Agriculture	-	201,144	221,141	(19,997)
USDA Commodity Supplemental	10.555	*	TN Dept of Agriculture	-	101,843	101,843	-
				<u>\$ (700,266)</u>	<u>\$ 3,487,847</u>	<u>\$ 3,501,930</u>	<u>\$ (714,349)</u>

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

\* considered as major program



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

Board of Education  
Gibson County Special School District  
Dyer, Tennessee

Compliance

We have audited Gibson County Special School District compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Gibson County Special School District major federal programs for the year ended June 30, 2011. Gibson County Special School District major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Gibson County Special School District management. Our responsibility is to express an opinion on Gibson County Special School District compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards,<sup>5</sup> issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gibson County Special School District compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Gibson County Special School District compliance with those requirements.

In our opinion, Gibson County Special School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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

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

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

Cowart Reese Sargent, CPAs, P.C.

December 4, 2011



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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  
Gibson County Special School District  
Dyer, Tennessee

We have audited the financial statements of the governmental activities and each major fund including budgetary comparisons for the general, federal projects, and cafeteria funds of the Gibson County Special School District, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 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 Gibson County Special School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gibson County Special School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Gibson County Special School District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

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

Cowart Reese Sargent, CPAs, P.C.

December 4, 2011

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE, FEDERAL PROJECTS, AND CAFETERIA FUNDS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2011**

**A. Summary of Audit Results**

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

<u>Program</u>	<u>CFDA No.</u>
USDA School Lunch	10.555
USDA School Breakfast	10.553
Race to the Top	84.395
Title I	84.010
Title I / ARRA	84.389
Career & Technical Education	
Basic Grants to States	84.048
Commodity Supplemental	10.565.

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

**GIBSON COUNTY SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE, FEDERAL PROJECTS, AND CAFETERIA FUNDS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2011**

**B. Finding – Financial Statement Audit**

2011-1 **Noncompliance**

Overexpenditure of budgeted expenditures – Cafeteria Fund

**Criteria**

Tennessee Code Annotated (TCA) 6-56-203 states that “no municipality may expend monies regardless of their sources.....except in accordance with a budget...”

**Condition Found**

The School’s Cafeteria Fund exceed budgeted expenditures by \$101,843

**Recommendation**

The School should authorize all expenditures through a budget amendment when it is necessary for expenditures to exceed original budgeted amounts.

**Management’s Response**

The overexpenditure is not the result of actual monies expended but due to the year end adjustment to reflect the commodities used during the year. However, we will make all efforts in the future to timely adopt appropriate budget amendments and to include the expected commodity use in our budgets.

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

None Noted

**D. Status of Prior Year Findings**

None