

WEST CARROLL SPECIAL SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**WEST CARROLL SPECIAL SCHOOL DISTRICT
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INTRODUCTORY SECTION

**WEST CARROLL SPECIAL SCHOOL DISTRICT
DIRECTORY
June 30, 2011**

ELECTED OFFICIALS

Jimmy Halford, Chairman
Lester Scott, Vice Chairman
Jim Pirtle, Treasurer
Mike Foster, Member
Greg McClain, Member
Sam Inman, Member

APPOINTED OFFICIALS

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

COUNSEL

The King Law Office
Huntingdon, Tennessee

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION



Certified Public Accountants

www.atacpa.net

227 Oil Well Road
Jackson, TN 38305

Telephone: (731) 427-8571
Fax: (731) 424-5701

Members of

American Institute of Certified Public Accountants
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Independent Auditor's Report

Board of Education
West Carroll Special School District
Atwood, Tennessee

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Carroll Special School District (the District), as of and for the year ended June 30, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress – employee retirement system, and schedule of funding progress – post employment healthcare plan on pages 4 through 11

and the required supplementary information on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Alexander Thompson Arnold PLLC

Certified Public Accountants
Jackson, Tennessee
January 16, 2012

Management's Discussion and Analysis

As management of the West Carroll Special School District (the District), we offer readers of the financial statements for the District this narrative overview and analysis of the financial activities for the year ended June 30, 2011. We encourage readers to consider the information here in conjunction with the Independent Auditor's Report and the District's financial statements. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A).

Financial Highlights

- The assets of the District exceeded its liabilities at June 30, 2011 by \$4,126,636. Of this amount, \$3,339,008 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the District reported combined ending fund balance of \$3,437,028. Approximately 87% of this total amount, \$2,985,192, is unassigned in the general-purpose fund. Approximately 7% represents funds restricted in the centralized cafeteria fund.
- At the end of the current fiscal year, unassigned fund balance for the general-purpose fund was \$2,985,192 or 48% of total general-purpose fund expenditures.
- The District's total bonded debt decreased by \$230,000.

Overview of the Financial Statements

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

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

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

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

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

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

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

Governmental funds *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

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

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

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

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

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

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

District-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$4,126,636 at the close of the fiscal year ended June 30, 2011.

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

The District's Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Assets		
Current and other	\$ 5,200,237	\$ 4,798,619
Capital assets - net of accumulated depreciation	<u>6,177,572</u>	<u>6,557,111</u>
Total assets	<u>11,377,809</u>	<u>11,355,730</u>
Liabilities		
Long-term liabilities	5,890,000	6,120,000
Other liabilities	<u>1,361,173</u>	<u>1,303,682</u>
Total liabilities	<u>7,251,173</u>	<u>7,423,682</u>
Net assets		
Invested in capital assets, net of related debt	283,753	433,080
Restricted	503,875	215,434
Unrestricted	<u>3,339,008</u>	<u>3,283,534</u>
Total net assets	<u>\$ 4,126,636</u>	<u>\$ 3,932,048</u>

The above provides a summary of the District's net assets for 2011 and 2010.

An additional portion of the District's net assets, \$503,875, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$3,339,008, may be used to meet the government's ongoing obligations to citizens and creditors.

During the current fiscal year, the District's total net assets increased by \$194,588. This increase was related in part to additional revenues not anticipated and the ability of the District to prevent budget overruns.

The following summary shows the changes in net assets for fiscal years 2011 and 2010.

The District's Changes in Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Revenues		
Program revenues		
Charges for services	\$ 196,548	\$ 207,699
Operating grants and contributions	1,968,073	1,776,751
Capital grants and contributions	12,540	-
General revenues		
Property taxes	1,206,461	1,203,479
Sales taxes	517,267	525,076
Alcoholic beverage tax	521	511
Grants and contributions not restricted to specific programs:		
Basic Education Program	4,414,471	4,888,553
ARRA - Basic Education Program	517,692	24,900
Interest	26,319	37,696
Gain on sale of capital assets	3,285	1,657
Other miscellaneous revenues	83,996	84,100
Total revenues	<u>8,947,173</u>	<u>8,750,422</u>
Expenses		
Instruction	5,303,945	4,946,092
Support services	2,255,415	2,232,608
Non-instructional services	1,193,225	1,059,971
Total expense	<u>8,752,585</u>	<u>8,238,671</u>
Change in net assets	<u>194,588</u>	<u>511,751</u>
Net assets, beginning	<u>3,932,048</u>	<u>3,420,297</u>
Net assets, ending	<u><u>\$ 4,126,636</u></u>	<u><u>\$ 3,932,048</u></u>

Governmental activities Governmental activities increased the District's net assets by \$194,588. The key element of this increase is the ability of the District to prevent budget overruns.

Total governmental activities' revenue for the fiscal year was \$8,947,173. The largest single revenue source was state revenues in the form of Basic Education Program payments.

Expense and Program Revenues - Governmental Activities

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

Among major funds, the general-purpose fund had \$6,806,853 in revenues and \$6,226,957 in expenditures. The debt service fund had \$264,628 in revenues and \$472,860 in expenditures. The federal projects fund had \$1,185,174 in revenues and \$1,218,243 in expenditures. Major funding for these funds was provided by federal and state funds. In the non-major funds, the cafeteria fund had \$616,044 in revenues and \$655,940 in expenditures. The endowment fund had \$5,600 in revenues and \$12,000 in expenditures.

Revenue by Source - Governmental Funds

Total governmental revenues allocated by each revenue type.

	June 30, 2011		June 30, 2010	
	Amount	Percent	Amount	Percent
Revenues				
Program revenues				
Charges for services	\$ 196,548	2%	\$ 207,699	2%
Operating grants and contributions	1,968,073	22%	1,776,751	20%
Capital grants and contributions	12,540	0%	-	0%
General revenues				
Property taxes	1,206,461	13%	1,203,479	14%
Sales taxes	517,267	6%	525,076	6%
Alcoholic beverage tax	521	0%	511	0%
Grants and contributions not restricted to specific programs:				
Basic Education Program	4,414,471	49%	4,888,553	56%
ARRA - Basic Education Program	517,692	6%	24,900	0%
Interest	26,319	0%	37,696	0%
Gain on sale of capital assets	3,285	0%	1,657	0%
Other miscellaneous revenues	83,996	1%	84,100	1%
Total revenues	<u>8,947,173</u>	<u>100%</u>	<u>8,750,422</u>	<u>100%</u>

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,437,028. Of this amount, \$2,933,153 constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder is *non-spendable, restricted, committed or assigned* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contract and purchase orders of the prior period, 2) to pay for the administration of food service, 3) for inventory, and 4) for a variety of other restricted purposes.

The general purpose fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance was \$2,985,192.

As a measure of the general purpose fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 47% of the total general purpose fund expenditures, while total fund balances represent 55% of that same amount.

The fund balance of the District's general purpose fund increased by \$414,721 during the current fiscal year. A key factor in this growth was the District's ability to remain within the budget adopted.

General Purpose Fund Budgetary Highlights

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

June 30, 2011			
General Purpose Fund			
Revenues			
	Original	Final	Difference
Taxes	\$ 1,365,040	\$ 1,365,040	\$ -
Intergovernmental	5,175,082	5,222,774	47,692
Miscellaneous	31,700	31,700	-
Total revenues	<u>6,571,822</u>	<u>6,619,514</u>	<u>47,692</u>
Expenses			
Instruction	3,856,619	3,871,595	14,976
Support services	2,243,578	2,257,278	13,700
Non-instructional services	255,104	274,120	19,016
Total expenditures	<u>6,355,301</u>	<u>6,402,993</u>	<u>47,692</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 216,521</u>	<u>\$ 216,521</u>	<u>\$ -</u>

In 2011, there were no major increases or decreases in the budgets.

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

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

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental funds as of June 30, 2011 amounts to \$283,753 (net of accumulated depreciation and related debt). This investment in capital assets includes buildings and improvements and other fixed assets (including equipment). The major capital asset events that occurred during the year included the purchase of a portable wheelchair lift, a greenhouse, and a security access door for the schools and two steamers and a tilt skillet for the food service fund, as well as a zero turn lawn mower for the district as a whole.

	<u>6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/11</u>
Capital assets not being depreciated:				
Land	\$ 217,127	\$ -	\$ -	\$ 217,127
Capital assets being depreciated:				
Buildings and improvements	11,707,164	44,837		11,752,001
Other fixed assets	<u>374,257</u>	<u>46,183</u>	<u>11,931</u>	<u>408,509</u>
Total	12,081,421	91,020	11,931	12,160,510
Accumulated depreciation	<u>(5,741,437)</u>	<u>(470,559)</u>	<u>(11,931)</u>	<u>(6,200,065)</u>
Capital assets net of accumulated depreciation	6,557,111	(379,539)	-	6,177,572
Long-term debt related to capital assets (including bond premium)	<u>(6,124,031)</u>	<u>-</u>	<u>(230,212)</u>	<u>(5,893,819)</u>
Capital assets net of accumulated depreciation and related debt	<u>\$ 433,080</u>	<u>\$(379,539)</u>	<u>\$(230,212)</u>	<u>\$ 283,753</u>

The District's investment in capital assets for its governmental funds as of June 30, 2010 amounts to \$433,080 (net of accumulated depreciation and related debt). This investment in capital assets includes buildings and improvements and other fixed assets (including equipment). The major capital asset events that occurred during the year included the purchase and installation destiny library management software and HVAC units for the elementary and primary schools.

	<u>6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/10</u>
Capital assets not being depreciated:				
Land	\$ 217,127	\$ -	\$ -	\$ 217,127
Capital assets being depreciated:				
Buildings and improvements	11,527,379	213,562	33,777	11,707,164
Other fixed assets	<u>200,624</u>	<u>173,633</u>	<u>-</u>	<u>374,257</u>
Total	11,728,003	387,195	33,777	12,081,421
Accumulated depreciation	<u>(5,304,361)</u>	<u>(453,215)</u>	<u>(16,139)</u>	<u>(5,741,437)</u>
Capital assets net of accumulated depreciation	6,640,769	(66,020)	17,638	6,557,111
Long-term debt related to capital assets (including bond premium)	<u>(6,349,243)</u>	<u>-</u>	<u>(225,212)</u>	<u>(6,124,031)</u>
Capital assets net of accumulated depreciation and related debt	<u>\$ 291,526</u>	<u>\$(66,020)</u>	<u>\$(207,574)</u>	<u>\$ 433,080</u>

Long-term debt. As of June 30, 2011, the District had total bonded debt outstanding of \$5,890,000. All debt is backed by the full faith and credit of the government.

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

	<u>6/30/2011</u>	<u>6/30/2010</u>
School Bonds, Series 2005	<u>\$5,890,000</u>	<u>\$6,120,000</u>

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

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

Economic Factors and Next year's Budget and Rates

The unemployment rate for Carroll County is currently 12.1%. The state's average unemployment rate is currently 9.6%. The national average unemployment rate is currently 9.0%. All of the rates are from labor statistics released in October 2011.

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

All of these factors were considered in preparing the District's budget for the 2011-2012 fiscal year.

The District's unassigned fund balance in the general purpose fund was \$2,991,292, for the fiscal year ending June 30, 2011. It is intended that this use of available fund balance and reserves will avoid the need to raise taxes during the 2011-2012 fiscal year.

Request for Information

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

BASIC FINANCIAL STATEMENTS

WEST CARROLL SPECIAL SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF NET ASSETS
June 30, 2011

Assets:

Cash and cash equivalents	\$	2,794,592
Investments		200,000
Accounts receivable		13,787
Due from other governments - nongrant		1,447,839
Due from other governments - grants		314,392
Interest receivable		2,562
Inventory		45,166
Bond issuance cost		381,899
Capital assets, not being depreciated:		
Land		217,127
Capital assets, being depreciated (net of accumulated depreciation):		
Buildings and improvements		5,742,724
Other capital assets		217,721
Total assets		<u>11,377,809</u>

Liabilities:

Accounts payable		50,242
Accrued expenses		48,937
Accrued interest payable		50,832
Deferred revenue - grants		1,775
Deferred revenue - property taxes		1,205,568
Bond premium		3,819
Long-term liabilities:		
Portion due or payable within one year:		
Bonds payable		240,000
Portion due or payable after one year:		
Bonds payable		5,650,000
Total liabilities		<u>7,251,173</u>

Net assets:

Invested in capital assets, net of related debt		283,753
Restricted for:		
Instruction		1,773
Operation of non-instructional services		302,102
Endowment Fund Principal		200,000
Unrestricted		3,339,008
Total net assets		<u>\$ 4,126,636</u>

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

WEST CARROLL SPECIAL SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF ACTIVITIES
For The Year Then Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular education	\$ 4,239,627	\$ -	\$ 724,831	\$ -	\$ (3,514,796)
Alternate education	13,784	-	-	-	(13,784)
Special education	743,674	-	394,619	6,270	(342,785)
Vocational education	306,860	-	79,548	-	(227,312)
Support Services:					
Attendance	34,207	-	-	-	(34,207)
Health services	67,809	-	30,257	-	(37,552)
Other student support	233,414	-	34,006	6,270	(193,138)
Regular education	321,296	-	56,019	-	(265,277)
Special education	44,956	-	14,054	-	(30,902)
Vocational education	1,009	-	1,009	-	-
Board of Education	108,170	-	-	-	(108,170)
Office of Director of Schools	145,915	-	1,072	-	(144,843)
Office of Principals	428,393	-	11,207	-	(417,186)
Fiscal Services	76,417	-	-	-	(76,417)
Operation and maintenance of plant	620,931	-	5,050	-	(615,881)
Central and other	172,898	-	-	-	(172,898)
Noninstructional Services					
Food service	564,306	196,548	417,216	-	49,458
Early Childhood	199,187	-	199,185	-	(2)
Capital outlay	167,852	-	-	-	(167,852)
Debt service	261,880	-	-	-	(261,880)
	\$ 8,752,585	\$ 196,548	\$ 1,968,073	\$ 12,540	(6,575,424)
General Revenues:					
Property taxes including interest and penalties					1,206,461
Sales taxes					517,267
Alcoholic beverage tax					521
Grants and contributions not restricted to specific programs					
Basic Education Program					4,414,471
ARRA - Basic Education Program					517,692
Interest					26,319
Gain on sale of capital assets					3,285
Other miscellaneous revenues					83,996
Total general revenues					6,770,012
Change in net assets					194,588
Net assets, beginning					3,932,048
Net assets, ending					\$ 4,126,636

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

	General Purpose Fund	Debt Service Fund	Federal Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,569,951	\$ 14,087	\$ -	\$ 210,554	\$ 2,794,592
Investments	-	-	-	200,000	200,000
Accounts receivable	13,787	-	-	-	13,787
Due from other governments - nongrant	1,163,191	284,648	-	-	1,447,839
Due from other governments - grants	65,576	-	222,095	26,721	314,392
Due from other funds	229,917	-	-	33,780	263,697
Inventory	-	-	-	45,166	45,166
Total assets	<u>\$ 4,042,422</u>	<u>\$ 298,735</u>	<u>\$ 222,095</u>	<u>\$ 516,221</u>	<u>\$ 5,079,473</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 45,720	\$ -	\$ 617	\$ 3,905	\$ 50,242
Accrued expenses	48,937	-	-	-	48,937
Due to other funds	33,780	-	219,703	10,214	263,697
Deferred revenue - grants	6,100	-	66,126	-	72,226
Unearned revenue - grants	-	-	1,775	-	1,775
Unearned revenue - property taxes	920,920	284,648	-	-	1,205,568
Total liabilities	<u>1,055,457</u>	<u>284,648</u>	<u>288,221</u>	<u>14,119</u>	<u>1,642,445</u>
Fund balances:					
Nonspendable					
Inventory	-	-	-	45,166	45,166
Endowment Fund Principal	-	-	-	200,000	200,000
Restricted					
Instruction	1,773	-	-	-	1,773
Operation of non-instructional services	-	-	-	256,936	256,936
Unassigned	2,985,192	14,087	(66,126)	-	2,933,153
Total fund balances	<u>2,986,965</u>	<u>14,087</u>	<u>(66,126)</u>	<u>502,102</u>	<u>3,437,028</u>
Total liabilities and fund balances	<u>\$ 4,042,422</u>	<u>\$ 298,735</u>	<u>\$ 222,095</u>	<u>\$ 516,221</u>	<u>\$ 5,079,473</u>

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2011**

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

Fund balance - total governmental funds (Page 14)	\$	3,437,028
Capital assets used in governmental funds are not financial resources and, therefore, are not reported as assets in governmental funds.		6,177,572
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accrued interest		2,562
Bond issuance cost		381,899
Receivables not available to pay for current expenditures and, therefore, are deferred in funds.		72,226
Other liabilities in governmental funds are not financial uses in the current period and, therefore, are not reported as liabilities in governmental funds.		
Accrued interest payable		(50,832)
Bond premium		(3,819)
Long-term liabilities, including bonds, notes, and leases payable, are not due in the current period and, therefore, are not reported in the funds.		<u>(5,890,000)</u>
Net assets of governmental activities (Page 12)	\$	<u>4,126,636</u>

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

WEST CARROLL SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Fiscal Year Then Ended June 30, 2011

	General Purpose Fund	Debt Service Fund	Federal Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 1,459,100	\$ 264,628	\$ -	-	\$ 1,723,728
Federal revenue	-	-	1,179,789	409,513	1,589,302
Intergovernmental	5,283,431	-	5,385	1,863	5,290,679
Miscellaneous	42,123	-	-	-	42,123
Interest earned	22,199	-	-	7,471	29,670
Food services	-	-	-	202,797	202,797
Total revenues	<u>6,806,853</u>	<u>264,628</u>	<u>1,185,174</u>	<u>621,644</u>	<u>8,878,299</u>
Expenditures:					
Current:					
Instruction	3,834,412	-	1,099,100	-	4,933,512
Support services	2,118,454	-	115,066	-	2,233,520
Noninstructional	274,091	472,860	4,077	667,940	1,418,968
Total expenditures	<u>6,226,957</u>	<u>472,860</u>	<u>1,218,243</u>	<u>667,940</u>	<u>8,586,000</u>
Other financing sources (uses)					
Transfers in	43,057	208,232	-	-	251,289
Transfers (out)	(208,232)	-	(33,057)	(10,000)	(251,289)
	<u>(165,175)</u>	<u>208,232</u>	<u>(33,057)</u>	<u>(10,000)</u>	<u>-</u>
Net changes in fund balance	<u>414,721</u>	<u>-</u>	<u>(66,126)</u>	<u>(56,296)</u>	<u>292,299</u>
Fund balance - beginning	2,572,244	14,087	-	556,424	3,142,755
Inventory adjustment	-	-	-	1,974	1,974
Fund balance - beginning - restated	<u>2,572,244</u>	<u>14,087</u>	<u>-</u>	<u>558,398</u>	<u>3,144,729</u>
Fund balance - ending	<u>\$ 2,986,965</u>	<u>\$ 14,087</u>	<u>\$ (66,126)</u>	<u>\$ 502,102</u>	<u>\$ 3,437,028</u>

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2011

Amounts reported for the governmental activities in the statement of activities (Page 13) are different because:

Net change in fund balance - total governmental funds (Page 16)	\$	292,299
Expenses on the statement of activities that are not current financial uses are not reported as expenses in governmental funds:		
Change in inventory		1,974
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Change in interest		(1,367)
The payment of the debt issuance costs is an expenditure in the governmental funds, but it is an asset to be amortized over the life of the bonds on the statement of activities.		
		(21,217)
The receipt of the debt premium is a revenue in the governmental funds, but it is a liability to be amortized over the life of the bonds on the statement of activities.		
		212
Revenues in the statement of activities that do not provide current financial resources are not reported as current revenues in the funds.		
Deferred revenue		72,226
The repayment of the principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities.		
		230,000
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
Capital outlays		91,020
Depreciation		(470,559)
		91,020
		(470,559)
Change in Net Assets of Governmental Activities (Page 13)	\$	<u>194,588</u>

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Then Ended June 30, 2011**

Revenues:	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Local Taxes:				
County Taxes:				
Trustees collections - bankruptcy	\$ 10,000	\$ 10,000	\$ 904	\$ (9,096)
Clerk and Master collections - prior year	-	-	27,985	27,985
Sales tax	460,000	460,000	487,947	27,947
Interstate telecommunications	650	650	431	(219)
	470,650	470,650	517,267	46,617
Special School District Taxes:				
Property taxes	833,690	833,690	882,513	48,823
Property taxes - prior year	40,000	40,000	36,540	(3,460)
Interest and penalty	5,700	5,700	7,361	1,661
In lieu of tax payments	15,000	15,000	15,419	419
	894,390	894,390	941,833	47,443
Total local taxes	1,365,040	1,365,040	1,459,100	94,060
Intergovernmental Revenues:				
State Education Funds:				
Basic Education Program	4,879,553	4,409,553	4,414,471	4,918
Basic Education Program - ARRA	-	517,692	517,692	-
Early Childhood Education	195,104	195,104	195,109	5
Other state education funds	-	-	1,761	1,761
Career Ladder	72,938	72,938	66,471	(6,467)
Career Ladder extended contract - ARRA	27,087	27,087	2,308	(24,779)
	5,174,682	5,222,374	5,197,812	(24,562)
Other State Funds:				
Mixed drink tax	400	400	521	121
Federal Through State:				
Special Education Preschool Grants	-	-	25,169	25,169
Internet connectivity - ARRA	-	-	3,012	3,012
Statewide student mgmt system - ARRA	-	-	2,548	2,548
Education of handicapped	-	-	4,696	4,696
Other federal through state	-	-	10,309	10,309
	-	-	45,734	45,734
Total intergovernmental revenues	5,175,082	5,222,774	5,244,067	21,293

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Cont.)
For The Fiscal Year Then Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Revenues (Cont.):				
Miscellaneous Revenues:				
Marriage licenses	200	200	422	222
Interest earned	15,000	15,000	22,199	7,199
Miscellaneous refunds	-	-	3,669	3,669
Insurance recovery	-	-	13,787	13,787
Sale of equipment	-	-	3,285	3,285
Other	16,500	16,500	20,960	4,460
Total miscellaneous revenues	31,700	31,700	64,322	32,622
Total revenues	6,571,822	6,619,514	6,767,489	147,975
Expenditures				
Instruction:				
Regular Instruction Program:				
Teachers	2,229,890	2,229,890	2,224,549	5,341
Career Ladder Program	41,500	41,500	41,000	500
Career Ladder extended contract	17,545	21,045	21,450	(405)
Homebound teachers	5,000	10,300	10,357	(57)
Aides	54,862	45,362	45,305	57
Substitute teachers	8,000	8,000	-	8,000
Noncertified substitute teachers	33,000	33,000	38,940	(5,940)
Social Security	136,571	136,571	133,720	2,851
State retirement	213,644	213,644	209,217	4,427
Medical insurance	196,204	196,204	193,863	2,341
Unemployment compensation	4,388	4,388	-	4,388
Medicare	31,867	31,867	31,732	135
Maintenance and repair services	4,000	4,000	-	4,000
Tuition	15,000	15,000	1,263	13,737
Instructional materials and supplies	42,000	42,000	33,957	8,043
Textbooks	80,000	80,000	67,489	12,511
Other supplies and materials	-	10,251	10,250	1
Fee waivers	13,094	13,094	11,641	1,453
Capital outlay - equipment	45,000	35,000	30,078	4,922
	<u>3,171,565</u>	<u>3,171,116</u>	<u>3,104,811</u>	<u>66,305</u>
Alternate Instruction Program:				
Other contracted services	16,000	16,000	13,784	2,216

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Cont.)
For The Fiscal Year Then Ended June 30, 2011**

Expenditures (Cont.)	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Instruction (Cont.):				
Special Education Program:				
Teachers	215,596	215,596	213,158	2,438
Career Ladder	1,500	1,500	1,500	-
Career Ladder extended contract	2,815	3,315	3,250	65
Homebound teachers	1,700	1,700	1,010	690
Aides	54,532	54,532	53,883	649
Other salaries and wages	-	14,600	14,589	11
Substitute teachers	1,000	1,000	1,376	(376)
Non-certified substitutes	2,000	2,000	2,063	(63)
Social Security	16,311	16,311	16,666	(355)
State retirement	24,727	24,727	25,752	(1,025)
Medical insurance	16,393	16,393	21,888	(5,495)
Unemployment compensation	675	675	-	675
Medicare	3,815	3,815	3,932	(117)
Contracts with other schools	40,000	40,000	16,859	23,141
Other contracted services	15,000	15,000	38,633	(23,633)
Instructional supplies and materials	4,000	4,000	1,316	2,684
Capital outlay - equipment	8,000	8,000	6,270	1,730
	408,064	423,164	422,145	1,019
Vocational Education Program:				
Teachers	184,764	185,564	185,514	50
Career Ladder Program	1,000	1,000	1,000	-
Career Ladder extended contract	815	1,315	1,300	15
Substitute teachers	500	500	-	500
Non-certified substitutes	4,000	3,025	3,025	-
Social Security	10,697	10,697	10,666	31
State retirement	16,886	16,886	16,997	(111)
Medical insurance	18,556	18,556	17,635	921
Unemployment compensation	270	270	-	270
Medicare	2,502	2,502	2,494	8
Instructional supplies and materials	8,000	8,000	6,130	1,870
Other supplies and materials	4,000	4,000	1,021	2,979
Other charges	-	-	2,026	(2,026)
Capital outlay - equipment	9,000	9,000	6,500	2,500
	260,990	261,315	254,308	7,007

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Cont.)
For The Fiscal Year Then Ended June 30, 2011**

Expenditures (Cont.)	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Instruction (Cont.):				
Total instruction	<u>3,856,619</u>	<u>3,871,595</u>	<u>3,795,048</u>	<u>76,547</u>
Support Services:				
Attendance:				
Medical personnel	27,885	27,885	26,097	1,788
Social Security	1,636	1,636	1,542	94
State retirement	2,524	2,524	2,362	162
Medical insurance	1,498	1,498	1,498	-
Unemployment compensation	100	100	-	100
Medicare	400	400	361	39
Postal charges	500	500	500	-
Travel	1,500	1,500	1,272	228
Other charges	500	500	575	(75)
Attendance Equipment	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
	<u>37,543</u>	<u>37,543</u>	<u>34,207</u>	<u>3,336</u>
Health Services:				
Medical personnel	32,911	32,911	32,911	-
Social security	1,579	1,579	1,606	(27)
State retirement	2,801	2,801	2,801	-
Medical insurance	7,453	7,453	7,707	(254)
Unemployment compensation	100	100	-	100
Medicare	388	388	376	12
Travel	1,500	1,500	519	981
Other contracted services	1,200	1,200	-	1,200
Staff development	500	500	-	500
Other charges	1,100	1,100	657	443
Health equipment	<u>2,000</u>	<u>2,000</u>	<u>1,284</u>	<u>716</u>
	<u>51,532</u>	<u>51,532</u>	<u>47,861</u>	<u>3,671</u>
Other Student Support:				
Career Ladder	5,500	5,500	5,500	-
Guidance personnel	155,858	156,458	156,408	50
Career Ladder extended contract	2,035	3,335	3,250	85
Social Security	9,484	9,484	8,139	1,345
State retirement	14,788	14,788	12,805	1,983
Medical insurance	<u>10,441</u>	<u>10,441</u>	<u>10,719</u>	<u>(278)</u>

The accompanying notes are integral part of the financial statements.

**WEST CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Cont.)
For The Fiscal Year Then Ended June 30, 2011**

Expenditures (Cont.)	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Support Services (Cont.)				
Other Student Support (Cont.):				
Unemployment compensation	270	270	-	270
Medicare	2,218	2,218	2,247	(29)
Evaluation and testing	8,000	6,100	3,485	2,615
Travel	2,000	2,000	435	1,565
Other contracted services	9,000	9,000	9,000	-
Other supplies and materials	500	500	470	30
Other equipment	500	500	267	233
	<u>220,594</u>	<u>220,594</u>	<u>212,725</u>	<u>7,869</u>
 Regular Education Program				
Supervisor	55,062	55,062	52,402	2,660
Career Ladder Program	9,000	9,000	9,000	-
Career Ladder extended contract	-	600	600	-
Librarians	131,235	131,235	131,037	198
Other salaries and wages	-	1,200	1,163	37
Non-certified substitute teachers	400	400	-	400
Social Security	11,169	11,169	11,206	(37)
State retirement	17,775	17,775	17,503	272
Medical insurance	16,664	16,664	14,968	1,696
Unemployment compensation	300	300	-	300
Medicare	2,613	2,613	2,621	(8)
Maintenance and repair service - equipment	24,000	24,000	17,400	6,600
Travel	2,500	2,500	2,649	(149)
Other contracted services	3,000	3,000	1,423	1,577
Library books/media	13,000	13,000	13,000	-
In-service/staff development	5,000	5,000	-	5,000
Other equipment	2,291	491	-	491
	<u>294,009</u>	<u>294,009</u>	<u>274,972</u>	<u>19,037</u>
 Special Education Program:				
Supervisor	13,191	13,191	12,851	340
Clerical personnel	10,336	10,336	8,613	1,723
Social Security	1,236	1,236	1,080	156
State retirement	1,748	1,748	1,896	(148)
Medical insurance	4,977	4,977	4,611	366
Unemployment compensation	150	150	-	150

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Cont.)
For The Fiscal Year Then Ended June 30, 2011**

Expenditures (Cont.)	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Support Services (Cont.)				
Special Education Program (Cont.):				
Medicare	290	290	253	37
Travel	1,500	1,500	783	717
In-service/staff development	1,000	1,000	814	186
Other equipment	1,000	1,000	-	1,000
	<u>35,428</u>	<u>35,428</u>	<u>30,901</u>	<u>4,527</u>
Vocational Education Program				
Travel	1,000	1,000	-	1,000
	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Board of Education:				
Unemployment compensation	-	8,600	8,078	522
Audit services	24,000	24,000	22,000	2,000
Dues and memberships	7,000	7,000	5,075	1,925
Legal services	1,000	1,000	305	695
Postal Charges	500	500	-	500
Travel	1,500	1,500	987	513
Liability insurance	2,000	2,000	1,775	225
Trustee commissions	30,000	30,000	29,060	940
Workmen's compensation	35,000	35,000	33,804	1,196
Refund to applicants	1,400	1,400	528	872
Other charges	6,000	6,000	6,558	(558)
	<u>108,400</u>	<u>117,000</u>	<u>108,170</u>	<u>8,830</u>
Director of Schools:				
County official/administrative officer	82,000	82,000	83,000	(1,000)
Career Ladder program	1,000	1,000	1,000	-
Clerical personnel	10,386	10,386	9,113	1,273
Social Security	5,098	5,098	5,258	(160)
State retirement	8,396	8,396	8,378	18
Medical insurance	11,170	11,170	9,816	1,354
Unemployment compensation	200	200	-	200
Medicare	1,193	1,193	1,230	(37)
Communication	4,500	4,500	5,103	(603)
Dues and memberships	2,500	2,500	1,263	1,237
Maintenance and repair service - equipment	3,500	3,500	3,140	360
Postal charges	1,200	1,200	748	452

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Cont.)
For The Fiscal Year Then Ended June 30, 2011**

Expenditures (Cont.)	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Support Services (Cont.)				
Director of Schools: (Cont.)				
Travel	4,000	4,000	2,627	1,373
Office supplies	2,000	2,000	1,405	595
Other charges	500	500	-	500
Capital outlay - equipment	2,000	2,000	1,191	809
	139,643	139,643	133,272	6,371
Office of Principals:				
Principals	194,284	194,284	192,534	1,750
Career Ladder	3,000	3,000	3,000	-
Accountants/bookkeepers	-	6,700	6,622	78
Assistant principal(s)	52,194	52,194	52,194	-
Secretary(s)	55,242	48,542	46,987	1,555
Clerical personnel	17,448	17,448	17,405	43
In service / staff development	6,000	6,000	6,000	-
Social Security	17,426	17,426	18,115	(689)
State retirement	28,010	28,010	28,585	(575)
Medical insurance	32,244	32,244	26,880	5,364
Unemployment compensation	620	620	-	620
Medicare	4,076	4,076	4,237	(161)
Communication	6,500	6,500	7,368	(868)
Dues and memberships	2,100	2,100	1,875	225
Postal charges	3,000	3,000	2,600	400
Other supplies and materials	3,000	3,000	3,000	-
Administration equipment	3,000	3,000	3,000	-
	428,144	428,144	420,402	7,742
Fiscal Services:				
Accountants/bookkeepers	56,698	56,698	55,306	1,392
Social Security	3,330	3,330	3,209	121
State retirement	4,825	4,825	4,707	118
Medical insurance	2,995	2,995	2,742	253
Unemployment compensation	150	150	-	150

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Cont.)
For The Fiscal Year Then Ended June 30, 2011**

Expenditures (Cont.)	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Support Services (Cont.)				
Fiscal Services (Cont.):				
Medicare	779	779	750	29
Travel	1,000	1,000	-	1,000
Other contracted services	7,000	7,000	7,212	(212)
Data processing supplies	1,000	1,000	-	1,000
Office supplies	700	700	635	65
In-service/staff development	1,000	1,000	-	1,000
Other charges	1,000	1,000	805	195
Capital outlay - equipment	1,500	1,500	1,051	449
	81,977	81,977	76,417	5,560
Operation of Plant:				
Custodial personnel	132,391	132,391	119,527	12,864
Social Security	7,839	7,839	6,948	891
State retirement	11,267	11,267	9,013	2,254
Employee health insurance	5,971	5,971	6,157	(186)
Unemployment compensation	600	600	-	600
Medicare	1,834	1,834	1,625	209
Maintenance and repair - equipment	15,000	15,000	6,586	8,414
Custodial supplies	31,700	31,700	26,761	4,939
Electricity	165,000	165,000	163,881	1,119
Gas	60,000	60,000	36,939	23,061
Water and sewer	25,000	25,000	20,641	4,359
Building and contents insurance	72,000	72,000	72,197	(197)
Plant operation equipment	5,000	5,000	834	4,166
	533,602	533,602	471,109	62,493
Maintenance of Plant:				
Supervisor	40,057	41,557	41,387	170
Maintenance personnel	25,290	25,290	25,290	-
Other salaries and wages	3,500	3,500	1,813	1,687
Social Security	4,092	4,092	4,034	58
State retirement	5,562	5,562	5,838	(276)
Medical insurance	2,995	2,995	3,115	(120)
Unemployment compensation	200	200	-	200
Medicare	956	956	943	13
Maintenance and repair - buildings	8,500	8,500	5,112	3,388
Maintenance and repair - equipment	20,000	18,500	14,042	4,458

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Cont.)
For The Fiscal Year Then Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Expenditures (Cont.)				
Support Services (Cont.)				
Maintenance of Plant (Cont.):				
Maintenance and repair - vehicles	1,500	1,500	1,478	22
Travel	1,000	1,000	1,069	(69)
Other contracted services	7,000	7,000	8,150	(1,150)
Gasoline	4,500	4,500	5,542	(1,042)
Other supplies and materials	15,000	15,000	11,657	3,343
Capital outlay - equipment	4,000	4,000	6,950	(2,950)
	<u>144,152</u>	<u>144,152</u>	<u>136,420</u>	<u>7,732</u>
Central and Other:				
Supervisor	46,021	47,821	47,789	32
Data processing personnel	15,000	15,000	14,843	157
Social Security	3,784	3,784	3,848	(64)
State retirement	5,194	5,194	5,588	(394)
Unemployment compensation	170	170	-	170
Medicare	885	885	900	(15)
Data processing services	25,000	25,000	24,318	682
Maintenance and repair - equipment	3,000	3,000	3,000	-
Postal Charges	750	750	750	-
Travel	2,750	2,750	2,702	48
Other contracted services	25,000	23,700	23,674	26
Other charges	-	4,600	4,595	5
Data processing equipment	40,000	40,000	39,991	9
	<u>167,554</u>	<u>172,654</u>	<u>171,998</u>	<u>656</u>
Total support services	<u>2,243,578</u>	<u>2,257,278</u>	<u>2,118,454</u>	<u>138,824</u>

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Cont.)
For The Fiscal Year Then Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Expenditures (Cont.)				
Non-Instructional Services:				
Early Childhood Education:				
Teachers	70,868	74,873	74,849	24
Aides	40,407	36,407	36,033	374
Non-certified substitute teachers	5,500	5,500	5,857	(357)
Social Security	6,779	6,779	6,760	19
State Retirement	9,853	9,853	9,841	12
Medical insurance	7,453	7,453	7,707	(254)
Unemployment Compensation	400	400	-	400
Employer Medicare	1,590	1,590	1,581	9
Travel	2,000	2,000	558	1,442
Instructional supplies	31,234	31,234	28,640	2,594
In-service/staff development	3,500	3,500	80	3,420
Other equipment	15,520	15,520	23,203	(7,683)
	<u>195,104</u>	<u>195,109</u>	<u>195,109</u>	<u>-</u>
Capital Outlay:				
Building improvements	30,000	49,011	41,718	7,293
Other capital outlay	30,000	30,000	37,264	(7,264)
	<u>60,000</u>	<u>79,011</u>	<u>78,982</u>	<u>29</u>
Total non-instructional services	<u>255,104</u>	<u>274,120</u>	<u>274,091</u>	<u>29</u>
Total expenditures	<u>6,355,301</u>	<u>6,402,993</u>	<u>6,187,593</u>	<u>215,400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>216,521</u>	<u>216,521</u>	<u>579,896</u>	<u>(67,425)</u>

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (Cont.)
For The Fiscal Year Then Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Other financing sources (uses):				
Transfers out	(216,521)	(216,521)	(208,232)	8,289
Transfers in	-	-	43,057	43,057
	-	(216,521)	(165,175)	43,057
 Net changes in fund balance	\$ 216,521	\$ -	414,721	\$ (24,368)
 Fund balance - beginning			2,572,244	
 Fund balance - ending			\$ 2,986,965	
 Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures				
Inflows/revenues:				
Actual amounts (budgetary basis)			\$ 6,767,489	\$ 147,975
Differences - budget to GAAP:				
Fringe benefits - noncash			39,364	(39,364)
Total Revenues as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			6,806,853	108,611
 Outflows/expenditures:				
Actual amounts (budgetary basis)			6,187,593	215,400
Differences - budget to GAAP:				
Fringe expense - noncash			39,364	(39,364)
Total Expenditures as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			6,226,957	176,036
 Other financing sources (uses)			(165,175)	43,057
Net changes in fund balance			\$ 414,721	\$ (24,368)

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

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

	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Revenues:				
Federal through the State:				
Vocational education - basic grants to states	\$ 21,780	\$ 21,780	\$ 18,042	\$ (3,738)
Title I	393,795	400,720	351,889	(48,831)
Other vocational	62,388	62,388	-	(62,388)
Special education - grants to states	423,067	423,067	360,408	(62,659)
Special education - preschool	-	-	8,327	8,327
Safe and drug free school grant	1,000	2,667	2,667	-
Rural education	31,632	26,061	25,888	(173)
Eisenhower Professional Development	63,124	65,240	61,140	(4,100)
ARRA - First to the top	91,600	187,394	179,738	(7,656)
Other federal through state	12,661	12,630	171,690	159,060
	<u>1,101,047</u>	<u>1,201,947</u>	<u>1,179,789</u>	<u>(22,158)</u>
Total revenues	<u>1,101,047</u>	<u>1,201,947</u>	<u>1,179,789</u>	<u>(22,158)</u>
Expenditures:				
Instruction:				
Regular Instruction Program:				
Teachers	210,855	351,796	344,046	7,750
Educational assistants	41,276	50,812	49,511	1,301
Substitute teachers	1,000	4,614	4,090	524
Non certified substitute teachers	5,550	5,880	3,273	2,607
Social Security	15,615	24,792	21,525	3,267
State retirement	22,603	35,794	33,304	2,490
Medical insurance	31,176	24,237	24,821	(584)
Unemployment compensation	635	580	145	435
Medicare	3,668	5,884	5,391	493
Maintenance and repair - equipment	3,000	3,000	-	3,000
Other contracted services	5,000	3,095	3,095	-
Instructional supplies	47,813	58,315	36,921	21,394
Instructional Equipment	121,355	126,491	136,509	(10,018)
	<u>509,546</u>	<u>695,290</u>	<u>662,631</u>	<u>32,659</u>
Special Education Program:				
Teachers	33,500	40,500	39,582	918
Educational assistants	67,500	72,200	72,164	36
Speech pathologist	23,000	23,500	22,118	1,382
Other salaries and wages	-	500	500	-
Certified substitute teachers	1,000	1,000	-	1,000

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
FEDERAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Cont.)
For The Year Ended June 30, 2011**

Expenditures (Cont.)	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Instruction (Cont.):				
Special Education Program (Cont.):				
Non certified substitute teachers	2,000	2,000	2,228	(228)
Social Security	7,800	8,544	7,102	1,442
State retirement	11,000	11,859	9,917	1,942
Medical insurance	100	100	219	(119)
Unemployment compensation	500	500	120	380
Medicare	2,000	2,182	1,982	200
Contracts with other school systems	101,484	122,184	85,853	36,331
Other contracted services	38,000	48,704	51,235	(2,531)
Instructional supplies	47,139	35,639	34,779	860
Capital outlay - equipment	40,000	23,800	24,909	(1,109)
	<u>375,023</u>	<u>393,212</u>	<u>352,708</u>	<u>40,504</u>
Vocational Education Program:				
Teachers	-	4,000	4,000	-
Other salaries and wages	15,000	15,000	-	15,000
Social Security	263	511	248	263
State retirement	-	362	362	-
Employer Medicare	165	223	58	165
Other contracted services	3,650	3,650	1,963	1,687
Instructional supplies	24,965	24,965	-	24,965
Other supplies and materials	9,925	10,606	52,421	(41,815)
Capital outlay - equipment	16,645	16,645	19,324	(2,679)
	<u>70,613</u>	<u>75,962</u>	<u>78,376</u>	<u>(2,414)</u>
Total instruction	<u>955,182</u>	<u>1,164,464</u>	<u>1,093,715</u>	<u>70,749</u>
Support Services:				
Health Services:				
Medical personnel	-	14,779	14,778	1
Social security	-	756	756	-
State retirement	-	1,258	1,258	-
Medical insurance	-	2,979	2,979	-
Employer medicare	-	177	177	-
	<u>-</u>	<u>19,949</u>	<u>19,948</u>	<u>1</u>
Other Student Support:				
Guidance personnel	-	3,500	3,500	-
Assessment personnel	3,298	3,298	605	2,693
Bus drivers	556	-	-	-

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
FEDERAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Cont.)
For The Year Ended June 30, 2011**

Expenditures (Cont.)	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Support Services (Cont.):				
Other Student Support (Cont.):				
Other salaries and wages	2,200	2,200	2,200	-
Social security	375	561	350	211
State retirement	249	521	471	50
Unemployment compensation	50	50	-	50
Employer medicare	88	139	93	46
Evaluation and testing	4,000	4,500	4,647	(147)
Postal charges	1,200	1,200	-	1,200
Travel	3,800	3,800	3,813	(13)
Other contracted services	3,000	2,955	2,034	921
Other supplies and materials	1,650	3,311	800	2,511
In-service/staff development	2,250	3,750	2,129	1,621
Other charges	1,500	1,500	47	1,453
	<u>24,216</u>	<u>31,285</u>	<u>20,689</u>	<u>10,596</u>
 Regular Instruction Program:				
Supervisor/director	27,713	27,885	25,097	2,788
Librarians	-	3,000	3,000	-
Social Security	1,718	1,911	1,666	245
State retirement	2,508	2,797	2,543	254
Medical insurance	1,466	1,466	1,498	(32)
Unemployment compensation	35	35	-	35
Employer Medicare	402	446	390	56
Travel	6,500	6,500	2,445	4,055
Library books	4,000	4,000	-	4,000
In-service/staff development	17,916	15,810	9,685	6,125
	<u>62,258</u>	<u>63,850</u>	<u>46,324</u>	<u>17,526</u>
 Special Education Program:				
Supervisor	4,130	4,130	4,000	130
Social Security	257	257	251	6
State retirement	374	374	404	(30)
Medical insurance	403	403	495	(92)
Unemployment compensation	70	70	-	70
Medicare	60	60	59	1
Travel	4,000	3,296	1,155	2,141
Other contracted services	1,000	1,000	644	356
In-service/staff development	11,000	11,000	7,047	3,953
Other equipment	3,000	-	-	-
	<u>24,294</u>	<u>20,590</u>	<u>14,055</u>	<u>6,535</u>

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
FEDERAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Cont.)
For The Year Ended June 30, 2011**

Expenditures (Cont.)	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Support Services (Cont.):				
Vocational Education Program:				
Travel	1,089	1,009	1,009	-
	1,089	1,009	1,009	-
Office of Principal:				
Principals	-	3,000	3,000	-
Assistant principals	-	1,000	1,000	-
Secretary	-	1,000	1,000	-
Clerical personnel	-	500	500	-
Social Security	-	341	341	-
State Retirement	-	490	490	-
Employer Medicare	-	80	80	-
In-service/staff development	-	1,580	1,580	-
	-	7,991	7,991	-
Operation of Plant:				
Custodial personnel	-	3,375	3,375	-
Social security	-	210	209	1
State retirement	-	256	255	1
Employer medicare	-	49	49	-
	-	3,890	3,888	2
Maintenance of Plant:				
Supervisor	-	500	500	-
Maintenance personnel	-	500	500	-
Social security	-	62	62	-
State retirement	-	86	85	1
Employer medicare	-	15	15	-
	-	1,163	1,162	1
Transportation:				
Contracts with other school systems	6,250	6,250	-	6,250
Total support services	111,857	149,727	115,066	34,661

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT
FEDERAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Cont.)
For The Year Ended June 30, 2011**

Expenditures (Cont.)	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
Non-Instructional Services:				
Early Childhood Education:				
Teachers	-	2,000	2,000	-
Educational assistants	-	1,500	1,500	-
Social security	-	217	217	-
State retirement	-	309	309	-
Employer medicare	-	51	51	-
Total non-instructional services	-	4,077	4,077	-
Total expenditures	1,067,039	1,318,268	1,212,858	105,410
Excess (deficiency) of revenues over (under) expenditures	34,008	(116,321)	(33,069)	(127,568)
Other financing sources (uses)				
Transfers to other funds	(37,600)	(37,600)	(33,057)	4,543
Net changes in fund balance	\$ (3,592)	\$ (153,921)	(66,126)	\$ (123,025)
Fund balance - beginning			-	
Fund balance - ending			\$ (66,126)	
Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures				
Inflows/revenues:				
Actual amounts (budgetary basis)			\$ 1,179,789	\$ (22,158)
Differences - budget to GAAP:				
Fringe benefits - noncash			5,385	(5,385)
Total Revenues as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			1,185,174	(27,543)
Outflows/expenditures:				
Actual amounts (budgetary basis)			1,212,858	105,410
Differences - budget to GAAP:				
Fringe expense - noncash			5,385	(5,385)
Total Expenditures as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			1,218,243	100,025
Other financing sources (uses)			(33,057)	4,543
Net changes in fund balance			\$ (66,126)	\$ (123,025)

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

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity:

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

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

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

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

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are the only activities of the District. The District does not maintain any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions restricted to meeting the operational requirements of a particular function or segment, and 3) capital grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

However, debt service expenditures and claims and judgments, are recorded only when payment is due.

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

The District reports the following major governmental funds:

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

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

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

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements and the state's investment pool.

Receivables and Payables

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

All other outstanding balances between funds are reported as "due to/from other funds".

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

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 \$1.44 on every \$100 of real and personal property located within the District.

Inventories and Prepaid Items

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

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

Capital Assets

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

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

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

Buildings and improvements	30 years
Machinery and equipment	5-15 years

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

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

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

Long-term Liabilities

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

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

Fund Equity

Effective July 1, 2010, the District adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying governmental fund type definitions. The District has evaluated the use of its Debt Service, Federal Projects, and Centralized Cafeteria Funds under the criteria set forth in GASB Statement 54 and has determined that there is no change needed.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Nonspendable fund balance

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

Committed fund balance

This classification includes amounts that can only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Education of the West Carroll Special School District. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally (for example: resolution).

Assigned fund balance

This classification includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board and its designees (of which there are none) have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned fund balance

This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

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

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the district-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds, notes and capital leases payable, are not due and payable in the current period and therefore, are not reported in the funds." The details of this (\$5,890,000), (\$50,832) and (\$3,819) are as follows:

School Bonds Payable, Series 2005	\$ <u>(5,890,000)</u>
Accrued interest payable	\$ <u>(50,832)</u>
Bond premium related to the school bonds, series 2005	\$ <u>(3,819)</u>

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Another element of that reconciliation explains that "capital assets used in governmental funds are not financial resources and, therefore, are not reported as assets in the governmental funds." The details of this \$6,177,572 are as follows:

Land	\$	217,127
Buildings and improvements		11,752,001
Other fixed assets		408,509
		12,377,637
Less accumulated depreciation		(6,200,065)
Total capital assets, net of accumulated depreciation	\$	6,177,572

Another element of that reconciliation explains that "other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds - bond issuance costs." The details of this \$381,899 are as follows:

Bond issuance costs	\$	45,904
Bond insurance premium		38,025
Bond discount		36,759
Loss on bond issuance		261,211
	\$	381,899

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

One element of that reconciliation states that "the payment of debt issuance costs is an expenditure in the governmental funds, but is an asset to be amortized over the life of the bonds in the statement of activities." The details of this \$(21,217) are as follows:

Bond issuance costs	\$	(2,550)
Bond insurance premium		(2,113)
Bond discount		(2,042)
Loss on bond issuance		(14,512)
	\$	(21,217)

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 \$230,000 are as follows:

Principal repayments		
School Bonds Payable, Series 2005	\$	230,000

One element of that reconciliation states that "capital outlays are reported in the governmental funds as expenditures. However, in the statements of activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense." The details of this \$91,020 and (\$470,559) are as follows:

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Capital Outlays	\$ <u>91,020</u>
Depreciation Expense	\$ <u>(470,559)</u>

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

Debt premium	\$ <u>212</u>
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One element of that reconciliation states that there are "expenses on the statement of activities that are not current financial uses and are not reported as expenses in governmental funds." The details of (\$1,368) and \$1,974 are as follows:

Accrued interest payable	\$ <u>(1,368)</u>
Change in inventory	\$ <u>1,974</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of June 30, 2011, the District had the following investments:

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

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Custodial Credit Risk

The District's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance, by the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the District to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2010, all bank deposits were fully collateralized or insured.

GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, requires investments with a remaining maturity of one year or more to be reported at fair value. The District had investments of \$200,000 as of June 30, 2011. This investment consists of a certificate of deposit at a local financial institution.

The following is a summary of cash and cash equivalents as of June 30, 2011:

Cash and cash equivalents:	
Cash in bank	\$ 2,776,611
Local Government Investment Pool	17,981
	2,794,592
Investments:	
Certificate of deposit	200,000
	200,000
Total deposits	\$ 2,994,592

B. Receivables

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

	General Purpose Fund	Debt Service Fund	Federal Projects Fund	Nonmajor Funds	Total
Receivables:					
Accounts receivable	\$ 13,787	\$ -	\$ -	\$ -	\$ 13,787
Due from other governments - nongrant	1,163,191	284,648	-	-	1,447,839
Due from other governments - grants	65,576	-	222,095	26,721	314,392
Due from other funds	229,917	-	-	33,780	263,697
Total receivables	\$ 1,472,471	\$ 284,648	\$ 222,095	\$ 60,501	\$ 2,039,715

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

The following grant revenues are deferred based on the district not receiving the funds within 60 days of year end. The following revenues are unearned because they were not spent as of year end.

	<u>Deferred/ Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
ARRA - Safe Schools	\$ 6,100	\$ -	\$ 6,100
Federal Projects Fund			
Vocational Education - Basic Grants to States	3,738	-	3,738
Vocational Education - Basic Grants to States	62,388	-	62,388
Title II, A Training	-	1,775	1,775
	<u>\$ 72,226</u>	<u>\$ 1,775</u>	<u>\$ 74,001</u>

C. Capital Assets

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

	<u>6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/11</u>
Capital assets not being depreciated:				
Land	\$ 217,127	\$ -	\$ -	\$ 217,127
Capital assets being depreciated:				
Buildings and improvements	11,707,164	44,837	-	11,752,001
Other capital assets	374,257	46,183	11,931	408,509
	<u>12,081,421</u>	<u>91,020</u>	<u>11,931</u>	<u>12,160,510</u>
Accumulated depreciation:				
Buildings and improvements	5,595,415	413,862		6,009,277
Other capital assets	146,022	56,697	11,931	190,788
	<u>5,741,437</u>	<u>470,559</u>	<u>11,931</u>	<u>6,200,065</u>
Capital assets net of accumulated depreciation	6,557,111	(379,539)	-	6,177,572
Long-term debt related to capital assets (including bond premium)	<u>(6,124,031)</u>	<u>-</u>	<u>(230,212)</u>	<u>(5,893,819)</u>
Capital assets net of accumulated depreciation and related debt	<u>\$ 433,080</u>	<u>\$ (379,539)</u>	<u>\$ (230,212)</u>	<u>\$ 283,753</u>

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

Instruction:	
Regular education	\$ 445,514
Support services:	
Office of the Director of Schools	12,643
Operation and maintenance of plant	9,253
Food Services	3,149
Total depreciation	<u>\$ 470,559</u>

Leases

Operating Leases

The District has entered into a lease agreement for the use of its copier. For financial reporting purposes, this lease has been determined to be an operating lease. The cost for this lease for the year ended June 30, 2011, was \$775. The future minimum lease payments are as follows:

Year ending June 30,	
2012	\$ 9,300
2013	9,300
2014	1,550
	<u>\$ 20,150</u>

D. Long-term Debt

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

Years Ending June 30,	Bonds		Total
	Principal	Interest	
2012	\$ 240,000	\$ 234,810	\$ 474,810
2013	250,000	226,410	476,410
2014	255,000	217,660	472,660
2015	265,000	208,735	473,735
2016	275,000	199,460	474,460
2017-2021	1,525,000	836,663	2,361,663
2022-2026	1,810,000	513,080	2,323,080
2027-2029	1,270,000	113,300	1,383,300
	<u>\$ 5,890,000</u>	<u>\$ 2,550,118</u>	<u>\$ 8,440,118</u>

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

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable:					
School Bonds, Series 2005, 3.5% to 4.10 % interest, payable serially through 2029	\$ 6,120,000	\$ -	\$ 230,000	\$ 5,890,000	\$ 240,000
Bond Issuance Cost	403,116	-	21,217	381,899	
Bond Premium	4,031	-	212	3,819	
Net Bonds Payable	<u>\$ 6,527,147</u>	<u>\$ -</u>	<u>\$ 251,429</u>	<u>\$ 6,275,718</u>	

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

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

E. Internal Balances

The following is a summary of due to and due from other funds as of June 30, 2011:

	<u>General Purpose Fund</u>	<u>Federal Projects Fund</u>	<u>Centralized Cafeteria Fund</u>	<u>Total</u>
Due to other funds	\$ (33,780)	\$ (219,703)	\$ (10,214)	\$ (263,697)
Due from other funds	229,917	-	33,780	263,697
	<u>\$ 196,137</u>	<u>\$ (219,703)</u>	<u>\$ 23,566</u>	<u>\$ -</u>

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

The following is a summary of transfers during the year ended June 30, 2011:

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Transfers From	Transfers To	Amount
Federal Projects Fund	General Purpose Fund	\$ 33,057
Food Service Fund	General Purpose Fund	10,000
General Purpose Fund	Debt Service Fund	208,232
		\$ 251,289

Transfers are used to transfer indirect costs relating to the grant administration in the federal projects fund and for debt payments in the debt service fund. \$10,000 was also transferred from the food service fund to reimburse the general purpose fund for their portion of the utility bills.

NOTE 5 -OTHER INFORMATION

A. Pensions

Political Subdivision Pension Plan

Plan Description

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

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

Funding Policy

The District requires employees to contribute 5.0% of earnable compensation. The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 8.51% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Annual Pension Cost

For the year ending June 30, 2011, the District's annual pension cost of \$68,309 to TCRS was equal to the 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% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% 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 ten-year period. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 6 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Trend Information	
		Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 68,309	100.00%	\$ -
June 30, 2010	58,871	100.00%	-
June 30, 2009	60,481	100.00%	-

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 88.36% funded. The actuarial accrued liability for benefits was \$1.6 million, and the actuarial value of assets was \$1.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.70 million, and the ratio of the UAAL to the covered payroll was 26.06%.

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

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

(Dollar amounts in thousands)

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

State Employees, Teachers, and Higher Education Employees Pension Plan

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for the District is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2011 was 9.05% of annual covered payroll. The employer contribution requirement for the District is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2011, 2010, and 2009 were \$355,273, \$247,352, and \$247,510, respectively, equal to the required contributions for each year.

B. On-Behalf Payments for Fringe Benefits and Salaries

The District recognizes as revenues and expenses contributions made by the State of Tennessee to the Teacher Group Plan and the Medicare Supplement Plan on behalf of the District's

WEST CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

employees. In fiscal year 2011 the State made contributions allocated to the General Purpose, Federal Projects, and Centralized Cafeteria funds for \$39,364, \$5,385, and \$1,863 respectively.

C. Contingent Liabilities and Losses

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

D. Risk Management

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

E. Endowment

During the year ended June 30, 2005, a certificate of deposit in the amount of \$100,130 was contributed to the District. Another contribution was made during year ended June 30, 2008 in the amount of \$99,870 which brought the balance of the certificate of deposit to \$200,000. The revenue from the certificate of deposit is to be used for scholarships for deserving seniors. The revenue in the endowment fund for the year ended June 30, 2011 was \$5,600. Scholarships paid as of June 30, 2011 totaled \$12,000.

REQUIRED SUPPLEMENTARY INFORMATION

WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULES OF FUNDING PROGRESS - EMPLOYEE RETIREMENT SYSTEM
 June 30, 2011

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

(Dollar amounts in thousands)

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

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

**WEST CARROLL SPECIAL SCHOOL DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
For The Fiscal Year Then Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance-
	<u>Original</u>	<u>Final</u>		Over (Under)
Revenues:				
County Tax Revenues:				
Property Taxes	\$ 259,214	\$ 259,214	\$ 264,628	\$ 5,414
Total revenues	<u>259,214</u>	<u>259,214</u>	<u>264,628</u>	<u>5,414</u>
Expenditures:				
Debt Service				
Principal on bonds	225,000	225,000	230,000	(5,000)
Interest on bonds	250,735	250,735	242,860	7,875
Total expenditures	<u>475,735</u>	<u>475,735</u>	<u>472,860</u>	<u>2,875</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (216,521)</u>	<u>\$ (216,521)</u>	(208,232)	<u>\$ 8,289</u>
Other financing sources (uses)				
Transfers in	<u>216,521</u>	<u>216,521</u>	<u>208,232</u>	<u>(8,289)</u>
Net changes in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance - beginning			<u>14,087</u>	
Fund balance - ending			<u>\$ 14,087</u>	

See independent auditor's report.

**WEST CARROLL SPECIAL SCHOOL DISTRICT
OTHER GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011**

	<u>Special Revenue Fund</u>	<u>Permanent Fund</u>	
	<u>Centralized Cafeteria Fund</u>	<u>Endowment Fund</u>	<u>Total Other Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 203,621	\$ 6,933	\$ 210,554
Investments	-	200,000	200,000
Due from other governments - grants	26,721	-	26,721
Due from other funds	33,780	-	33,780
Inventory	45,166	-	45,166
Total assets	<u>\$ 309,288</u>	<u>\$ 206,933</u>	<u>\$ 516,221</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 3,905	\$ -	\$ 3,905
Due to other funds	10,214	-	10,214
Total liabilities	<u>14,119</u>	<u>-</u>	<u>14,119</u>
Fund balances:			
Nonspendable			
Inventory	45,166	-	45,166
Endowment Fund Principal		200,000	200,000
Restricted			
Non-instructional services	250,003	6,933	256,936
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>295,169</u>	<u>206,933</u>	<u>502,102</u>
Total liabilities and fund balances	<u>\$ 309,288</u>	<u>\$ 206,933</u>	<u>\$ 516,221</u>

See independent auditor's report.

**WEST CARROLL SPECIAL SCHOOL DISTRICT
OTHER GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For The Year Ended June 30, 2011**

	Special Revenue Fund	Permanent Fund	Total Other Governmental Funds
	Centralized Cafeteria Fund	Endowment Fund	
Revenues:			
Federal revenue	\$ 409,513	\$ -	\$ 409,513
Intergovernmental	1,863	-	1,863
Interest earned	1,871	5,600	7,471
Food service	202,797	-	202,797
Total revenues	616,044	5,600	621,644
Expenditures:			
Noninstructional services	655,940	12,000	667,940
Total expenditures	655,940	12,000	667,940
Excess (deficiency) of revenues over (under) expenditures	(39,896)	(6,400)	(46,296)
Other financing sources (uses)			
Transfers (out)	(10,000)	-	(10,000)
Net changes in fund balances	(49,896)	(6,400)	(56,296)
Fund balances - beginning	343,091	213,333	556,424
Inventory adjustment	1,974	-	1,974
Fund balances - beginning restated	345,065	213,333	558,398
Fund balances - ending	\$ 295,169	\$ 206,933	\$ 502,102

See independent auditor's report.

**WEST CARROLL SPECIAL SCHOOL DISTRICT
CENTRALIZED CAFETERIA FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance-
	Original	Final		Favorable (Unfavorable)
Revenues:				
Lunch payments - students	\$ 111,000	\$ 111,000	\$ 112,720	\$ 1,720
Lunch payments - adults	14,219	14,219	16,082	1,863
Breakfast - students	20,000	20,000	21,999	1,999
A-la-carte	55,500	55,500	45,318	(10,182)
USDA Breakfast Reimbursement	102,000	118,000	122,404	4,404
USDA reimbursements	255,500	255,500	255,257	(243)
Refunds	-	-	408	408
Interest earnings	1,200	1,200	1,871	671
Other local revenues	5,800	5,800	5,840	40
Other charges for services	-	-	430	430
	<u>565,219</u>	<u>581,219</u>	<u>582,329</u>	<u>1,110</u>
Total revenues	<u>565,219</u>	<u>581,219</u>	<u>582,329</u>	<u>1,110</u>
Expenditures:				
Food services:				
Supervisor	33,112	33,112	26,990	6,122
Clerical personnel	5,000	17,700	5,837	11,863
Cafeteria personnel	150,207	150,207	162,003	(11,796)
Social Security	11,121	11,121	11,170	(49)
State retirement	16,026	16,026	12,881	3,145
Medical insurance	8,950	8,950	12,544	(3,594)
Unemployment compensation	102	102	214	(112)
Medicare	2,601	2,601	2,612	(11)
Maintenance & repair service - equipment	14,000	14,000	19,504	(5,504)
Travel	3,500	3,500	3,177	323
Other contracted services	6,100	6,100	-	6,100
Food preparation supplies	15,000	15,000	-	15,000
Food supplies	285,000	285,000	302,443	(17,443)
Uniforms	2,000	2,000	1,949	51
Other supplies and materials	4,500	4,500	3,281	1,219
In-service/staff development	4,000	4,000	2,480	1,520
Other charges	4,000	4,000	1,564	2,436

See independent auditor's report.

**WEST CARROLL SPECIAL SCHOOL DISTRICT
CENTRALIZED CAFETERIA FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended June 30, 2011**

	Budgeted Amounts			Variance- Favorable (Unfavorable)
	Original	Final	Actual	
Expenditures (Cont.):				
Food services (Cont.):				
Capital outlay - equipment	\$ -	\$ 53,600	\$ 53,576	\$ 24
Total expenditures	565,219	631,519	622,225	9,294
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (50,300)	(39,896)	\$ (8,184)
Other financing sources (uses)				
Transfers out	-	(10,000)	(10,000)	-
Net changes in fund balance	\$ -	\$ (60,300)	(49,896)	\$ (8,184)
Fund balance - beginning			343,091	
Inventory adjustment			1,974	
Fund balance - beginning restated			345,065	
Fund balance - ending			\$ 295,169	
 Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures				
Inflows/revenues:				
Actual amounts (budgetary basis)			\$ 582,329	\$ 1,110
Differences - budget to GAAP:				
Commodities benefits - noncash			31,852	(31,852)
Fringe benefits - noncash			1,863	(1,863)
Total Revenues as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			616,044	(32,605)
Outflows/expenditures:				
Actual amounts (budgetary basis)			622,225	9,294
Differences - budget to GAAP:				
Commodities expense - noncash			31,852	(31,852)
Fringe expense - noncash			1,863	(1,863)
Total Expenditures as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			655,940	(24,421)
Other financing sources (uses)			(10,000)	-
Net changes in fund balance			\$ (49,896)	\$ (8,184)

See independent auditor's report.

**WEST CARROLL SPECIAL SCHOOL DISTRICT
ENDOWMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For The Year Ended June 30, 2011**

Revenues:	
Interest earnings	<u>\$ 5,600</u>
Expenditures:	
Tuition	<u>12,000</u>
Net changes in fund balance	(6,400)
Fund balance - beginning	<u>213,333</u>
Fund balance - ending	<u>\$ 206,933</u>

See independent auditor's report.

WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS - LAST TEN YEARS
 June 30, 2011

<u>Year Ended</u> <u>June, 30</u>	<u>Tax Rates</u>	<u>Assessments</u>	<u>Tax Levy</u>
2011	\$ 1.44	\$ 83,725,089	\$ 1,205,568
2010	1.56	76,152,032	1,187,972
2009	1.56	75,323,670	1,175,041
2008	1.56	71,830,909	1,120,554
2007	1.81	61,221,535	1,108,110
2006	1.81	60,686,035	1,098,417
2005	1.81	59,800,920	1,082,397
2004	1.81	58,799,987	1,064,280
2003	1.91	56,305,629	1,075,438
2002	1.74	-	-

The following is the tax levied January 1, 2011:

2011	\$	1.44	\$	83,725,089	\$	1,205,568
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See independent auditor's report.

WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF LONG-TERM DEBT
June 30, 2011

Year Ending June 30,	School Bonds, Series 2005		
	Principal	Interest	Total
2012	\$ 240,000	\$ 234,810	\$ 474,810
2013	250,000	226,410	476,410
2014	255,000	217,660	472,660
2015	265,000	208,735	473,735
2016	275,000	199,460	474,460
2017	285,000	189,560	474,560
2018	295,000	179,015	474,015
2019	305,000	167,953	472,953
2020	315,000	156,210	471,210
2021	325,000	143,925	468,925
2022	335,000	130,925	465,925
2023	350,000	117,525	467,525
2024	360,000	103,175	463,175
2025	375,000	88,415	463,415
2026	390,000	73,040	463,040
2027	405,000	55,880	460,880
2028	425,000	38,060	463,060
2029	440,000	19,360	459,360
	<u>\$ 5,890,000</u>	<u>\$ 2,550,118</u>	<u>\$ 8,440,118</u>

See independent auditor's report.

WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF INTERFUND TRANSFERS
 June 30, 2011

Transfer Out			Transfer In		
	Budget	Actual		Budget	Actual
General Fund	\$ 216,521	\$ 208,232	Debt Service Fund	\$ 216,521	\$ 208,232
Federal Projects Fund	37,600	33,057	General Fund	-	43,057
Food Service Fund	10,000	10,000			
	<u>\$ 264,121</u>	<u>\$ 251,289</u>		<u>\$ 216,521</u>	<u>\$ 251,289</u>

See independent auditor's report.

WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF SALARIES AND BONDS
June 30, 2011

	<u>Salary</u>	<u>Bond</u>	
Director of Schools	\$ 83,000	\$ 150,000	*
Secretary/Treasurer	-	250,000	

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

See independent auditor's report.

WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2011

	Federal CFDA Number	Agency or Pass-through Number	Balance 7/1/10 (Receivable) Unearned	Cash Receipts	Expenditures	Balance 6/30/11 (Receivable) Unearned
U.S. Department of Education						
Pass-through the State of Tennessee Department of Education						
ARRA - Title I, Grants to Local Education Agencies	84.389	N/A	\$ (6,761)	\$ 14,607	\$ 7,846	\$ -
Title I, Grants to Local Education Agencies	84.010	N/A	(9,571)	337,330	344,043	(16,284)
			<u>(16,332)</u>	<u>351,937</u>	<u>351,889</u>	<u>(16,284)</u>
Special Education Grants to States						
IDEA Program	84.027*	N/A	(9,444)	254,969	258,424	(12,899)
ARRA - IDEA Program	84.391*	N/A	(9,996)	108,480	101,984	(3,500)
			<u>(19,440)</u>	<u>363,449</u>	<u>360,408</u>	<u>(16,399)</u>
Vocational Education-Basic Grants to States	84.048	N/A	(9,371)	27,413	21,780	(3,738)
Vocational Education-Basic Grants to States	84.048	N/A	-	-	62,388	(62,388)
			<u>(9,371)</u>	<u>27,413</u>	<u>84,168</u>	<u>(66,126)</u>
Special Education Preschool Grants:						
IDEA Preschool	84.173*	N/A	-	25,169	25,169	-
IDEA Preschool	84.173*	N/A	-	4,696	4,696	-
IDEA Preschool	84.173*	N/A	1	8,326	8,327	-
			<u>1</u>	<u>38,191</u>	<u>38,192</u>	<u>-</u>
Safe and Drug Free Schools and Communities - State Grants						
Title IV, Part A	84.186	N/A	(1,141)	3,744	2,667	(64)
Innovative Education Program Strategies - State Grants						
Title VI, CSR	84.298	N/A	(275)	26,163	25,888	-

See independent auditor's report.

WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Cont.)
For The Year Ended June 30, 2011

	Federal CFDA Number	Agency or Pass-through Number	Balance 7/1/10 (Receivable) Unearned	Cash Receipts	Expenditures	Balance 6/30/11 (Receivable) Unearned
U.S. Department of Education (Cont.)						
Pass-through the Tennessee Department of Education (Cont.)						
ARRA - Title X, Part C Homeless	84.387	N/A	\$ (25)	\$ 25	\$ 191	\$ (191)
ARRA - First to the Top	84.395	N/A	-	84,186	179,738	(95,552)
Improving Teacher Quality State Grants						
Title II, D	84.367	N/A	(41)	1,274	1,233	-
ARRA - Title II, D	84.386	N/A	-	7,519	20,000	(12,481)
ARRA - Title II, A Training	84.386	N/A	(4,278)	4,278	-	-
Title II, A Training	84.367	N/A	(282)	63,197	61,140	1,775
			<u>(4,601)</u>	<u>76,268</u>	<u>82,373</u>	<u>(10,706)</u>
State Fiscal Stabilization Fund - Education State Grants, Recovery Act						
ARRA - Basic Education Program	84.394*	N/A	-	517,692	517,692	-
ARRA - Connectenn	84.397*	N/A	-	3,012	3,012	-
ARRA - Statewide Student Mgmt System	84.397*	N/A	-	2,548	2,548	-
ARRA - Career Ladder Extended Contracts	84.397*	N/A	(34,300)	35,441	2,308	(1,167)
ARRA - Safe Schools	84.397*	N/A	(3,600)	3,600	6,100	(6,100)
			<u>(37,900)</u>	<u>562,293</u>	<u>531,660</u>	<u>(7,267)</u>
Education Jobs Fund	84.410	N/A	-	135,268	150,266	(14,998)
Total Pass-through the U.S. Department of Education			<u>(89,084)</u>	<u>1,668,937</u>	<u>1,807,440</u>	<u>(227,587)</u>
U.S. Department of Agriculture						
School Breakfast Program	10.553	N/A	(8,471)	121,692	122,404	(9,183)
National School Lunch Program	10.555	N/A	(17,631)	255,350	255,257	(17,538)
			<u>(26,102)</u>	<u>377,042</u>	<u>377,661</u>	<u>(26,721)</u>

See independent auditor's report.

WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Cont.)
For The Year Ended June 30, 2011

	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Balance 7/1/10 (Receivable) Unearned</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Balance 6/30/11 (Receivable) Unearned</u>
U.S. Department of Human Services						
Pass-through the Tennessee Department of Human Services						
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	N/A	-	10,309	10,309	-
Total Cash Federal Awards			<u>(115,186)</u>	<u>2,056,288</u>	<u>2,195,410</u>	<u>(254,308)</u>
U.S. Department of Agriculture						
Pass-through the Tennessee Department of Agriculture Commodities						
	10.555	N/A	-	31,852	31,852	-
Total Federal Awards			<u>\$ (115,186)</u>	<u>\$ 2,088,140</u>	<u>\$ 2,227,262</u>	<u>\$ (254,308)</u>

* Major federal assistance programs

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

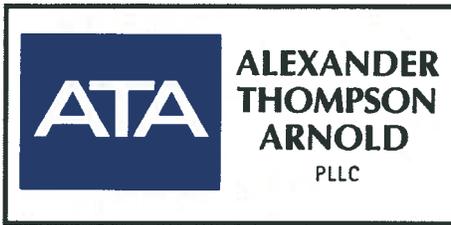
See independent auditor's report.

WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For The Year Ended June 30, 2011

	Balance 7/1/10 (Receivable) Unearned	Cash Receipts	Expenditures	Balance 6/30/11 (Receivable) Unearned
Tennessee Department of Education				
Early Childhood Education - Expansion	\$ (52,987)	\$ 189,787	\$ 195,109	\$ (58,309)
Energy Efficient Schools	(10,875)	10,875	-	-
Total State Awards	(63,862)	200,662	195,109	(58,309)
Total per Schedule of Expenditures of Federal Awards	(115,186)	2,088,140	2,227,262	(254,308)
Total Grants	\$ (179,048)	\$ 2,288,802	\$ 2,422,371	\$ (312,617)

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



Certified Public Accountants

www.atacpa.net

227 Oil Well Road
Jackson, TN 38305

Telephone: (731) 427-8571
Fax: (731) 424-5701

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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*

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Carroll Special School District (District) as of and for the year ended June 30, 2011 which collectively comprise the District's basic financial statements and have issued our report thereon dated January 16, 2012. 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

Management of the District is responsible for establishing and monitoring effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 10-01, 11-01. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of

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

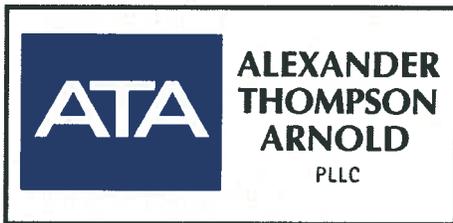
We noted certain matters that we reported to management of the District in a separate letter dated January 16, 2012.

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

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

Alexander Thompson Arnold PLLC

Certified Public Accountants
Jackson, Tennessee
January 16, 2012



Certified Public Accountants

www.atacpa.net

227 Oil Well Road
Jackson, TN 38305

Telephone: (731) 427-8571
Fax: (731) 424-5701

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

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

We have audited the West Carroll Special School District's (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 the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

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

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

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

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

Alexander Thompson Arnold PLLC

Certified Public Accountants
Jackson, Tennessee
January 16, 2012

WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:		Unqualified
Internal control over financial reporting:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> X </u> yes	<u> </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u> </u> yes	<u> X </u> no
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	IDEA Cluster:
84.027	Special Education - Grants to States
84.391	ARRA - Special Education - Grants to States
84.173	Special Education - Preschool Grants
	SFSF Cluster:
84.394	ARRA - SFSF Education State Grants
84.397	ARRA - SFSF Government Services

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

Auditee qualified as low-risk auditee?	<u> X </u> yes	<u> </u> no
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WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

PRIOR YEAR FINDINGS

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

CURRENT YEAR FINDINGS

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

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

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

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

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

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

11-01 Lack of Controls (Significant Deficiency)

Condition: The District's cafeteria school personnel failed to follow internal control procedures. There was only one register open and the person running this register counted the monies and reconciled to the register balance alone behind closed doors, and therefore had the opportunity for the misappropriation of cash.

Criteria: The District's internal control procedures over cash collected requires that two people count and reconcile the monies collected.

Effect: The risk of misappropriation of cash and fraud.

Recommendation: We recommend that the cafeteria personnel follow policy by having two cashiers count the monies and reconcile to the register balance at the same time. We also recommend that the Child Nutrition Director make surprise visits to these schools after lunch to verify they are following procedures and compare daily totals.

Response: West Carroll Special School District will ensure that cafeteria school personnel will

WEST CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011

implement proper internal control procedures in order to prevent fraud and misappropriation of cash.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**WEST CARROLL SPECIAL SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
June 30, 2011**

The West Carroll Special School District respectfully submits the following corrective action plan for the year ended June 30, 2011.

Name and address of independent public accounting firm:

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

Audit period:

June 30, 2011

The findings from the June 30, 2011, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

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

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

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

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

11-01 Lack of Controls (Significant Deficiency)

Recommendation: We recommend that the cafeteria personnel follow policy by having two cashiers count the monies and reconcile to the register balance at the same time. We also recommend that the Child Nutrition Director make surprise visits to these schools after lunch to verify they are following procedures and compare daily totals.

Response: West Carroll Special School District will ensure that cafeteria school personnel will implement proper internal control procedures in order to prevent fraud and misappropriation of cash.