

SOUTH CARROLL SPECIAL SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Fiscal Year Ended June 30, 2011

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2011

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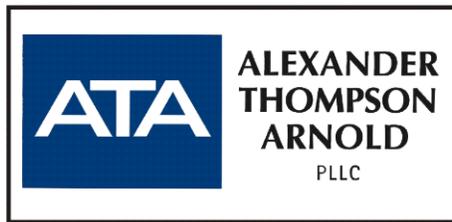
INTRODUCTORY SECTION

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
LIST OF PRINCIPAL OFFICIALS
June 30, 2011

Board Chairman	Marty McKnight
Vice-Chairman	Philip Moore
Secretary	Ricky Walker
Treasurer	Kevin Hart
Vice-Treasurer	David Taylor

Director of Schools	Diana Collins
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FINANCIAL SECTION



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Independent Auditor's Report

Board of Education
South Carroll Special School District
Clarksburg, Tennessee

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Carroll Special School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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 comparisons for the general purpose fund, federal projects fund, and central cafeteria 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 February 22, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the schedule of funding progress on page 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

Alexander Thompson Arnold PLLC

Martin, Tennessee
February 22, 2012

BASIC FINANCIAL STATEMENTS

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

ASSETS

Cash and cash equivalents	\$	1,312,690
Taxes receivable		452,042
Accounts receivable		2,816
Due from other governmental agencies		91,938
Due from grantor		130,875
Inventory		6,885
Capital assets, not being depreciated		
Land		275,000
Capital assets, net of accumulated depreciation		
Buildings and improvements		4,760,557
Other capital assets		132,848
Total Assets		7,165,651

LIABILITIES

Accounts payable		64,954
Other accrued expenses		96,825
Deferred revenue - taxes		452,042
Deferred revenue - grants		66,978
Noncurrent liabilities:		
Bonds and notes payable, due within one year		65,406
Portion due or payable after one year		3,395,499
Total Liabilities		4,141,704

NET ASSETS

Invested in capital assets, net of related debt		1,707,500
Restricted for:		
Operation of noninstructional services		27,269
Debt Service		85,342
Unrestricted		1,203,836
Total Net Assets		\$ 3,023,947

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

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Assets
Governmental activities:				
Instruction:				
Regular education	\$ 1,298,044	\$ -	\$ 363,680	\$ (934,364)
Alternate education	5,251	-	-	(5,251)
Special education	208,034	-	109,590	(98,444)
Vocational education	180,690	-	36,398	(144,292)
Early Childhood Education	98,723	-	82,179	(16,544)
Support Services:				
Student support	333,159	-	35,704	(297,455)
Instructional staff	142,216	-	-	(142,216)
General administration	135,073	-	-	(135,073)
School administration	159,218	-	-	(159,218)
Business administration	55,201	-	-	(55,201)
Operation and maintenance of plant	254,336	-	-	(254,336)
Student transportation	1,604	-	-	(1,604)
Noninstructional Services				
Food service	196,262	69,952	124,935	(1,375)
Community services	16,161	-	-	(16,161)
Debt service	117,192	-	-	(117,192)
Total District	\$ 3,201,164	\$ 69,952	\$ 752,486	(2,378,726)
 General Revenues:				
Local taxes				197,417
Property taxes				503,699
Intergovernmental:				
Basic Education Program				1,608,705
Other				35,172
Interest				6,136
Other miscellaneous revenues				6,361
Total General Revenues				2,357,490
Change in Net Assets				(21,236)
Net Assets, beginning				3,045,183
Net Assets, ending				\$ 3,023,947

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

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

	MAJOR				NONMAJOR	Total Governmental Funds
	General Purpose	Special Revenue		Debt Service	Capital Projects	
	Federal Projects	Central Cafeteria				
ASSETS						
Cash	\$ 1,102,633	\$ -	\$ 132,981	\$ 77,076	\$ -	\$ 1,312,690
Taxes receivable	324,641	-	-	127,401	-	452,042
Accounts receivable	-	-	2,816	-	-	2,816
Due from other governmental agencies	83,672	-	-	8,266	-	91,938
Due from grantor	19,853	111,022	-	-	-	130,875
Due from other funds	176,246	-	-	-	-	176,246
Inventory	-	-	6,885	-	-	6,885
Total Assets	<u>\$ 1,707,045</u>	<u>\$ 111,022</u>	<u>\$ 142,682</u>	<u>\$ 212,743</u>	<u>\$ -</u>	<u>\$ 2,173,492</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 39,954	\$ 25,000	\$ -	\$ -	\$ -	\$ 64,954
Other accrued expenses	78,521	17,141	1,163	-	-	96,825
Due to other funds	-	68,881	107,365	-	-	176,246
Deferred revenue	17,268	49,710	-	-	-	66,978
Deferred revenue - taxes	324,641	-	-	127,401	-	452,042
Total Liabilities	<u>460,384</u>	<u>160,732</u>	<u>108,528</u>	<u>127,401</u>	<u>-</u>	<u>857,045</u>
Fund Balances						
Nonspendable - inventory	-	-	6,885	-	-	6,885
Retricted for:						
Operation of noninstructional services	-	-	27,269	-	-	27,269
Debt service	-	-	-	85,342	-	85,342
Unassigned	1,246,661	(49,710)	-	-	-	1,196,951
Total Fund Balances	<u>1,246,661</u>	<u>(49,710)</u>	<u>34,154</u>	<u>85,342</u>	<u>-</u>	<u>1,316,447</u>
Total Liabilities and Fund Balances	<u>\$ 1,707,045</u>	<u>\$ 111,022</u>	<u>\$ 142,682</u>	<u>\$ 212,743</u>	<u>\$ -</u>	<u>\$ 2,173,492</u>

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

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
June 30, 2011

Total Governmental Fund Balances	\$ 1,316,447
Amounts reported for governmental activities on the statement of net assets are different because of the following:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in governmental funds.	5,168,405
Long-term liabilities, including bonds, notes, and leases payable, are not due in the current period and, therefore, are not reported in the funds.	<u>(3,460,905)</u>
Net Assets of Governmental Activities	<u>\$ 3,023,947</u>

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2011

	MAJOR				NONMAJOR	Total Governmental Funds
	General Purpose	Special Revenue		Debt Service	Capital Projects	
	Federal Projects	Central Cafeteria				
REVENUES						
Taxes	\$ 558,739	\$ -	\$ -	\$ 142,377	\$ -	\$ 701,116
Intergovernmental	1,985,194	286,234	124,934	-	-	2,396,362
Meal sales	-	-	69,952	-	-	69,952
Interest earnings	6,035	-	101	-	-	6,136
Miscellaneous	6,129	-	233	-	-	6,362
Total Revenues	<u>2,556,097</u>	<u>286,234</u>	<u>195,220</u>	<u>142,377</u>	<u>-</u>	<u>3,179,928</u>
EXPENDITURES						
Instruction	1,463,576	159,182	-	-	-	1,622,758
Support services	883,505	126,219	-	-	21,909	1,031,633
Food services	-	-	193,873	-	-	193,873
Non-instructional services	110,713	16,161	-	-	-	126,874
Capital outlay	56,657	34,382	-	-	8,760	99,799
Debt service	40,844	-	-	140,628	-	181,472
Total Expenditures	<u>2,555,295</u>	<u>335,944</u>	<u>193,873</u>	<u>140,628</u>	<u>30,669</u>	<u>3,256,409</u>
Revenues over (under) expenditures	<u>802</u>	<u>(49,710)</u>	<u>1,347</u>	<u>1,749</u>	<u>(30,669)</u>	<u>(76,481)</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	30,669	30,669
Operating transfers out	(30,669)	-	-	-	-	(30,669)
Total Other Financing Sources (Uses)	<u>(30,669)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,669</u>	<u>-</u>
Net Change in Fund Balances	(29,867)	(49,710)	1,347	1,749	-	(76,481)
Fund balances, beginning	1,276,528	-	30,483	83,593	-	1,390,604
Increase (decrease) in inventory	-	-	2,324	-	-	2,324
Fund balances, ending	<u>\$ 1,246,661</u>	<u>\$ (49,710)</u>	<u>\$ 34,154</u>	<u>\$ 85,342</u>	<u>\$ -</u>	<u>\$ 1,316,447</u>

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011**

Net Change in Fund Balances - Total Governmental Funds	\$ (76,481)
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>	
<p>Inventory is reported in the governmental funds using the purchase method. However, in the statement of activities, they are accounted for using the consumption method.</p>	2,324
<p>The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>	
Proceeds from long-term debt	64,280
Repayments of long-term debt	
<p>Capital outlay is reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
Capital outlays	99,799
Depreciation	<u>(111,158)</u>
Change in Net Assets of Governmental Activities	<u>\$ (21,236)</u>

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

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

	Original Budget	Final Budget	Actual	Variance- Over (Under)
REVENUES				
Local Taxes:				
Local option sales tax	\$ 180,000	\$ 180,000	\$ 189,033	\$ 9,033
Interstate telecommunications tax	275	275	170	(105)
Trustee's Collections-Bankruptcy	-	-	406	406
Circuit Clerk-Master Collections	-	-	7,808	7,808
City/Special School District Property Taxes:				
Current property tax	319,911	319,911	342,731	22,820
Prior year's property tax	7,000	7,000	7,267	267
Interest and penalty	1,000	1,000	2,796	1,796
Payment in lieu of taxes	5,000	5,000	8,528	3,528
Total Local Taxes	<u>513,186</u>	<u>513,186</u>	<u>558,739</u>	<u>45,553</u>
Intergovernmental:				
Licenses and Permits:				
Marriage licenses	100	100	160	60
State Revenues:				
State Education Funds:				
Basic Education Program	1,795,000	1,795,000	1,608,705	(186,295)
Early Childhood Education	98,077	99,572	82,179	(17,393)
Career Ladder	22,173	22,173	19,865	(2,308)
Total State Education Funds	<u>1,915,250</u>	<u>1,916,745</u>	<u>1,710,749</u>	<u>(205,996)</u>
Other State Revenues:				
State on-behalf payments for postretirement benefits	-	-	11,930	11,930
State grant	-	-	1,850	1,850
Mixed drink tax	100	100	200	100
Total Other State Revenues	<u>100</u>	<u>100</u>	<u>13,980</u>	<u>13,880</u>
Total State Revenues	<u>1,915,450</u>	<u>1,916,945</u>	<u>1,724,889</u>	<u>(192,056)</u>
Federal Revenues:				
Other direct federal revenue	32,800	32,800	41,297	8,497
Federal Funds Received Through State:				
ARRA - Education State Grants	-	-	187,295	187,295
Career Ladder - Extended Contract	-	-	1,167	1,167
Other federal through State	25,000	31,296	30,546	(750)
Total Federal Funds	<u>57,800</u>	<u>64,096</u>	<u>260,305</u>	<u>196,209</u>
Total Intergovernmental	<u>1,973,250</u>	<u>1,981,041</u>	<u>1,985,194</u>	<u>4,153</u>

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
Miscellaneous:				
Charges for Current Services:				
Receipts from individual schools	3,000	3,000	-	(3,000)
Other Local Revenues:				
Interest earned	4,000	4,000	6,035	2,035
Lease/rentals	-	-	255	255
Miscellaneous refunds	3,000	3,000	5,488	2,488
Miscellaneous revenue	-	-	272	272
Contributions from local groups	-	-	22	22
Damages recovered from individuals	-	-	92	92
Total Other Local Revenues	<u>7,000</u>	<u>7,000</u>	<u>12,164</u>	<u>5,164</u>
Total Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>12,164</u>	<u>2,164</u>
Total Revenues	<u>2,496,436</u>	<u>2,504,227</u>	<u>2,556,097</u>	<u>51,870</u>

EXPENDITURES

Instruction:

Regular Education:

Teachers	837,884	824,038	824,038	-
Career Ladder Program	9,250	9,250	9,000	(250)
Career Ladder - Extended Contract	-	-	8,000	8,000
Homebound teachers	-	1,638	1,638	-
Teacher assistants	33,902	31,361	28,460	(2,901)
Bonus payments	-	12,500	12,500	-
Substitute teachers	14,150	16,399	16,399	-
Social security	55,501	55,501	51,841	(3,660)
State retirement	79,056	79,056	78,475	(581)
Medical insurance	58,826	57,662	54,500	(3,162)
Unemployment compensation	3,031	3,539	3,539	-
Medicare	12,980	12,980	12,128	(852)
Evaluation and testing	-	33	33	-
Operating lease payments	3,000	2,355	2,627	272
Maintenance and repair - equipment	4,000	6,409	7,290	881
Travel	-	439	439	-
Other contracted services	5,000	2,875	2,875	-
Instructional supplies/materials	19,000	18,724	22,721	3,997
Textbooks	24,000	32,801	36,113	3,312
Other supplies and materials	100	1,860	1,860	-
Other charges	100	100	100	-
Equipment	<u>16,000</u>	<u>10,518</u>	<u>10,518</u>	<u>-</u>
Total Regular Education	<u>1,175,780</u>	<u>1,180,038</u>	<u>1,185,094</u>	<u>5,056</u>

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

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

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Alternate Instruction Program:				
Contracts with other schools	6,000	5,251	5,251	-
Special Education:				
Teachers	73,660	73,160	73,160	-
Homebound teachers	227	450	450	-
Career Ladder Program	1,000	1,000	1,000	-
Substitute teachers	-	592	592	-
Social security	4,643	4,643	4,326	(317)
State retirement	6,771	6,771	6,752	(19)
Medical insurance	3,141	3,141	2,892	(249)
Unemployment compensation	145	153	153	-
Medicare	1,086	1,086	1,012	(74)
Contracts with other school systems	11,680	11,680	8,738	(2,942)
Evaluation and testing	300	300	275	(25)
Maintenance and repair - equipment	1,000	1,153	1,153	-
Other contracted services	5,888	3,533	2,212	(1,321)
Instrucional supplies and materials	300	300	153	(147)
Other charges	300	300	-	(300)
Total Special Education	<u>110,141</u>	<u>108,262</u>	<u>102,868</u>	<u>(5,394)</u>
Vocational Education:				
Teachers	121,046	120,114	120,114	-
Career Ladder Program	1,000	1,000	1,000	-
Cafeteria personnel	-	42	42	-
Substitute teachers	2,200	3,265	3,265	-
Social security	7,703	6,329	6,329	-
State retirement	11,045	10,961	10,961	-
Medical insurance	11,919	16,883	16,883	-
Unemployment compensation	375	393	393	-
Medicare	1,802	1,480	1,480	-
Maintenance and repair	250	-	-	-
Other contracted services	2,900	2,860	2,860	-
Instructional supplies	6,500	6,425	6,455	30
Textbooks	1,500	3,563	5,876	2,313
Other supplies and materials	125	355	355	-
Other charges	100	22	22	-
Equipment	1,700	203	203	-
Total Vocational Education	<u>170,165</u>	<u>173,895</u>	<u>176,238</u>	<u>2,343</u>
Total Instruction	<u>1,462,086</u>	<u>1,467,446</u>	<u>1,469,451</u>	<u>2,005</u>

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

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

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Support Services:				
Student Support				
Attendance:				
Travel	350	-	-	-
Other contracted services	29,664	32,754	32,754	-
Office supplies	-	56	56	-
In-service/staff development	500	500	609	109
Other charges	650	650	109	(541)
Total Attendance	<u>31,164</u>	<u>33,960</u>	<u>33,528</u>	<u>(432)</u>
Health Services:				
Medical personnel	16,044	16,044	15,795	(249)
Social security	995	995	979	(16)
State retirement	1,131	1,131	1,110	(21)
Medical insurance	490	523	523	-
Unemployment compensation	20	30	30	-
Medicare	233	233	229	(4)
Travel	125	125	-	(125)
Drugs and medical supplies	1,000	1,000	628	(372)
Office supplies	-	100	100	-
Other supplies/materials	500	500	333	(167)
Liability insurance	100	107	107	-
In-service/staff development	125	55	55	-
Other charges	100	20	-	(20)
Total Health Services	<u>20,863</u>	<u>20,863</u>	<u>19,889</u>	<u>(974)</u>
Other Student Support:				
Career Ladder Program	3,000	3,000	3,000	-
Guidance personnel	67,195	64,340	54,739	(9,601)
Career Ladder - Extended Contract	-	-	4,000	4,000
Social security	4,352	4,352	3,357	(995)
State retirement	6,353	6,353	5,587	(766)
Medical insurance	6,862	6,862	6,541	(321)
Unemployment compensation	188	188	188	-
Medicare	1,018	1,018	785	(233)
Evaluation/testing	2,500	1,300	1,300	-
Maintenance and repair	500	500	446	(54)
Travel	900	1,121	1,121	-
Other contracted services	650	835	835	-
Other supplies/materials	300	1,036	1,036	-
In-service/staff development	1,300	675	675	-
Total Other Student Support	<u>95,118</u>	<u>91,580</u>	<u>83,610</u>	<u>(7,970)</u>
Total Student Support	<u>147,145</u>	<u>146,403</u>	<u>137,027</u>	<u>(9,376)</u>

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
GENERAL PURPOSE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
Instructional Staff:				
Regular Education:				
Director	46,907	48,875	48,875	-
Career Ladder Program	1,750	2,000	2,000	-
Librarian(s)	33,458	33,458	33,082	(376)
Instructional computer personnel	10,133	10,361	10,361	-
Social security	5,713	5,713	4,948	(765)
State retirement	8,339	8,339	7,598	(741)
Medical insurance	8,472	6,540	6,540	-
Unemployment compensation	310	310	346	36
Medicare	1,336	1,336	1,296	(40)
Maintenance and repair	250	250	-	(250)
Travel	550	892	892	-
Other contracted services	8,580	8,662	8,390	(272)
Library books	5,000	3,642	3,642	-
Periodicals	450	450	444	(6)
Other supplies and materials	250	250	154	(96)
In-service/staff development	1,000	-	-	-
Other charges	100	209	-	(209)
Other equipment	-	(650)	-	650
Total Regular Education	<u>132,598</u>	<u>130,637</u>	<u>128,568</u>	<u>(2,069)</u>
Special Education:				
Director	5,865	5,351	4,888	(463)
Social security	364	364	278	(86)
State retirement	531	531	442	(89)
Medical insurance	-	514	514	-
Unemployment compensation	21	21	-	(21)
Medicare	85	85	65	(20)
Total Special Education	<u>6,866</u>	<u>6,866</u>	<u>6,187</u>	<u>(679)</u>
Vocational Education:				
Director	5,864	5,864	4,887	(977)
Social security	370	370	278	(92)
State retirement	540	540	442	(98)
Medical insurance	901	901	514	(387)
Unemployment compensation	13	13	13	-
Medicare	86	86	65	(21)
Travel	1,200	1,200	1,109	(91)
In-service/staff development	500	153	153	-
Other equipment	500	-	-	-
Total Vocational Education	<u>9,974</u>	<u>9,127</u>	<u>7,461</u>	<u>(1,666)</u>
Total Instructional Staff	<u>149,438</u>	<u>146,630</u>	<u>142,216</u>	<u>(4,414)</u>

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

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

	Original Budget	Final Budget	Actual	Variance- Over (Under)
General Administration:				
Board of Education Services:				
Audit services	10,500	9,500	9,500	-
Dues and memberships	2,100	1,920	1,825	(95)
Legal services	3,500	1,658	5,156	3,498
Postal charges	100	100	100	-
Rentals	-	82	82	-
Travel	100	100	48	(52)
Maintenance and repair	1,500	1,500	1,500	-
Other contracted services	200	20	20	-
Other supplies and materials	200	322	322	-
Liability insurance	8,200	8,200	8,108	(92)
Premium on surety bond	600	600	524	(76)
Trustee commissions	12,000	12,976	11,419	(1,557)
Workmen's compensation insurance	8,500	7,804	7,988	184
In-service/staff development	1,000	657	655	(2)
Criminal investigation of applicant	300	300	144	(156)
Other charges	1,000	1,696	1,696	-
Total Board of Education Services	<u>49,800</u>	<u>47,435</u>	<u>49,087</u>	<u>1,652</u>
Office of the Superintendent:				
County official/administrative officer	65,027	65,027	64,777	(250)
Career Ladder Program	1,000	3,000	2,000	(1,000)
Social security	4,094	4,094	4,098	4
State retirement	5,975	6,043	6,043	-
Medical insurance	490	523	523	-
Unemployment compensation	125	125	125	-
Medicare	957	958	958	-
Communication	1,500	1,500	1,377	(123)
Dues and memberships	1,100	1,100	1,094	(6)
Maintenance and repair	1,000	359	359	-
Postal charges	550	550	550	-
Travel	1,500	1,623	1,664	41
Other contracted services	125	125	98	(27)
Office supplies	250	250	250	-
Other supplies and materials	250	149	124	(25)
In-service/staff development	1,500	286	286	-
Administration equipment	1,000	380	380	-
Other charges	400	110	110	-
Total Office of the Superintendent	<u>86,843</u>	<u>86,202</u>	<u>84,816</u>	<u>(1,386)</u>
 Total General Administration	 <u>136,643</u>	 <u>133,637</u>	 <u>133,903</u>	 <u>266</u>

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
School Administration:				
Office of the Principal:				
Principals	53,215	53,215	52,965	(250)
Career ladder program	1,000	1,000	1,000	-
Assistant(s)	49,060	49,060	48,810	(250)
Secretary(s)	20,180	20,180	19,930	(250)
Social security	7,654	7,654	6,412	(1,242)
State retirement	10,769	10,769	10,701	(68)
Medical insurance	13,724	13,724	13,123	(601)
Unemployment compensation	270	270	277	7
Medicare	1,790	1,790	1,500	(290)
Communication	500	500	283	(217)
Dues and memberships	1,300	1,300	983	(317)
Maintenance and repair	250	250	-	(250)
Postal charges	750	750	750	-
Travel	500	841	841	-
Other supplies and materials	250	250	250	-
Office supplies	1,000	1,278	1,278	-
In-service/staff development	1,000	381	87	(294)
Other charges	100	100	28	(72)
Total School Administration	<u>163,312</u>	<u>163,312</u>	<u>159,218</u>	<u>(4,094)</u>
Business Administration:				
Fiscal Services:				
Accountants/bookkeepers	35,700	35,700	35,200	(500)
Social security	2,213	2,213	1,714	(499)
State retirement	2,517	2,517	2,472	(45)
Medical insurance	6,617	6,269	6,145	(124)
Unemployment compensation	219	220	226	6
Medicare	576	576	382	(194)
Data processing services	5,300	5,300	5,295	(5)
Maintenance and repair	250	250	-	(250)
Postal charges	200	200	200	-
Rentals	-	48	48	-
Travel	400	437	437	-
Data processing supplies	900	938	938	-
Office supplies	600	646	646	-
Other supplies and materials	100	100	70	(30)
In-service/staff development	500	500	500	-
Other charges	100	100	-	(100)
Administration equipment	750	750	750	-
Furniture and fixtures	-	178	178	-
Total Business Administration	<u>56,942</u>	<u>56,942</u>	<u>55,201</u>	<u>(1,741)</u>

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

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

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Operation and Maintenance of Plant:				
Operation of Plant:				
Custodial personnel	29,498	31,663	31,663	-
Social security	1,829	1,963	1,963	-
State retirement	1,272	3,960	3,960	-
Medical insurance	490	510	510	-
Unemployment compensation	375	404	404	-
Medicare	428	459	459	-
Janitorial services	8,000	244	244	-
Maintenance and repair	500	411	411	-
Travel	125	-	-	-
Disposal fees	6,500	6,674	6,674	-
Other contracted services	2,000	-	-	-
Custodial supplies	12,000	8,657	8,657	-
Electricity	67,200	71,984	71,984	-
Natural gas	19,205	12,351	12,351	-
Water and sewer	42,000	44,194	44,194	-
Other supplies and materials	100	9	9	-
Boiler insurance	627	674	674	-
Building and contents insurance	12,600	12,278	12,278	-
Other charges	100	14	14	-
Plant operation equipment	5,000	21,891	44,982	23,091
Total Operation of Plant	<u>209,849</u>	<u>218,340</u>	<u>241,431</u>	<u>23,091</u>
Maintenance of Plant:				
Maintenance personnel	20,619	19,800	19,800	-
Social security	1,278	1,228	1,228	-
State retirement	1,454	817	817	-
Medical insurance	490	418	418	-
Unemployment compensation	20	20	29	9
Medicare	299	287	287	-
Maintenance and repair - buildings	20,000	31,432	29,928	(1,504)
Maintenance and repair - equipment	8,000	7,373	7,373	-
Travel	250	316	316	-
Permits	-	250	250	-
Other contracted services	2,500	405	405	-
Gasoline	500	393	393	-
Other supplies and materials	4,000	1,963	1,963	-
Other charges	100	-	-	-
Furniture and fixtures	-	198	198	-
Maintenance equipment	5,000	282	282	-
Total Maintenance of Plant	<u>64,510</u>	<u>65,182</u>	<u>63,687</u>	<u>(1,495)</u>
Total Operation and Maintenance of Plant	<u>274,359</u>	<u>283,522</u>	<u>305,118</u>	<u>21,596</u>

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

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

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Student Transportation:				
Contracts with parents	1,000	-	-	-
Maintenance and repair	1,000	1,124	1,124	-
Diesel fuel	1,300	504	480	(24)
Total Student Transportation	<u>3,300</u>	<u>1,628</u>	<u>1,604</u>	<u>(24)</u>
Total Support Services	<u>931,139</u>	<u>932,074</u>	<u>934,287</u>	<u>2,213</u>
Non-Instructional Services				
Food services:				
Cafeteria personnel	-	-	56	56
Social security	-	-	3	3
Medicare	-	-	1	1
Total food services	<u>-</u>	<u>-</u>	<u>60</u>	<u>60</u>
Early Childhood Education:				
Teachers	44,360	44,360	44,110	(250)
Career Ladder Program	1,000	1,000	1,000	-
Educational assistants	14,752	14,752	14,497	(255)
Substitute teachers	900	826	482	(344)
Social security	3,727	3,201	3,201	-
State retirement	5,145	5,122	5,122	-
Medical insurance	7,107	7,075	7,075	-
Unemployment compensation	250	263	263	-
Medicare	872	749	749	-
Communication	-	1,757	1,757	-
Maintenance and repair - equipment	825	257	257	-
Travel	1,350	565	565	-
Other contracted services	3,000	3,888	3,887	(1)
Diesel fuel	-	400	400	-
Electricity	-	2,000	2,000	-
Food supplies	-	249	249	-
Instructional supplies	2,500	3,216	2,492	(724)
Textbooks	400	-	-	-
Water and sewer	-	2,000	2,000	-
Other supplies and materials	1,292	4,156	4,156	-
In-service/staff development	2,250	332	332	-
Other charges	4,280	1,175	1,175	-
Other equipment	4,791	2,954	2,954	-
Total Early Childhood Education	<u>98,801</u>	<u>100,297</u>	<u>98,723</u>	<u>(1,574)</u>
State On-Behalf Payments:				
State on-behalf payments for postretirement benefits	<u>-</u>	<u>-</u>	<u>11,930</u>	<u>11,930</u>

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
Debt Service:				
Principal on bonds	32,000	32,000	32,000	-
Interest on bonds	13,040	13,040	7,119	(5,921)
Other debt service	-	-	1,725	1,725
Total Debt Service	<u>45,040</u>	<u>45,040</u>	<u>40,844</u>	<u>(4,196)</u>
Total Non-Instructional Services	<u>143,841</u>	<u>145,337</u>	<u>151,557</u>	<u>6,220</u>
Capital Projects:				
Capital outlay	<u>7,500</u>	<u>7,500</u>	-	<u>(7,500)</u>
Total Expenditures	<u>2,544,566</u>	<u>2,552,357</u>	<u>2,555,295</u>	<u>2,938</u>
Revenues over (under) Expenditures	\$ (48,130)	\$ (48,130)	802	48,932
OTHER FINANCING SOURCES (USES)				
Operating transfers to other funds	-	-	<u>(30,669)</u>	<u>(30,669)</u>
Net Change in Fund Balance	<u>\$ (48,130)</u>	<u>\$ (48,130)</u>	<u>(29,867)</u>	<u>\$ 18,263</u>
Fund Balance, beginning			<u>1,276,528</u>	
Fund Balance, ending			<u>\$ 1,246,661</u>	

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
REVENUES				
Federal Revenues:				
Vocational program improvement - Carl D. Perkins	\$ 5,852	\$ 5,852	\$ 5,852	\$ -
Title I	76,117	76,117	66,560	(9,557)
Special Education - Grants to States	104,343	104,343	102,714	(1,629)
Special Education - Preschool Grants	6,300	6,876	6,876	-
Eisenhower	23,171	22,728	14,888	(7,840)
First to the Top	96,330	96,330	35,704	(60,626)
Other federal through State	<u>35,654</u>	<u>57,558</u>	<u>53,640</u>	<u>(3,918)</u>
Total Revenues	<u>347,767</u>	<u>369,804</u>	<u>286,234</u>	<u>(83,570)</u>
EXPENDITURES				
Instruction:				
Regular Instruction:				
Teachers	6,936	-	-	-
Educational assistants	15,500	15,500	11,933	(3,567)
Social security	1,482	961	740	(221)
State retirement	1,756	995	842	(153)
Medical insurance	493	493	493	-
Unemployment compensation	85	25	88	63
Medicare	347	225	173	(52)
Instructional supplies	19,807	21,751	21,493	(258)
Inservice/staff development		379	379	-
Other charges	300	300	46	(254)
Equipment	<u>56,798</u>	<u>54,473</u>	<u>47,759</u>	<u>(6,714)</u>
Total Regular Instruction	<u>103,504</u>	<u>95,102</u>	<u>83,946</u>	<u>(11,156)</u>
Special Education Program:				
Teachers	2	3	-	(3)
Aides	32,000	28,376	28,376	-
Non-certified substitute teachers	1,069	1,516	1,396	(120)
Social security	2,112	2,246	1,834	(412)
State retirement	2,748	2,748	2,234	(514)
Medical Insurance	1,178	1,327	981	(346)
Unemployment compensation	100	100	71	(29)
Medicare	450	450	429	(21)
Other contracted services	22,762	21,498	21,498	-
Contracts with other school systems	<u>29,826</u>	<u>35,277</u>	<u>35,277</u>	<u>-</u>

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
Instructional supplies	2,769	2,945	2,945	-
Other supplies and materials	57	57	-	(57)
Equipment	<u>10,663</u>	<u>9,769</u>	<u>10,125</u>	<u>356</u>
Total Special Education Program	<u>105,736</u>	<u>106,312</u>	<u>105,166</u>	<u>(1,146)</u>
Vocational Education:				
Instructional supplies and materials	2,300	2,453	2,453	-
Other charges	300	-	-	-
Equipment	<u>1,852</u>	<u>1,999</u>	<u>1,999</u>	<u>-</u>
Total Vocational Education	<u>4,452</u>	<u>4,452</u>	<u>4,452</u>	<u>-</u>
Total Instruction	<u>213,692</u>	<u>205,866</u>	<u>193,564</u>	<u>(12,302)</u>
Support Services:				
Other Student Support:				
Guidance personnel	32,355	34,081	32,790	(1,291)
Other salaries and wages	2,000	2,000	2,000	-
Social security	2,130	2,237	2,157	(80)
State retirement	2,477	3,148	3,148	-
Medical insurance	485	375	366	(9)
Unemployment compensation	17	16	13	(3)
Medicare	498	523	504	(19)
Travel	1,400	1,400	1,400	-
Other contracted services	3,931	3,413	50	(3,363)
Other supplies and materials	894	869	869	-
In-service/staff development	600	600	600	-
Other charges	<u>156</u>	<u>185</u>	<u>185</u>	<u>-</u>
Total Other Student Support	<u>46,943</u>	<u>48,847</u>	<u>44,082</u>	<u>(4,765)</u>
Regular Instruction:				
Other salaries and wages	14,778	36,552	33,538	(3,014)
Substitute teachers	1,000	-	-	-
Social security	983	2,389	2,079	(310)
State retirement	1,096	3,419	2,963	(456)
Unemployment compensation	64	126	9	(117)
Medicare	233	560	486	(74)
Maintenance and repair service	96	96	96	-
Travel	5,010	569	398	(171)
Other contracted services	20,000	25,000	25,000	-
In-service/staff development	37,465	20,414	12,532	(7,882)
Other charges	500	639	361	(278)
Other supplies and materials	<u>1,000</u>	<u>420</u>	<u>173</u>	<u>(247)</u>
Total Regular Instruction	<u>82,225</u>	<u>90,184</u>	<u>77,635</u>	<u>(12,549)</u>

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
Special Education:				
Travel	1,781	1,417	1,277	(140)
Other supplies and materials	520	658	457	(201)
In-service/staff development	<u>606</u>	<u>832</u>	<u>768</u>	<u>(64)</u>
Total Special Education	<u>2,907</u>	<u>2,907</u>	<u>2,502</u>	<u>(405)</u>
Transportation:				
Contracts with other school systems	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total Support Services	<u>134,075</u>	<u>143,938</u>	<u>126,219</u>	<u>(17,719)</u>
Noninstructional Services				
Community Services:				
Supervisor/Director	-	103	-	(103)
Teachers	-	3,690	3,690	-
Guidance personnel	-	165	1,110	945
Other salaries and wages	-	1,110	180	(930)
Non-certified substitute teachers	-	1,603	-	(1,603)
Social security	-	439	309	(130)
State retirement	-	632	441	(191)
Medicare	-	72	72	-
Travel	-	2,551	1,994	(557)
Other supplies and materials	-	7,735	7,735	-
In-service/staff development	<u>-</u>	<u>1,900</u>	<u>630</u>	<u>(1,270)</u>
Total Community Services	<u>-</u>	<u>20,000</u>	<u>16,161</u>	<u>(3,839)</u>
Total Expenditures	<u>347,767</u>	<u>369,804</u>	<u>335,944</u>	<u>(33,860)</u>
Revenues over (under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(49,710)</u>	<u>\$ (49,710)</u>
Fund Balance, Beginning			<u>-</u>	
Fund Balance (deficit), Ending			<u>\$ (49,710)</u>	

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
REVENUES				
Charges for Current Services:				
Lunch payments - children	\$ 43,000	\$ 43,000	\$ 45,905	\$ 2,905
Lunch payments - adults	3,000	3,000	5,607	2,607
Income from breakfast	11,500	11,500	12,264	764
A La Carte sales	<u>9,000</u>	<u>9,000</u>	<u>6,176</u>	<u>(2,824)</u>
Total Charges for Current Services	<u>66,500</u>	<u>66,500</u>	<u>69,952</u>	<u>3,452</u>
Other Local Revenues:				
Miscellaneous	-	-	232	232
Interest earned	<u>-</u>	<u>-</u>	<u>101</u>	<u>101</u>
Total Other Local Revenues	<u>-</u>	<u>-</u>	<u>333</u>	<u>333</u>
State Education Funds:				
School Food Services	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Federal through State:				
USDA - Lunch	79,000	79,000	68,044	(10,956)
USDA - Breakfast	41,000	41,000	36,506	(4,494)
USDA - Commodities received	-	-	11,562	11,562
USDA equipment grant - ARRA	<u>-</u>	<u>6,823</u>	<u>6,823</u>	<u>-</u>
Total Federal through State	<u>120,000</u>	<u>126,823</u>	<u>122,935</u>	<u>(3,888)</u>
Total Revenues	<u>188,500</u>	<u>195,323</u>	<u>195,220</u>	<u>(103)</u>
EXPENDITURES				
Food Services:				
Director	17,000	18,089	18,089	-
Clerical personnel	4,000	4,000	4,000	-
Cafeteria personnel	48,651	50,165	50,165	-
Bonus payments	-	1,500	1,500	-
Social security	4,070	4,475	4,475	-
State retirement	3,654	2,376	2,376	-
Medical insurance	2,940	2,940	2,438	(502)
Unemployment compensation	875	875	856	(19)
Medicare liability	952	1,065	1,065	-
Advertising	-	45	45	-
Communication	500	500	500	-
Pest control	250	250	180	(70)
Maintenance and repair - equipment	7,550	10,174	7,110	(3,064)
Postage	100	100	100	-

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
Travel	200	230	230	-
Other contracted services	300	300	60	(240)
Food preparation supplies	5,500	5,500	4,851	(649)
Food supplies	80,158	76,319	69,483	(6,836)
USDA commodities used	-	-	11,562	11,562
Office supplies	250	250	153	(97)
Uniforms	300	300	-	(300)
Utilities	6,000	6,000	6,000	-
Other supplies and materials	750	750	583	(167)
Refunds	-	48	48	-
In-service/staff development	500	500	60	(440)
Other charges	1,000	1,000	372	(628)
Equipment	<u>3,000</u>	<u>7,572</u>	<u>7,572</u>	<u>-</u>
Total Expenditures	<u>188,500</u>	<u>195,323</u>	<u>193,873</u>	<u>(1,450)</u>
Revenues over (under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	1,347	<u>\$ 1,347</u>
Fund Balance, Beginning			30,483	
Increase (Decrease) in inventory			<u>2,324</u>	
Fund Balance, Ending			<u>\$ 34,154</u>	

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. District-wide and Fund Financial Statements

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

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

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

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

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2011

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

The District reports the following major governmental funds:

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

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

The debt service fund is used to record revenues and expenditures related to the debt issues which are not recorded in the General Purpose Fund.

The centralized cafeteria fund accounts for the operation of school cafeterias in a central location and includes substantially all of the administrative activities related to food service.

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.

D. Assets, Liabilities, and Net Assets or Fund Balance

Deposits and Investments

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

Investments for the District consist of a bank money market account and a savings account. Both banks used by the District are included in the Tennessee Bank Collateral Pool.

Receivables and Payables

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

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2011

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and become delinquent on March 1. The property taxes are collected by the Trustee of Gibson County and remitted to the District. District property tax revenues are recognized in the period in which the taxes are permitted to be used and only for amounts actually received. Property taxes receivable are recognized when an enforceable legal claim to the taxable property arises; however, due to the timing of the receipts, the total receivable is deferred. Consequently, no allowance for doubtful accounts is reported.

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.

Inventories and Prepaid Items

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

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

Capital Assets

Capital assets, which include land, buildings and improvements, and other 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. Normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property and equipment of the District is depreciated using the straight line method over the following useful lives:

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

Deferred Revenue

Deferred revenue represents amounts that were receivable and measurable at June 30 but were not available to finance expenditures for the year ended June 30. Deferred revenues primarily include unearned or unavailable revenues. As of June 30, 2011, all deferred revenue consisted of unavailable property tax revenue and grant revenue that did not meet the sixty-day requirement for current year revenue.

Compensated Absences

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

SOUTH CARROLL SPECIAL SCHOOL DISTRICT NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

Long-term Liabilities

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

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

Fund Balance

In the governmental fund financial statements, fund balances may be classified as follows:

- Nonspendable – amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted – amounts that can be spent only for specific purposes because of limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions.
- Committed – amounts that can be used only for specific purposes determined by a formal action by the Board of Education.
- Assigned – amounts that are designated by the Board for a particular purpose but are not spendable until there is a majority vote approval by the Board.
- Unassigned – all amounts in the general fund not included in other spendable classifications.

Net assets in the government-wide statements are categorized as follows:

- Invested in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any payables that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – net assets that have third party limitations on their use.
- Unrestricted net assets – all net assets that are not included in the categories identified above.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

On-Behalf Payments for Fringe Benefits

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2011

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for governmental funds. The Board of Education approves and appropriates the budgets for these funds annually. As an extension of the formal budgetary process, the Board 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. For the year ended June 30, 2011, the general purpose fund budgetary statement reported expenditures in excess of budget for instruction, support services and non-instructional services. However, total expenditures in the general purpose fund exceeded budget by only \$2,938.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The District's policies limit deposits and investments to those instruments allowed by applicable state laws as described in Note 1. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third-party agents. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2011, all bank deposits were fully collateralized or insured.

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 275,000	\$ -	\$ -	\$ 275,000
Construction in progress	<u>161,974</u>	<u>8,760</u>	<u>170,734</u>	<u>-</u>
Total	<u>436,974</u>	<u>8,760</u>	<u>170,734</u>	<u>275,000</u>
Capital assets being depreciated				
Buildings and improvements	10,083,339	221,516	-	10,304,855
Other capital assets	<u>182,475</u>	<u>40,257</u>	<u>-</u>	<u>222,732</u>
Total	<u>10,265,814</u>	<u>261,773</u>	<u>-</u>	<u>10,527,587</u>
Less accumulated depreciation for:				
Buildings and improvements	5,449,980	94,317	-	5,544,297
Other capital assets	<u>73,044</u>	<u>16,841</u>	<u>-</u>	<u>89,885</u>
Total	<u>5,523,024</u>	<u>111,158</u>	<u>-</u>	<u>5,634,182</u>
Total being depreciated, net	<u>4,742,790</u>	<u>150,615</u>	<u>-</u>	<u>4,893,405</u>
Capital assets, net	<u>\$ 5,179,764</u>	<u>\$ 159,375</u>	<u>\$ 170,734</u>	<u>\$ 5,168,405</u>

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2011

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

Regular instruction	\$ 57,330
General administration	1,170
Student support	48,004
Food service	4,654
Total	\$ 111,158

C. Interfund Balances and Transfers

As of June 30, 2011, there was a payable to the General Purpose Fund from the Federal Projects Fund in the amount of \$68,881 for money advanced for temporary cash needs. There is also a payable to the General Purpose Fund from the Central Cafeteria Fund for payroll, less USDA revenue deposited in the General Purpose Fund, for a net payable of \$107,365.

During the year ended June 30, 2011, the District made a transfer of \$30,669 from the General Purpose Fund to the Capital Projects Fund in order to provide funding for capital projects.

D. Long-term Debt

The District has a capital outlay note, Series 2001, payable to Tennessee Municipal Bond Fund with monthly interest payments and annual principal payments through 2028. The interest rate as of June 30, 2011, was .37% and the balance outstanding was \$852,000. A construction loan was converted to a note payable to USDA Rural Development during the prior year. The note was in the principal amount of \$2,694,000 and requires monthly payments of \$11,719 due the 13th of each month. The balance outstanding as of June 30, 2011, was \$2,608,905 and the interest rate was 4.125%.

Debt service requirements on the above debt are as follows:

Years Ending June 30,	Principal	Interest	Total
2012	\$ 65,406	\$ 112,547	\$ 177,953
2013	68,769	111,013	179,782
2014	72,188	109,411	181,599
2015	74,668	107,739	182,407
2016	78,209	105,999	184,208
2017 – 2021	448,533	501,166	949,699
2022 – 2026	562,039	444,973	1,007,012
2027 – 2031	467,863	376,812	844,675
2032 – 2036	401,590	300,975	702,565
2037 – 2041	493,406	209,159	702,565
2042 – 2046	606,210	96,355	702,565
2047 – 2048	122,024	3,552	125,576
Total	\$ 3,460,905	\$ 2,479,701	\$ 5,940,606

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2011

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Capital Outlay Note Payable	\$ 884,000	\$ -	\$ 32,000	\$ 852,000
USDA Note Payable	2,641,185	-	32,280	2,608,905
	<u>\$ 3,525,185</u>	<u>\$ -</u>	<u>\$ 64,280</u>	<u>\$ 3,460,905</u>

NOTE 4 – OTHER INFORMATION

A. Pensions

Political Subdivision Pension Plan – Plan Description

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

Funding Policy

South Carroll Special School District requires employees to contribute 5.0 percent of earnable compensation. The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011 was 7.05% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for South Carroll Special School District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2011, South Carroll Special School District's annual pension cost of \$17,577 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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2011

age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. South Carroll Special School District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 9 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/11	\$17,577	100.00%	\$0
6/30/10	\$17,694	100.00%	\$0
6/30/09	\$16,502	100.00%	\$0

Funded Status and Funding Progress

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

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

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

(dollar amounts in thousands)

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2011

**State Employees, Teachers, and Higher Education Employees Pension Plan –
Plan Description**

The South Carroll County Special School District contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after 5 years of service. Members joining prior to July 1, 1979, are vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for South Carroll County Special School District is established at an actuarially determined rate. The rate for the fiscal year ending June 30, 2010, was 6.42% of annual covered payroll. The employer contribution requirement for South Carroll County Special School District is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2011, 2010, and 2009 were \$134,742, \$92,459 and \$95,635, respectively, equal to the required contributions for each year.

B. Contingent Liabilities and Losses

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

C. Risk Management

The District is exposed to various risks related to workers' compensation, general liability, automobile liability, and property. The District felt it was more economically feasible to join public

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2011

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

D. On-Behalf Payments for Postretirement Insurance Benefits

The District recognizes as revenues and expenses contributions made by the State of Tennessee to the Teacher Group Plan and Medicare Plan on behalf of the District's employees. For the year ended June 30, 2011, the State made contributions of \$8,953 and \$2,977 respectively.

E. Commitments

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

REQUIRED SUPPLEMENTARY INFORMATION

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

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2011

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of 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)
7/1/09	\$203	\$249	\$47	81.35%	\$212	21.95%
7/1/07	\$203	\$234	\$31	86.75%	\$206	15.05%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into effect during the year of the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

See independent auditor's report

OTHER SUPPLEMENTARY INFORMATION

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
REVENUES				
Current property tax	\$ 127,401	\$ 127,401	\$ 141,334	\$ 13,933
Prior year's property tax	<u>-</u>	<u>-</u>	<u>1,043</u>	<u>1,043</u>
Total Revenues	<u>127,401</u>	<u>127,401</u>	<u>142,377</u>	<u>14,976</u>
EXPENDITURES				
Principal on notes	31,221	31,221	32,280	1,059
Interest on notes and bonds	<u>109,407</u>	<u>109,407</u>	<u>108,348</u>	<u>(1,059)</u>
Total Expenditures	<u>140,628</u>	<u>140,628</u>	<u>140,628</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (13,227)</u>	<u>\$ (13,227)</u>	1,749	<u>\$ 14,976</u>
Fund Balance, Beginning			<u>83,593</u>	
Fund Balance, Ending			<u>\$ 85,342</u>	

See independent auditor's report

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
REVENUES				
Note proceeds	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Advertising	-	-	98	98
Capital outlay	-	30,669	26,571	(4,098)
Site development	-	-	4,000	4,000
Total Expenditures	<u>-</u>	<u>30,669</u>	<u>30,669</u>	<u>-</u>
 Revenues over (under) expenditures	 -	 (30,669)	 (30,669)	 -
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>-</u>	<u>-</u>	<u>30,669</u>	<u>30,669</u>
 Net Change in Fund Balance	 <u>\$ -</u>	 <u>\$ (30,669)</u>	 -	 <u>\$ 30,669</u>
 Fund Balance, Beginning			<u>-</u>	
Fund Balance, Ending			<u>\$ -</u>	

See independent auditor's report

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT
JUNE 30, 2011

Year Ended June 30,	Capital Outlay Note		USDA Note		Total
	Principal	Interest	Principal	Interest	
2012	\$ 33,000	\$ 4,441	\$ 32,406	\$ 108,106	177,953
2013	35,000	4,269	33,769	106,744	179,782
2014	37,000	4,087	35,188	105,324	181,599
2015	38,000	3,894	36,668	103,845	182,407
2016	40,000	3,696	38,209	102,303	184,208
2017	42,000	3,487	39,815	100,697	185,999
2018	44,000	3,268	41,489	99,023	187,780
2019	46,000	3,039	43,233	97,279	189,551
2020	49,000	2,799	45,051	95,462	192,312
2021	51,000	2,544	46,945	93,568	194,057
2022	54,000	2,278	48,918	91,594	196,790
2023	56,000	1,996	50,975	89,538	198,509
2024	59,000	1,704	53,118	87,395	201,217
2025	62,000	1,397	55,351	85,162	203,910
2026	65,000	1,074	57,677	82,835	206,586
2027	69,000	735	60,103	80,410	210,248
2028	<u>72,000</u>	<u>375</u>	62,629	77,884	212,888
2029	<u>\$ 852,000</u>	<u>\$ 45,083</u>	65,262	75,251	140,513
2030			68,005	72,508	140,513
2031			70,864	69,649	140,513
2032			73,843	66,670	140,513
2033			76,947	63,566	140,513
2034			80,182	60,331	140,513
2035			83,553	56,960	140,513
2036			87,065	53,448	140,513
2037			90,726	49,787	140,513
2038			94,540	45,973	140,513
2039			98,514	41,999	140,513
2040			102,655	37,858	140,513
2041			106,971	33,542	140,513
2042			111,468	29,045	140,513
2043			116,154	24,359	140,513
2044			121,037	19,476	140,513
2045			126,125	14,388	140,513
2046			131,426	9,087	140,513
2047			<u>122,024</u>	<u>3,552</u>	<u>125,576</u>
			<u>\$ 2,608,905</u>	<u>\$ 2,434,618</u>	<u>\$5,940,606</u>

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SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS
June 30, 2011

	<u>Salary</u>	<u>Bond</u>
Director of Schools	<u>\$ 69,827</u>	<u>\$ 145,000</u>

See independent auditor's report

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF TRANSFERS
For the Fiscal Year Ended June 30, 2011

<u>Transfer From</u>	<u>Transfer To</u>	<u>Transfer Amount</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	<u>\$ 30,669</u>	transfer funds for costs

See independent auditor's report

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

	Federal CFDA Number	Balance 7/1/10	Cash Receipts	Expenditures/ Amount Earned/ Amount Issued	Balance Unearned (Receivable) 6/30/11
U.S. DEPARTMENT OF EDUCATION					
Pass-through the Tennessee Department of Education					
Special Education Grants to States					
IDEA Program	84.027	\$ (3,841)	\$ 68,086	\$ 91,860	\$ (27,615)
IDEA Part B Discretionary Funding	84.027A	-			-
ARRA - IDEA Program	84.391	(7,978)	18,832	10,854	-
Preschool Program	84.173	-	3,324	6,300	(2,976)
ARRA - Preschool Program	84.392	(1,167)	1,743	576	-
Total Special Education Grants to States Cluster		<u>(12,986)</u>	<u>91,985</u>	<u>109,590</u>	<u>(30,591)</u>
Title I, Grants to Local Education Agencies	84.010	(9,009)	69,803	66,106	(5,312)
ARRA - Title I, Grants to Local Education Agencies	84.389	(208)	662	454	-
Total Title I Cluster		<u>(9,217)</u>	<u>70,465</u>	<u>66,560</u>	<u>(5,312)</u>
Vocational Education - Carl D. Perkins	84.048	-	5,852	5,852	-
ARRA - Title X, Education of Homeless Children and Youth	84.196A	(2,276)	5,352	3,076	-
Title II, Eisenhower Professional Development State Grants					
Title II, Eisenhower Professional Development State Grants, Part D	84.318	-	153	249	(96)
Title II, Eisenhower Professional Development State Grants, Part A3	84.318	(1,607)	11,427	14,888	(5,068)
Subtotal		(1,607)	11,580	15,137	(5,164)
ARRA - Title II, Eisenhower Professional Development State Grants, Part I	84.386	-	20,000	20,000	-
Total Title II Cluster		<u>(1,607)</u>	<u>31,580</u>	<u>35,137</u>	<u>(5,164)</u>
Rural Education Achievement Program	84.358A	(8,127)	48,006	41,297	(1,418)
State Fiscal Stabilization Funds					
ARRA - Education State Grants	84.394 *	-	187,295	187,295	-
ARRA - Government Services	84.397 *	(1,050)	3,500	2,450	-
ARRA - Government Services	84.397 *	-	938	938	-
ARRA - Government Services	84.397 *	(14,000)	14,000	1,167	(1,167)
Total State Fiscal Stabilization Funds Cluster		<u>(15,050)</u>	<u>205,733</u>	<u>191,850</u>	<u>(1,167)</u>

See independent auditor's report

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

	Federal CFDA Number	Balance 7/1/10	Cash Receipts	Expenditures/ Amount Earned/ Amount Issued	Balance Unearned (Receivable) 6/30/11
ARRA - First to the Top - Competitive	84.395A *	-	-	49,710	(49,710)
ARRA - First to the Top	84.395A *	-	35,704	35,704	-
		-	35,704	85,414	(49,710)
ARRA - Education Jobs Program	84.410	-	10,070	14,233	(4,163)
Total U.S. Department of Education		(49,263)	504,747	553,009	(97,525)
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	-	3,158	3,158	-
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					
Small Learning Community	94.004	(5,809)	5,809	16,082	(16,082)
U.S. DEPARTMENT OF LABOR					
ARRA - Workforce Investment Act Youth Activities	17.259	-	24,000	24,000	-
U.S. DEPARTMENT OF AGRICULTURE					
Pass-through the Tennessee Department of Agriculture					
School Breakfast Program	10.553 *	(4,327)	40,833	36,506	-
National School Lunch Program	10.555 *	(7,467)	75,511	68,044	-
Food-Distribution - Commodities	10.555	-	11,562	11,562	-
		(11,794)	127,906	116,112	-
ARRA - Team Nutrition Training Grant	10.579	-	6,823	6,823	-
Total U. S. Department of Agriculture		(11,794)	134,729	122,935	-
Total		\$ (66,866)	\$ 672,443	\$ 719,184	\$ (113,607)

*major program

This schedule has been prepared on the modified accrual basis of accounting.

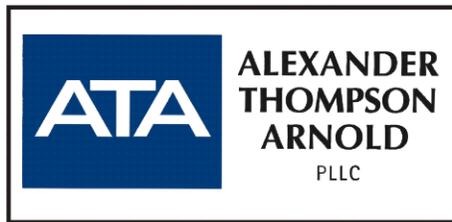
See independent auditor's report

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE**
For the Year Ended June 30, 2011

	<u>Balance 7/1/10</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance Unearned (Receivable) 6/30/11</u>
Energy Efficient Schools	\$ -	\$ 1,850	\$ 1,850	\$ -
Early Childhood	<u>(21,016)</u>	<u>103,195</u>	<u>99,447</u>	<u>(17,268)</u>
Total State Awards	<u>\$ (21,016)</u>	<u>\$ 105,045</u>	<u>\$ 101,297</u>	<u>\$ (17,268)</u>

See independent auditor's report

INTERNAL CONTROL AND COMPLIANCE SECTION



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**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Board of Education
South Carroll Special School District
Clarksburg, Tennessee

We have audited the district-wide financial statements of the governmental activities, each major fund and the aggregate remaining fund information of South Carroll Special School District (the District), as of and for the year ended June 30, 2011, which collectively comprise South Carroll Special School District's basic financial statements and have issued our report thereon dated February 22, 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 South Carroll Special School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered South Carroll Special School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the South Carroll Special School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Item 11-01 to be material weaknesses.

Board of Education
South Carroll Special School District

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Items 10-01 and 11-03 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Carroll Special School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Items 11-02 and 11-04.

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

We noted certain matters that we reported to the management of the District in a separate letter dated February 22, 2012.

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

Alexander Thompson Arnold PLLC

Martin, Tennessee
February 22, 2012



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

Board of Education
South Carroll Special School District
Clarksburg, Tennessee

Compliance

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

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

In our opinion, South Carroll Special School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Items 11-05 and 11-06.

Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as Item 11-7. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Alexander Thompson Arnold PLLC

Martin, Tennessee
February 22, 2012

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended 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? X yes no
- significant deficiency(ies) identified? X yes none reported
- noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:

- material weakness(es) identified? yes X no
- significant deficiency(ies) identified? X yes 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? X yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.394	State Stabilization Fiscal Funds – Education State Grants
84.397	State Stabilization Fiscal Funds – Government Services
84.395A	ARRA – First to the Top
10.553	USDA School Breakfast Program
10.555	USDA National School Lunch Program

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

Auditee qualified as low-risk auditee? yes X no

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Fiscal Year Ended June 30, 2011

Section II – Financial Statement Findings

10-01 Segregation of Duties

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

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

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

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

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

11-01 Inaccurate Reporting of Cafeteria Bank Account

Condition: The bookkeeper was not reconciling the cafeteria's bank account to the books. While determining the correct bank balance for the Cafeteria account, we discovered that amounts due to the General Purpose Fund for payroll reimbursements were not being transferred and USDA revenues deposited in the General Purpose Fund bank account were not being transferred to the Cafeteria Fund bank account. The net amount owed to the General Purpose Fund from the Cafeteria bank account is \$107,365.

Criteria: The *Tennessee Internal School Uniform Accounting Policy Manual*, which governs centralized cafeteria funds, states "Bank statements must be reconciled with the cash balances presented in the accounting records (general ledger) as of the end of each month. Bank reconciliations should be prepared within 30 days after the bank statements are received from the bank."

Effect: The District's records did not accurately reflect the cash balances of the General Purpose and Cafeteria funds. Furthermore, cash for each fund did not correlate to the reporting of the funds in the Districts books of account.

Recommendation: We recommend that the District require proper procedures be followed for the depositing, transferring and recording of cash in the District's bank accounts. All bank accounts should be reconciled at least monthly, and cash transactions recorded in each fund's books should match actual banking activity.

Response: *We concur with this recommendation.*

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011

11-02 Compensation not in Compliance with Contract

Condition: The Director of Schools received compensation in excess of her contract.

Criteria: Amounts paid to the director of schools should be in accordance with the employment contract in effect.

Effect: The District paid unauthorized amounts to the director of schools.

Recommendation: We recommend that the District adhere to the employment contract.

Response: *We concur with this recommendation.*

11-03 Cash Receipts Issued Out of Order

Condition: Five of the twelve receipts selected for testing during the audit were issued out of order according to the dates on the individual receipts.

Criteria: The *Tennessee Internal School Uniform Accounting Policy Manual* requires the use of prenumbered receipts issued sequentially. The purpose of requiring prenumbered receipts is to ensure that cash is receipted as collected in a timely manner.

Effect: The District is not in compliance with procedures required for cash receipts.

Recommendation: We recommend that the District adhere to the prescribed cash receipt procedures to ensure proper control over receipts.

Response: *We concur with this recommendation.*

11-04 Failure to Follow Required Procedures for Cash Disbursements

Condition: While testing cash disbursements, we noted eight instances where purchase orders were not issued for expenditures or were issued after the date of the purchase. While testing the month of October 2010, we noted that twelve check numbers recorded in the District's books did not agree to the actual numbers on the cleared checks.

Criteria: The *Tennessee Internal School Uniform Accounting Policy Manual* states that a prenumbered purchase authorization is required for each purchase of goods and/or services of \$100 or more except for emergency repairs or purchases, reimbursements from restricted accounts not sponsored by the principal, and purchases of goods and services made under contract.

Effect: The District is not in compliance with procedures required for cash disbursements.

Recommendation: We recommend that the District adhere to the prescribed cash disbursement procedures to ensure that disbursements made are properly approved and in the proper amounts.

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011**

Response: *We concur with this recommendation.*

Section III – Federal Award Findings and Questioned Costs

11-05 Inadequate Records for Race to the Top Grants

Condition: Ten invoices requested by the auditor for expenditures could not be provided. Salaries are not dedicated to any particular employee, so auditor was unable to test payroll-related reimbursements. As a result of these issues, we could not verify that 50% of the funds went to the schools.

Criteria: Tennessee Recovery Act Management (TRAM) Directive No. 6 states that all local agencies receiving ARRA funds must follow internal control guidance prescribed by the State of Tennessee, Comptroller of the Treasury. The Comptroller's Office states that municipal officials shall ensure that adequate supporting documentation, such as invoices, is required to document all transactions.

Effect: The District is not in compliance with procedures required for grant funds.

Recommendation: We recommend that the District adhere to the prescribed grant procedures to ensure proper control over grant funds.

Response: *We have these invoices in our files. We will see that invoices are provided when asked for.*

11-06 Inadequate Records for State Fiscal Stabilization Funds Grants

Condition: The District could not provide documentation for the SSMS grant; as a result, the auditor could not test grant compliance. There was not a dedicated expense account for grant spending. Expenses for Safe Schools grant, Extended Contract, BEP and SSMS were not able to be located for testing.

Criteria: TRAM Directive No. 2 states that all recipients and subrecipients of ARRA funds are required to ensure that all ARRA funds are accounted for separately from non-ARRA funds in financial and reporting systems.

Effect: The District is not in compliance with procedures required for grant funds.

Recommendation: We recommend that the District adhere to the prescribed grant procedures to ensure proper control over grant funds.

Response: *We concur with this recommendation.*

11-07 Cash Management of USDA Grant Funds

Condition: The bookkeeper was not reconciling the cafeteria's bank account to the books. While determining the correct bank balance for the Cafeteria account, we discovered that approximately

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\$34,000 of USDA reimbursements deposited in the General Purpose Fund bank account had not been transferred to the Cafeteria Fund bank account by year end.

Criteria: Part 3 of the Compliance Supplement presents 14 types of compliance requirements that often have a direct and material effect on federal awards programs. One of these is entitled “cash management” and requires recipients to have procedures to reduce the time between receipt and use of federal funds.

Effect: The District has deposited grant revenue in a fund that did not incur the grant expenditures.

Recommendation: The District should ensure that USDA funds are transferred to the recipient fund in a timely manner to permit proper matching of revenues against related expenditures.

Response: *We concur with this recommendation.*

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10-01 Segregation of Duties – repeated