

HUNTINGDON SPECIAL SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2012

HUNTINGDON SPECIAL SCHOOL DISTRICT

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INTRODUCTORY SECTION

**HUNTINGDON SPECIAL SCHOOL DISTRICT
LIST OF PRINCIPAL OFFICIALS
June 30, 2012**

Board of Education

Lee Carter
Jerry Morris
Jerry Culbreath
Tim Tucker
Vicki Williams
Paul Stokes

Director of Schools

Pat Dillahunty

FINANCIAL SECTION



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Independent Auditor's Report

Board of Education
Huntingdon Special School District
Huntingdon, Tennessee

We have audited the district-wide financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Huntingdon Special School District, as of June 30, 2012, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the accompanying financial statements referred to previously 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, 2012, and the respective changes in financial position and the budgetary comparisons for the general fund and federal projects fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions, 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 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 30 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. The Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the Central Cafeteria Fund and Debt Service Fund, Schedule of Long-Term Debt Principal and Interest Requirements, Schedule of Salaries and Bonds of Principal Officials, Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Schedule of State Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. Such 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information 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
December 6, 2012

BASIC FINANCIAL STATEMENTS

HUNTINGDON SPECIAL SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF NET ASSETS
June 30, 2012

ASSETS

Cash and cash equivalents	\$	1,005,558
Investments		3,441,099
Taxes receivable		1,434,498
Due from other governmental agencies - non-grant		100,300
Due from other governmental agencies - grants		170,824
Accounts receivable		82,012
Inventory		16,663
Capital assets not being depreciated:		
Land		206,287
Construction in process		1,111,107
Capital assets net of accumulated depreciation:		
Buildings and improvements		9,891,867
Other capital assets		467,553
Total assets		<u>17,927,768</u>

LIABILITIES

Accounts payable		348,445
Other accrued expenses		285,936
Contracts payable		36,803
Deferred revenue		1,434,498
Long-term liabilities:		
Portion due or payable within one year:		
Bonds, notes payable, and capital leases payable		435,000
Portion due or payable after one year:		
Bonds, notes payable, and capital leases payable		4,435,000
Total liabilities		<u>6,975,682</u>

NET ASSETS

Invested in capital assets, net of related debt		6,806,814
Restricted for		
Education - trophy		2,303
Education - band		403
Education - Career Ladder - Extended Contract		6,660
Debt service		446,954
Operation of non-instructional services		158,720
Unrestricted		3,530,232
Total net assets		<u>\$ 10,952,086</u>

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction:					
Regular education	\$ 4,504,595	\$ -	\$ 869,130	\$ -	\$ (3,635,465)
Alternate education	15,997	-	-	-	(15,997)
Special education	843,614	-	459,719	-	(383,895)
Vocational education	249,606	-	20,770	-	(228,836)
Student Body Education	8,627	-	-	-	(8,627)
Support Services:					
Student support	401,652	-	-	-	(401,652)
Instructional staff	476,466	-	-	-	(476,466)
General administration	248,524	-	-	-	(248,524)
School administration	491,470	-	-	-	(491,470)
Business administration	55,159	-	-	-	(55,159)
Operation and maintenance of plant	1,103,895	-	-	6,400	(1,097,495)
Student transportation	40,344	-	-	-	(40,344)
Noninstructional Services:					
Food service	700,449	195,950	452,223	-	(52,276)
Community services	75,036	-	-	-	(75,036)
Early Childhood Education	305,974	-	305,974	-	-
Capital outlay	64,647	-	-	-	(64,647)
Debt service	206,365	-	-	-	(206,365)
Total District	<u>\$ 9,792,420</u>	<u>\$ 195,950</u>	<u>\$ 2,107,816</u>	<u>\$ 6,400</u>	<u>(7,482,254)</u>
General revenues:					
Local taxes					627,747
Property taxes					1,668,866
Intergovernmental:					
Basic Education Program					5,696,000
Other					1,063
Interest					36,532
Other local revenues					30,804
Total general revenues					<u>8,061,012</u>
Change in net assets					578,758
Net assets - July 1, 2011					<u>10,373,328</u>
Net assets - June 30, 2012					<u>\$ 10,952,086</u>

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

**HUNTINGDON SPECIAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

	<u>MAJOR</u>			<u>NONMAJOR</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Debt Service</u>	<u>Federal Projects Fund</u>	<u>Centralized Cafeteria Fund</u>	
ASSETS					
Cash	\$ 799,777	\$ 92,497	\$ 16,280	\$ 97,004	\$ 1,005,558
Investments	3,063,046	348,053	-	30,000	3,441,099
Taxes receivable	973,811	460,687	-	-	1,434,498
Due from other governments	99,000	1,300	-	-	100,300
Grants receivable	113,397	-	18,720	38,707	170,824
Accounts receivable - other	76,749	5,104	-	159	82,012
Inventory	-	-	-	16,663	16,663
Total assets	<u>\$ 5,125,780</u>	<u>\$ 907,641</u>	<u>\$ 35,000</u>	<u>\$ 182,533</u>	<u>\$ 6,250,954</u>
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 341,295	\$ -	\$ -	\$ 7,150	\$ 348,445
Retainage payable	36,803	-	-	-	36,803
Other accrued expenses	285,936	-	-	-	285,936
Deferred revenue - taxes	973,811	460,687	-	-	1,434,498
Total liabilities	<u>1,637,845</u>	<u>460,687</u>	<u>-</u>	<u>7,150</u>	<u>2,105,682</u>
Fund Balances					
Nonspendable - food service inventory	-	-	-	16,663	16,663
Restricted for:					
Education - trophy	2,303	-	-	-	2,303
Education - band	403	-	-	-	403
Education - Career Ladder - Extended Contract	6,660	-	-	-	6,660
Debt service	-	446,954	-	-	446,954
Operation of non-instructional services	-	-	-	158,720	158,720
Committed for federal projects	-	-	35,000	-	35,000
Unassigned	3,478,569	-	-	-	3,478,569
Total fund balances	<u>3,487,935</u>	<u>446,954</u>	<u>35,000</u>	<u>175,383</u>	<u>4,145,272</u>
Total liabilities and fund equity	<u>\$ 5,125,780</u>	<u>\$ 907,641</u>	<u>\$ 35,000</u>	<u>\$ 182,533</u>	<u>\$ 6,250,954</u>

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

**HUNTINGDON SPECIAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES**
June 30, 2012

Total governmental fund balances	\$ 4,145,272
Amounts reported for governmental activities on the statement of net assets are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported as assets in governmental funds.	11,676,814
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>(4,870,000)</u>
Net assets of governmental activities	<u>\$ 10,952,086</u>

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	<u>MAJOR</u>			<u>NONMAJOR</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Debt Service</u>	<u>Federal Projects Fund</u>	<u>Centralized Cafeteria Fund</u>	
Revenues					
Taxes	\$ 1,740,998	\$ 555,615	\$ -	\$ -	\$ 2,296,613
Intergovernmental	6,388,402	-	981,019	491,122	7,860,543
Meal sales	-	-	-	195,950	195,950
Interest earnings	33,922	2,067	-	543	36,532
Other local revenues	30,793	-	-	12	30,805
Total revenues	<u>8,194,115</u>	<u>557,682</u>	<u>981,019</u>	<u>687,627</u>	<u>10,420,443</u>
Expenditures					
Instruction	4,711,144	-	919,349	-	5,630,493
Support services	2,385,759	-	61,670	-	2,447,429
Food services	-	-	-	711,264	711,264
Non-instructional services	391,375	-	-	-	391,375
Debt service	82,601	533,764	-	-	616,365
Capital outlay:					
Instruction	1,167,025	-	-	-	1,167,025
Total expenditures	<u>8,737,904</u>	<u>533,764</u>	<u>981,019</u>	<u>711,264</u>	<u>10,963,951</u>
Net change in fund balance	(543,789)	23,918	-	(23,637)	(543,508)
Fund balance - July 1, 2011	4,031,724	423,036	35,000	203,574	4,693,334
Increase (decrease) in inventory	-	-	-	(4,554)	(4,554)
Fund balance - June 30, 2012	<u>\$ 3,487,935</u>	<u>\$ 446,954</u>	<u>\$ 35,000</u>	<u>\$ 175,383</u>	<u>\$ 4,145,272</u>

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

**HUNTINGDON SPECIAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012**

Net change in fund balances - total governmental funds	\$ (543,508)
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>	
<p>The repayment of the principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities.</p>	410,000
<p>The increase (decrease) in inventory is reported as a direct change to fund balance. However, in the statement of activities, this increase is reported as an expense based on the consumption method.</p>	(4,554)
<p>Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
Capital outlays	1,167,025
Depreciation	<u>(450,205)</u>
Change in net assets of governmental activities	<u>\$ 578,758</u>

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
REVENUES				
Taxes				
Local option sales tax	\$ 568,950	\$ 568,950	\$ 627,316	\$ 58,366
Interstate telecommunications tax	400	400	431	31
Special school district:				
Current property tax	899,719	899,719	913,791	14,072
Prior year's property tax	33,600	33,600	62,202	28,602
Interest and penalty	-	-	6,424	6,424
Payment in lieu of taxes	<u>79,000</u>	<u>79,000</u>	<u>130,834</u>	<u>51,834</u>
Total taxes	<u>1,581,669</u>	<u>1,581,669</u>	<u>1,740,998</u>	<u>159,329</u>
Intergovernmental				
Marriage licenses	<u>400</u>	<u>400</u>	<u>430</u>	<u>30</u>
State revenues				
State education funds:				
Basic Education Program	5,689,000	5,689,000	5,696,000	7,000
Early Childhood Education	305,974	305,974	305,974	-
Other state education funds	-	75,037	84,026	8,989
Career Ladder	51,500	51,500	67,731	16,231
Career Ladder - extended contract	<u>33,225</u>	<u>33,225</u>	<u>37,900</u>	<u>4,675</u>
Total state education funds	<u>6,079,699</u>	<u>6,154,736</u>	<u>6,191,631</u>	<u>36,895</u>
Other state revenues				
Mixed drink tax	550	550	624	74
State on-behalf payments for post retirement benefits	-	-	10,365	10,365
Other state revenues	<u>-</u>	<u>-</u>	<u>9</u>	<u>9</u>
Total state revenues	<u>6,080,249</u>	<u>6,155,286</u>	<u>6,202,629</u>	<u>47,343</u>
Federal revenues				
Federal funds received through state:				
Special education grants to states	94,601	94,601	178,943	84,342
State stabilization funds, Recovery Act	<u>-</u>	<u>-</u>	<u>6,400</u>	<u>6,400</u>
Total federal revenues	<u>94,601</u>	<u>94,601</u>	<u>185,343</u>	<u>90,742</u>
Total intergovernmental	<u>6,175,250</u>	<u>6,250,287</u>	<u>6,388,402</u>	<u>138,115</u>
Other local revenues				
Interest earned	51,000	51,000	33,922	(17,078)
Lease/rentals	300	300	-	(300)
Miscellaneous refunds	500	500	10,238	9,738
E-Rate funding	8,000	8,000	11,146	3,146
Damages recovered from individuals	-	-	200	200
Contributions	1,500	1,500	1,500	-
Other local revenues	<u>-</u>	<u>-</u>	<u>7,709</u>	<u>7,709</u>
Total other local revenues	<u>61,300</u>	<u>61,300</u>	<u>64,715</u>	<u>3,415</u>
Total revenues	<u>7,818,219</u>	<u>7,893,256</u>	<u>8,194,115</u>	<u>300,859</u>

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
EXPENDITURES				
Instruction				
Regular education				
Teachers	2,685,959	2,685,959	2,627,163	(58,796)
Career Ladder program	51,500	51,500	45,680	(5,820)
Career Ladder - extended contract	33,300	33,300	27,020	(6,280)
Homebound teachers	1,000	1,000	1,000	-
Teacher assistants	126,087	126,087	121,583	(4,504)
Other salaries and wages	500	500	395	(105)
Substitute teachers	28,320	28,320	17,677	(10,643)
Non-certified substitute teachers	29,700	29,700	28,258	(1,442)
Social security	187,846	187,846	163,852	(23,994)
State retirement	271,281	271,281	250,914	(20,367)
Medical insurance	258,000	257,140	220,794	(36,346)
Unemployment compensation	6,976	6,976	6,278	(698)
Medicare	43,932	43,932	39,211	(4,721)
Contracts with other schools	-	13,050	13,046	(4)
Maintenance and repair - equipment	15,000	15,000	14,985	(15)
Other contracted services	80,245	80,245	54,126	(26,119)
Instructional supplies/materials	120,000	120,000	112,119	(7,881)
Textbooks	80,000	80,310	80,015	(295)
Other supplies and materials	7,000	7,000	6,940	(60)
Fee waivers	673	673	622	(51)
Other charges	2,500	2,500	2,436	(64)
Equipment	50,000	50,000	34,017	(15,983)
Total regular education	<u>4,079,819</u>	<u>4,092,319</u>	<u>3,868,131</u>	<u>(224,188)</u>
Alternate instruction program				
Contracts with other schools	<u>17,000</u>	<u>17,000</u>	<u>15,997</u>	<u>(1,003)</u>
Special education				
Teachers	334,258	335,728	332,882	(2,846)
Career Ladder program	5,000	5,000	5,000	-
Homebound teachers	2,000	2,000	-	(2,000)
Aides	24,773	24,930	24,930	-
Substitute teachers	2,500	2,500	1,080	(1,420)
Non-certified substitute teachers	2,500	2,500	2,227	(273)
Social security	22,915	21,843	21,413	(430)
State retirement	33,465	32,845	32,541	(304)
Medical insurance	35,159	27,076	27,076	-
Medicare	5,360	5,108	5,008	(100)
Contracts with other school systems	86,964	86,964	86,964	-
Contracts with private agencies	5,320	3,497	2,970	(527)
Other contracted services	10,000	3,878	3,878	-
Instructional supplies/materials	2,000	18,345	18,345	-
Total special education	<u>572,214</u>	<u>572,214</u>	<u>564,314</u>	<u>(7,900)</u>

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Vocational education				
Teachers	180,400	180,400	175,043	(5,357)
Career Ladder program	4,000	4,000	3,000	(1,000)
Substitute teachers	400	400	400	-
Non-certified substitute teachers	800	800	800	-
Social security	11,508	11,508	10,164	(1,344)
State retirement	16,689	16,689	15,689	(1,000)
Medical insurance	12,100	12,100	12,100	-
Medicare	2,692	2,692	2,377	(315)
Maintenance and repair - equipment	2,000	2,000	589	(1,411)
Other contracted services	1,000	1,000	-	(1,000)
Instructional supplies	4,500	4,500	4,500	-
Other supplies and materials	4,400	4,400	4,400	-
Other charges	5,000	5,000	5,000	-
Equipment	1,000	1,000	966	(34)
Total vocational education	<u>246,489</u>	<u>246,489</u>	<u>235,028</u>	<u>(11,461)</u>
Student body education				
Other contracted services	9,000	9,000	8,602	(398)
Other charges	200	200	25	(175)
Total student body education	<u>9,200</u>	<u>9,200</u>	<u>8,627</u>	<u>(573)</u>
Total instruction	<u>4,924,722</u>	<u>4,937,222</u>	<u>4,692,097</u>	<u>(245,125)</u>
Support services				
Student support				
Attendance:				
Director	27,116	27,116	27,116	-
Clerical personnel	7,683	11,383	11,344	(39)
Social security	2,158	2,168	2,168	-
State retirement	3,295	3,700	3,700	-
Medical insurance	4,042	4,042	4,042	-
Medicare	505	525	525	-
Travel	800	800	230	(570)
Other charges	500	500	-	(500)
Total attendance	<u>46,099</u>	<u>50,234</u>	<u>49,125</u>	<u>(1,109)</u>
Health services:				
Medical personnel	34,454	34,454	32,051	(2,403)
Social security	2,136	2,136	1,688	(448)
State retirement	3,769	3,769	1,632	(2,137)
Medical insurance	-	600	550	(50)
Medicare	499	499	395	(104)
Travel	2,500	1,000	221	(779)
Other supplies/materials	1,500	3,000	2,664	(336)
Health equipment	500	500	408	(92)
Total health services	<u>45,358</u>	<u>45,958</u>	<u>39,609</u>	<u>(6,349)</u>

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

**HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL PURPOSE FUND**

For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Other student support:				
Career Ladder program	2,000	2,000	2,000	-
Guidance personnel	137,555	137,555	137,355	(200)
Career Ladder - extended contract	4,400	4,400	-	(4,400)
Social security	8,926	8,926	8,473	(453)
State retirement	13,028	13,028	12,612	(416)
Medical insurance	4,200	4,200	4,120	(80)
Medicare	2,088	2,088	1,982	(106)
Evaluation/testing	10,500	10,500	8,165	(2,335)
Travel	2,000	2,000	1,152	(848)
Other equipment	1,500	1,500	-	(1,500)
Other charges	500	500	50	(450)
Total other student support	<u>186,697</u>	<u>186,697</u>	<u>175,909</u>	<u>(10,788)</u>
Total student support	<u>278,154</u>	<u>282,889</u>	<u>264,643</u>	<u>(18,246)</u>
Instructional staff				
Regular education:				
Director	90,010	90,010	90,008	(2)
Career Ladder Program	7,000	7,000	6,000	(1,000)
Librarian(s)	137,806	137,806	137,806	-
Clerical personnel	25,726	25,726	25,726	-
In-service/staff development	1,000	1,000	-	(1,000)
Other salaries and wages	25,253	25,253	25,253	-
Social security	17,720	17,720	16,357	(1,363)
State retirement	26,828	26,828	26,828	-
Medical insurance	22,703	22,703	18,627	(4,076)
Medicare	4,145	4,145	3,807	(338)
Travel	8,000	8,000	6,030	(1,970)
Library books	10,500	10,500	10,475	(25)
Other supplies and materials	1,000	1,000	590	(410)
In-service/staff development	8,000	20,000	15,786	(4,214)
Other charges	300	300	-	(300)
Other equipment	500	500	371	(129)
Total regular education	<u>386,491</u>	<u>398,491</u>	<u>383,664</u>	<u>(14,827)</u>
Special education				
Supervisor/Director	6,966	6,966	6,907	(59)
Social security	432	432	394	(38)
State retirement	631	631	625	(6)
Medical insurance	644	644	644	-
Medicare	101	101	92	(9)
Other contracted services	<u>126,000</u>	<u>109,000</u>	<u>81,140</u>	<u>(27,860)</u>
Total special education	<u>134,774</u>	<u>117,774</u>	<u>89,802</u>	<u>(27,972)</u>

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Vocational education:				
Travel	3,000	3,000	3,000	-
Total instructional staff	<u>524,265</u>	<u>519,265</u>	<u>476,466</u>	<u>(42,799)</u>
General administration				
Board of Education services:				
Secretary to Board	11,849	11,849	10,848	(1,001)
Social security	735	735	623	(112)
State retirement	1,297	1,297	1,187	(110)
Medicare	172	172	146	(26)
Audit services	10,450	10,450	9,500	(950)
Dues and memberships	4,000	4,000	4,000	-
Legal services	5,000	6,000	5,839	(161)
Travel	1,500	1,500	212	(1,288)
Other contracted services	2,500	2,500	2,381	(119)
Liability insurance	24,007	24,007	24,007	-
Trustee commissions	27,500	27,500	26,272	(1,228)
Workmen's compensation insurance	27,725	42,513	34,927	(7,586)
Criminal investigation of applicant	1,250	1,250	1,192	(58)
Other charges	12,000	12,500	11,716	(784)
Total Board of Education services	<u>129,985</u>	<u>146,273</u>	<u>132,850</u>	<u>(13,423)</u>
Office of the superintendent:				
County official/administrative officer	83,130	83,130	83,130	-
Career Ladder program	1,000	1,000	1,000	-
Social security	5,217	5,217	4,894	(323)
State retirement	7,614	7,614	7,614	-
Medical insurance	8,083	8,083	6,437	(1,646)
Medicare	1,220	1,220	1,145	(75)
Communication	5,000	7,000	5,549	(1,451)
Dues and memberships	1,800	1,800	730	(1,070)
Postal charges	3,500	3,500	2,940	(560)
Travel	1,000	1,000	543	(457)
Office supplies	1,000	1,000	1,000	-
Administration equipment	500	500	200	(300)
Other charges	500	500	492	(8)
Total office of the superintendent	<u>119,564</u>	<u>121,564</u>	<u>115,674</u>	<u>(5,890)</u>
Total general administration	<u>249,549</u>	<u>267,837</u>	<u>248,524</u>	<u>(19,313)</u>
School administration				
Office of the principal:				
Principals	202,912	202,912	200,093	(2,819)
Career ladder program	1,000	1,000	1,000	-
Assistant(s)	104,735	104,735	104,735	-

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Secretary(s)	81,065	81,065	79,448	(1,617)
Social security	24,162	24,162	23,175	(987)
State retirement	36,801	36,801	35,398	(1,403)
Medical insurance	16,148	16,148	16,148	-
Medicare	5,651	5,651	5,420	(231)
Communication	14,000	15,000	14,501	(499)
Maintenance and repair	1,700	1,700	1,652	(48)
Postal charges	3,000	3,000	2,169	(831)
Travel	1,500	1,500	694	(806)
Other contracted services	2,600	2,600	2,595	(5)
Office supplies	3,600	3,600	3,022	(578)
Equipment	4,000	4,000	1,420	(2,580)
Total school administration	<u>502,874</u>	<u>503,874</u>	<u>491,470</u>	<u>(12,404)</u>
Fiscal services				
Accountants/bookkeepers	42,658	42,658	41,658	(1,000)
Social security	2,645	2,645	2,177	(468)
State retirement	4,667	4,667	4,557	(110)
Medical insurance	-	300	300	-
Medicare	619	619	509	(110)
Maintenance and repair	500	500	-	(500)
Travel	500	500	471	(29)
Other contracted services	4,356	4,356	4,191	(165)
Data processing services	1,400	1,400	1,157	(243)
Office supplies	500	500	139	(361)
Administration equipment	500	200	-	(200)
Total fiscal services	<u>58,345</u>	<u>58,345</u>	<u>55,159</u>	<u>(3,186)</u>
Operation and maintenance of plant				
Operation of plant:				
Janitorial services	265,591	265,591	265,590	(1)
Other contracted services	11,200	11,200	10,155	(1,045)
Electricity	260,000	255,000	254,013	(987)
Natural gas	60,000	60,000	34,598	(25,402)
Water and sewer	27,000	27,000	26,935	(65)
Other supplies and materials	5,000	5,000	4,960	(40)
Building and contents insurance	42,157	42,157	42,157	-
Other charges	28,000	33,000	32,947	(53)
Plant operation equipment	15,000	14,000	10,253	(3,747)
Total operation of plant	<u>713,948</u>	<u>712,948</u>	<u>681,608</u>	<u>(31,340)</u>
Maintenance of plant:				
Director	34,729	34,729	34,729	-
Maintenance personnel	20,000	20,000	19,609	(391)
Other salaries and wages	22,000	22,000	9,992	(12,008)
Social security	4,758	4,758	3,988	(770)

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
State retirement	5,988	5,988	5,945	(43)
Medicare	1,112	1,112	933	(179)
Maintenance and repair - building	15,000	9,242	5,315	(3,927)
Maintenance and repair - equipment	20,000	20,000	18,260	(1,740)
Travel	3,500	3,500	2,216	(1,284)
Other supplies and materials	5,000	5,000	4,985	(15)
Maintenance equipment	5,000	8,758	8,758	-
Other charges	8,000	10,000	9,177	(823)
Total maintenance of plant	<u>145,087</u>	<u>145,087</u>	<u>123,907</u>	<u>(21,180)</u>
Total operation and maintenance of plant	<u>859,035</u>	<u>858,035</u>	<u>805,515</u>	<u>(52,520)</u>
Transportation				
Contracts with parents	<u>25,000</u>	<u>42,000</u>	<u>40,344</u>	<u>(1,656)</u>
Central and other				
Maintenance and repair	1,200	1,200	770	(430)
Travel	500	500	-	(500)
Other contracted services	1,000	1,000	-	(1,000)
Data processing supplies	1,500	1,500	368	(1,132)
Other supplies and materials	500	500	-	(500)
Other equipment	500	500	-	(500)
Office supplies	2,500	2,500	2,500	-
Total central and other	<u>7,700</u>	<u>7,700</u>	<u>3,638</u>	<u>(4,062)</u>
Total support services	<u>2,504,922</u>	<u>2,539,945</u>	<u>2,385,759</u>	<u>(154,186)</u>
Non-instructional services				
Community services				
Teachers	-	54,020	54,020	-
Social security	-	3,349	3,349	-
State retirement	-	5,058	5,058	-
Medicare	-	783	783	-
Travel	-	255	255	-
Instructional supplies	-	11,571	11,571	-
Total community services	<u>-</u>	<u>75,036</u>	<u>75,036</u>	<u>-</u>
Early childhood education				
Teachers	158,543	157,206	157,206	-
Educational assistants	23,624	23,624	23,624	-
Other salaries and wages	19,271	19,271	19,271	-
Non-certified substitute teachers	2,500	2,475	2,475	-
Social security	12,655	11,462	11,462	-
State retirement	18,677	17,005	17,005	-
Medical insurance	26,745	18,553	18,553	-

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

**HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Employer medicare	2,957	2,681	2,681	-
Travel	3,000	3,000	3,000	-
Other contracted services	27,000	27,000	27,000	-
Instructional supplies	4,502	20,006	20,006	-
In-service/staff development	1,200	1,800	1,800	-
Other charges	300	300	300	-
Other equipment	5,000	1,591	1,591	-
Total early childhood education	<u>305,974</u>	<u>305,974</u>	<u>305,974</u>	<u>-</u>
State on-behalf payments				
State on-behalf payments for postretirement benefits	<u>-</u>	<u>-</u>	<u>10,365</u>	<u>10,365</u>
Capital outlay				
Architects	-	7,338	16	(7,322)
Building improvements	-	1,746,763	1,021,819	(724,944)
Land	-	14,500	14,452	(48)
Site development	-	9,300	9,288	(12)
Other capital outlay	-	150,000	140,497	(9,503)
Total capital outlay	<u>-</u>	<u>1,927,901</u>	<u>1,186,072</u>	<u>(741,829)</u>
Debt service				
Principal on bonds	<u>82,601</u>	<u>82,601</u>	<u>82,601</u>	<u>-</u>
Total non-instructional services	<u>388,575</u>	<u>2,391,512</u>	<u>1,660,048</u>	<u>(731,464)</u>
Total expenditures	<u>7,818,219</u>	<u>9,868,679</u>	<u>8,737,904</u>	<u>(1,130,775)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$(1,975,423)</u>	<u>(543,789)</u>	<u>\$ 1,431,634</u>
Fund balance - July 1, 2011			<u>4,031,724</u>	
Fund balance - June 30, 2012			<u><u>\$3,487,935</u></u>	

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SCHOOL FEDERAL PROJECTS
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
REVENUES				
Federal through State				
Career and Technical Education	\$ 20,770	\$ 20,770	\$ 20,770	\$ -
Title I	347,760	349,208	300,463	(48,745)
Education of the Handicapped - IDEA	270,345	269,956	264,929	(5,027)
Education of the Handicapped - Preschool	15,847	15,847	15,847	-
Race to the Top	133,930	133,930	63,433	(70,497)
Rural Education	-	27,037	25,310	(1,727)
Eisenhower	67,962	65,688	64,551	(1,137)
Other federal through state	246,315	230,690	225,716	(4,974)
Total revenues	<u>1,102,929</u>	<u>1,113,126</u>	<u>981,019</u>	<u>(132,107)</u>
EXPENDITURES				
Instruction				
Regular instruction				
Teachers	528,675	514,233	435,932	(78,301)
Educational assistants	14,288	24,332	24,332	-
Social security	35,850	35,621	25,286	(10,335)
State retirement	50,083	48,342	39,503	(8,839)
Medical insurance	12,161	23,061	23,061	-
Medicare	8,421	8,364	6,329	(2,035)
Other contracted services	17,505	17,505	-	(17,505)
Instructional supplies	14,744	20,990	19,263	(1,727)
Other supplies and materials	18,046	18,046	15,370	(2,676)
Other charges	1,000	3,000	3,000	-
Regular instruction equipment	33,395	33,395	33,395	-
Total regular instruction	<u>734,168</u>	<u>746,889</u>	<u>625,471</u>	<u>(121,418)</u>
Special education program				
Teachers	-	-	-	-
Aides	52,482	48,421	48,421	-
Other salaries and wages	17,689	17,519	17,519	-
Social security	4,350	3,941	3,941	-
State retirement	7,373	5,832	5,832	-
Medicare	1,018	925	925	-
Contracts with other schools	136,847	136,847	136,847	-
Other contracted services	31,650	31,650	27,021	(4,629)
Instructional supplies	15,962	17,503	17,104	(399)
Travel	4,137	3,611	3,611	-
In-service/staff development	4,371	3,753	3,753	-
In-service training	3,735	3,274	3,274	-
Equipment	5,000	11,052	11,052	-
Total special education	<u>284,614</u>	<u>284,328</u>	<u>279,300</u>	<u>(5,028)</u>

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

**HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SCHOOL FEDERAL PROJECTS
For the Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
EXPENDITURES				
Instruction (continued)				
Vocational education				
Instructional supplies and materials	3,578	1,822	1,822	-
Equipment	<u>11,000</u>	<u>12,756</u>	<u>12,756</u>	-
Total vocational education	<u>14,578</u>	<u>14,578</u>	<u>14,578</u>	-
Total instruction	<u>1,033,360</u>	<u>1,045,795</u>	<u>919,349</u>	<u>(126,446)</u>
Support services				
Other student support				
Other salaries and wages	12,000	12,000	12,000	-
Social security	744	744	744	-
State retirement	1,086	1,086	1,086	-
Employer medicare	174	174	174	-
Travel	4,154	4,154	4,154	-
Other contracted services	1,038	1,038	1,038	-
Other charges	<u>3,000</u>	<u>3,000</u>	<u>1,885</u>	<u>(1,115)</u>
Total other student support	<u>22,196</u>	<u>22,196</u>	<u>21,081</u>	<u>(1,115)</u>
Regular instruction				
Supervisor/director	22,254	22,254	18,321	(3,933)
Clerical personnel	4,862	4,862	4,862	-
Social security	1,717	1,717	1,437	(280)
State retirement	2,415	2,414	2,190	(224)
Medical insurance	1,637	1,637	1,637	-
Medicare	445	445	336	(109)
Other supplies and materials	1,500	-	-	-
Other charges	2,500	2,000	2,000	-
Inservice/staff development	<u>8,336</u>	<u>8,331</u>	<u>8,331</u>	-
Total regular instruction	<u>45,666</u>	<u>43,660</u>	<u>39,114</u>	<u>(4,546)</u>
Transportation				
Contracts with parents	<u>1,578</u>	<u>1,475</u>	<u>1,475</u>	-
Total support services	<u>69,440</u>	<u>67,331</u>	<u>61,670</u>	<u>(5,661)</u>
Total expenditures	<u>1,102,800</u>	<u>1,113,126</u>	<u>981,019</u>	<u>(132,107)</u>
Revenues over expenditures	<u>\$ 129</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - July 1, 2011			<u>35,000</u>	
Fund balance - June 30, 2012			<u>\$ 35,000</u>	

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Huntingdon Special School District (District) is a school district separately chartered by the State Legislature.

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

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

The financial statements of the Board have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Board’s reporting entity applies to all relevant GASB pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The District’s reporting entity does not apply FASB pronouncements issued after November 30, 1989.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the 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 currently 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

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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.

Property 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 District.

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 general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The Federal Projects Fund is used to record revenues received from the United States Government through the State of Tennessee as authorized by Public Law 89-10 and to record expenditures applicable to approved projects.

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 and 2) operating grants and contributions including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Investments for the District are reported at fair value. The State Local Government Investment Pool operated in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

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

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

For the purpose of operating and maintaining the District, the private act creating the District authorized an annual property tax on every one hundred dollars (\$100) assessment of real and personal property located within the District. The current property tax is \$1.34 on every \$100 of real and personal property located within the District.

Inventories

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

Capital Assets

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

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

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

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Deferred Revenue

Deferred revenue represents amounts that were receivable and measurable at June 30, 2012 but were not available to finance expenditures for the year ended June 30, 2012. Deferred revenues primarily include unearned or unavailable revenues.

Compensated Absences

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

Long-term Liabilities

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

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

Fund Equity

In the governmental fund financial statements, fund balances are 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.

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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 district-wide and general purpose fund financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, with the exception of commodities received and disbursed in the cafeteria fund. Since commodities do not involve the receipt or expenditure of cash, they are not included in the District's budget. A reconciliation to the statement of revenues, expenditures and changes in fund balance has been provided in the cafeteria fund's budgetary comparison statement.

The Board of Education approves and appropriates the budgets annually. All annual appropriations lapse at fiscal year-end. As an extension of the formal budgetary process, the Board of Education may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. The District's policy is to not allow expenditures to exceed budgetary amounts at the total function level without obtaining additional appropriation approval from the Board of Education. Line-item transfers within major categories are made upon recommendation of the Director of Schools and approval by the board.

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, 2012, all bank deposits were fully collateralized or insured.

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

B. Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 191,836	\$ 14,451	\$ -	\$ 206,287
Construction in progress	80,000	1,031,107	-	1,111,107
	271,836	1,045,558	-	1,317,394
Capital assets being depreciated				
Buildings and improvements	15,282,095	42,847	-	15,324,942
Other capital assets	1,056,093	78,620	-	1,134,713
Total capital assets being depreciated	16,338,188	121,467	-	16,459,655
Less accumulated depreciation for:				
Buildings and improvements	5,067,586	365,489	-	5,433,075
Other capital assets	582,444	84,716	-	667,160
Total accumulated depreciation	5,650,030	450,205	-	6,100,235
Total being depreciated, net	10,688,158	(328,738)	-	10,359,420
Total capital assets, net	\$ 10,959,994	\$ 716,820	\$ -	\$ 11,676,814

Depreciation of \$310,939 was charged to operation and maintenance of plant, with \$40,397 charged to instruction, \$75,339 to student support and \$23,530 to food service.

C. Long-term Debt

The District issued \$6,965,000 of limited tax school refunding bonds to provide resources to purchase securities issued by the Federal Home Loan Mortgage Corporation that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments. The bonds are payable serially through 2021 and have a 2% interest rate.

The annual requirements to amortize long-term debt as of June 30, 2012, are as follows:

Year ending June 30	Bonds	Interest
2013	\$ 435,000	\$ 182,135
2014	455,000	167,998
2015	475,000	152,528
2016	505,000	135,665
2017	535,000	117,232
2018-2021	2,465,000	252,580
	\$ 4,870,000	\$ 1,008,138

**HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

The following is a summary of long-term debt transactions for the year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Governmental activities:					
School Bonds	\$ 5,280,000	\$ -	\$ 410,000	\$ 4,870,000	\$ 435,000

NOTE 4 – OTHER INFORMATION

A. Pensions

Employee Defined Benefit Plan

Plan Description

Employees of Huntingdon 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 Huntingdon 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

Huntingdon Special School District requires employees to contribute 5.0 percent of earnable compensation. Huntingdon Special School District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012 was 10.94% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Huntingdon Special School District is established and may be amended by the TCRS Board of Trustees.

**HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

Annual Pension Cost

For the year ending June 30, 2012, Huntingdon Special School District's annual pension cost of \$61,394 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 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. Huntingdon Special School District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 6 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$61,394	100.00%	\$0.00
June 30, 2011	\$59,960	100.00%	\$0.00
June 30, 2010	\$67,095	100.00%	\$0.00

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 98.17% funded. The actuarial accrued liability for benefits was \$2.04 million, and the actuarial value of assets was \$2.00 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.04 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.58 million, and the ratio of the UAAL to the covered payroll was 6.39%.

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.

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)- Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/01/11	\$1,999	\$2,036	\$37	98.17%	\$582	6.39%
7/01/09	\$1,644	\$1,696	\$52	96.93%	\$619	8.41%
7/01/07	\$1,521	\$1,586	\$65	95.90%	\$534	12.17%

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Teachers Defined Benefit Plan

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the 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 Huntingdon City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2012 was 9.05% of annual covered payroll. The employer contribution requirement for Huntingdon City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2012, 2011, and 2010 were \$423,798, \$430,535, and \$301,787 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

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

entity risk pools as opposed to purchasing commercial insurance for these areas. The District is a member of the Tennessee School Boards Liability Trust (TSBLT) and the Tennessee School Boards Workers Compensation Trust (TSB-WCT), which are public entity risk pools, 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. The creation of the TSBLT and the TSB-WCT provides for it to be self-sustaining through member premiums. The TSBLT and the TSB-WCT reinsure through commercial insurance companies for claims in excess of a specified amount for each uninsured event.

The District continues to carry commercial insurance for all other risks of loss, including employee health and accident, business trip accidental death and dismemberment and 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, 2012, the State made contributions to the Medicare Plan of approximately \$10,365.

**HUNTINGDON SPECIAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**
June 30, 2012

Schedule of Funding Progress

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)- Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/01/11	\$1,999	\$2,036	\$37	98.17%	\$582	6.39%
7/01/09	\$1,644	\$1,696	\$52	96.93%	\$619	8.41%
7/01/07	\$1,521	\$1,586	\$65	95.90%	\$534	12.17%

See independent auditor's report

OTHER SUPPLEMENTARY INFORMATION SECTION

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

**HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CENTRAL CAFETERIA FUND
For the Year Ended June 30, 2012**

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Over (Under)
REVENUES				
Charges for current services				
Lunch payments - children	\$ 127,000	\$ 127,000	\$ 131,074	\$ 4,074
Lunch payments - adults	23,000	23,000	23,460	460
Income from breakfast	21,000	21,000	18,756	(2,244)
A la carte sales	25,000	25,000	22,660	(2,340)
Total charges for current services	196,000	196,000	195,950	(50)
Other local revenues				
Interest earned	700	700	543	(157)
Miscellaneous refunds	-	-	12	12
Total other local revenues	700	700	555	(145)
State education funds				
School food services	7,800	7,800	7,284	(516)
Federal through state				
USDA - lunch	289,000	289,000	308,842	19,842
USDA - snack	1,800	1,800	2,599	799
Breakfast reimbursement	120,000	120,000	133,498	13,498
Total federal through state	410,800	410,800	444,939	34,139
Total revenues	615,300	615,300	648,728	33,428
EXPENDITURES				
Director	44,800	44,800	44,786	(14)
Accountants/bookkeepers	12,000	12,000	11,088	(912)
Cafeteria personnel	180,000	180,000	179,121	(879)
Social Security	14,500	14,650	14,619	(31)
State retirement	14,000	15,500	15,196	(304)
Medicare liability	2,700	2,700	2,635	(65)
Unemployment compensation	800	800	698	(102)
Communication	1,500	1,500	1,471	(29)
Food supplies	245,000	293,500	293,080	(420)
Utilities	15,000	15,000	15,000	-
Other supplies and materials	22,000	24,200	24,106	(94)
Other charges	42,000	59,000	58,960	(40)
Equipment	21,000	11,650	11,605	(45)
Total expenditures	615,300	675,300	672,365	(2,935)
Revenues over (under) expenditures	\$ -	\$ (60,000)	(23,637)	\$ 36,363
Fund balance - July 1, 2011			203,574	
Increase (decrease) in inventory			(4,554)	
Fund balance - June 30, 2012			\$ 175,383	
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds on page 8				
Per budget statement above		648,728	672,365	
Commodities received/disbursed		38,899	38,899	
GAAP basis		\$ 687,627	\$ 711,264	

See independent auditor's report

**HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUND**

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes				
Local taxes	\$ 532,859	\$ 532,859	\$ 555,615	\$ 22,756
Other local revenues				
Interest earned	<u>2,500</u>	<u>2,500</u>	<u>2,067</u>	<u>(433)</u>
Total revenues	<u>535,359</u>	<u>535,359</u>	<u>557,682</u>	<u>22,323</u>
EXPENDITURES				
Education debt service:				
Principal on bonds	327,399	327,399	327,399	-
Interest on bonds	195,460	195,460	195,460	-
Trustee's commission	11,000	11,000	10,383	(617)
Other charges	<u>1,500</u>	<u>1,500</u>	<u>522</u>	<u>(978)</u>
Total expenditures	<u>535,359</u>	<u>535,359</u>	<u>533,764</u>	<u>(1,595)</u>
 Revenues over expenditures	 <u>\$ -</u>	 <u>\$ -</u>	 23,918	 <u>\$ 23,918</u>
 Fund balance - July 1, 2011			 <u>423,036</u>	
 Fund balance - June 30, 2012			 <u>\$ 446,954</u>	

See independent auditor's report

HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
For the Year Ended June 30, 2012

<u>Year Ended June 30,</u>	<u>Bonds - Series 2003</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 435,000	\$ 182,135
2014	455,000	167,998
2015	475,000	152,528
2016	505,000	135,665
2017	535,000	117,232
2018	560,000	97,170
2019	590,000	75,610
2020	635,000	52,600
2021	680,000	27,200
	<u>\$ 4,870,000</u>	<u>\$ 1,008,138</u>

See independent auditor's report

HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS
June 30, 2012

	<u>Salary</u>	<u>Bond</u>
Director of Schools	\$ <u>83,130</u>	\$ <u>281,000</u>

All other employees of the school district are covered by a fidelity bond of \$150,000 for each occurrence.

HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

	Federal CFDA Number	Balance 7/1/2011	Cash Receipts	Expenditures/ Amount Earned/ Amount Issued	Balance Unearned (Receivable) 6/30/2012
U.S. DEPARTMENT OF EDUCATION					
Pass-through Tennessee Department of Education					
Title I, Grants to Local Education Agencies	84.010*	\$ -	\$ 300,463	\$ 300,463	\$ -
Title X, Education of Homeless Children and Youth	84.196	(24,704)	24,704	-	-
Title II, Part D, Enhancing Education through Technology	84.318	-	229	229	-
ARRA-Title II, Part D, Enhancing Education through Technology, Competitive Portion	84.386	-	20,000	20,000	-
ARRA-Title II, Part D, Enhancing Education through Technology	84.386	-	322	322	-
Total Education Technology State Grants		-	20,551	20,551	-
Title II, Part A3, Eisenhower Professional Development State Grants	84.367A	-	57,989	64,551	(6,562)
Title I, Education Jobs Program	84.410*	-	205,165	205,165	-
Subtotal		(24,704)	608,872	590,730	(6,562)
Special Education Grants to States					
IDEA Program	84.027 *	(111,864)	452,744	443,872	(102,992)
Preschool Program	84.173 *	-	15,847	15,847	-
		(111,864)	468,591	459,719	(102,992)
ARRA - IDEA Program	84.391	(5,149)	5,149	-	-
Total Special Education Grants to States Cluster		(117,013)	473,740	459,719	(102,992)
State Stabilization Fiscal Funds					
ARRA - Government Services	84.397	(7,100)	13,500	6,400	-
ARRA - Government Services	84.397	(38,838)	38,838	-	-
Total State Stabilization Fiscal Funds		(45,938)	52,338	6,400	-
Vocational Education - Carl D. Perkins					
ARRA - Race-to-the-Top Incentive Grant	84.048	-	20,770	20,770	-
ARRA - Race-to-the-Top Incentive Grant	84.395A	-	63,433	63,433	-
Title VI, Rural Education Achievement Program	84.358A	-	18,010	25,310	(7,300)
Total Department of Education		(187,655)	1,237,163	1,166,362	(116,854)

See independent auditor's report

HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

	Federal CFDA Number	Balance 7/1/2011	Cash Receipts	Expenditures/ Amount Earned/ Amount Issued	Balance Unearned (Receivable) 6/30/2012
U.S. DEPARTMENT OF AGRICULTURE					
Pass-through Tennessee Department of Agriculture					
School Breakfast Program	10.553	(4,222)	124,571	133,498	(13,149)
National School Lunch Program	10.555	(7,945)	291,229	308,842	(25,558)
Snack Program	10.555	-	2,599	2,599	-
Total Department of Agriculture		<u>(12,167)</u>	<u>418,399</u>	<u>444,939</u>	<u>(38,707)</u>
Total cash federal awards		(199,822)	1,655,562	1,611,301	(155,561)
U.S. DEPARTMENT OF AGRICULTURE					
Pass-through the Tennessee Department of Agriculture					
Food-Distribution - Commodities	10.555	-	38,899	38,899	-
Total federal awards		<u>\$ (199,822)</u>	<u>\$ 1,694,461</u>	<u>\$ 1,650,200</u>	<u>\$ (155,561)</u>

* major program

Note: The above schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting.

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**HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE**

For the Year Ended June 30, 2012

	<u>Balance 7/1/2011</u>	<u>Cash Receipts</u>	<u>Expenditures/ Amount Earned/ Amount Issued</u>	<u>Balance Unearned (Receivable) 6/30/2012</u>
Early Childhood	\$ (57,390)	\$ 351,976	\$ 305,974	\$ (11,388)
Connect Tennessee	-	4,291	4,291	-
Lottery for Education - After School Program (LEAPS)	<u>(90,000)</u>	<u>161,162</u>	<u>75,037</u>	<u>(3,875)</u>
Total state financial assistance	<u>\$ (147,390)</u>	<u>\$ 517,429</u>	<u>\$ 385,302</u>	<u>\$ (15,263)</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***

Members of the Board
Huntingdon Special School District
Huntingdon, Tennessee

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Huntingdon Special School District as of and for the year ended June 30, 2012, which collectively comprise the Huntingdon Special School District's financial statements, and have issued our report thereon dated December 6, 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 Huntingdon Special School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

Members of the Board
Huntingdon Special School District

Compliance and Other Matters

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

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

Alexander Thompson Arnold PLLC

Martin, Tennessee
December 6, 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

Members of the Board
Huntingdon Special School District
Huntingdon, Tennessee

Compliance

We have audited the Huntingdon 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 the District's major federal programs for the year ended June 30, 2012. The Huntingdon 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Huntingdon 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 on the District's compliance with those requirements.

In our opinion, the Huntingdon Special School District complied, in all material respects, with the 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, 2012.

Members of the Board
Huntingdon Special School District

Internal Control over Compliance

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

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

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

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

Alexander Thompson Arnold PLLC

Martin, Tennessee
December 6, 2012

**HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: unqualified

Internal control over financial reporting:

- material weakness(es) identified? yes no
- significant deficiency(ies) identified? yes none reported
- noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

Identification of major programs:

<u>Program Name</u>	<u>CFDA No.</u>
IDEA Cluster:	
Special Education Grants to States – Preschool Program	84.173
Special Education Grants to States – IDEA Program	84.027
Title I Grants to Local Education Agencies	84.010
Title I, Education Jobs Program	84.410

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

Auditee qualified as low-risk auditee? yes no

**HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

Section II – Financial Statement Findings

There were no findings reported.

Section III – Federal Award Findings and Questioned Costs

There were no findings required to be reported by section 510(a) of Circular A-133.