

SOUTH CARROLL SPECIAL SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Fiscal Year Ended June 30, 2012

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**
For the Fiscal Year Ended June 30, 2012

TABLE OF CONTENTS

INTRODUCTORY SECTION

List of Principal Officials	1
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FINANCIAL SECTION

Independent Auditor's Report.....	2
Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements	
Balance Sheet – Governmental Funds	6
Reconciliation of Total Governmental Fund Balances to Net Assets Of Governmental Activities.....	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	9
Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Major Funds:	
General Purpose Fund	10
Federal Projects Fund.....	20
Centralized Cafeteria Fund.....	23
Notes to the Financial Statements	25
Required Supplementary Information	
Schedule of Funding Progress	35

OTHER SUPPLEMENTARY INFORMATION SECTION

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund	36
Schedule of Principal and Interest Requirements – General Obligation Debt	37
Schedule of Salaries and Bonds of Principal Officials	38
Schedule of Transfers	39
Schedule of Expenditures of Federal Awards.....	40
Schedule of State Financial Assistance	42

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	45
Schedule of Findings and Questioned Costs.....	47
Summary Schedule of Prior Year Findings Relative to Federal Award Programs.....	51

INTRODUCTORY SECTION

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
LIST OF PRINCIPAL OFFICIALS
June 30, 2012

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

Director of Schools	Dr. Tony Tucker
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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, 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 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, 2012, 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 12, 2013, 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. The 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 other supplementary schedules 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 schedule of expenditures of federal awards and the other supplementary schedules are 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 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
February 12, 2013

BASIC FINANCIAL STATEMENTS

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

ASSETS

Cash and cash equivalents	\$	1,335,517
Taxes receivable		489,144
Accounts receivable		3,601
Due from other governmental agencies		62,347
Due from grantor		92,617
Inventory		4,872
Capital assets, not being depreciated		
Land		275,000
Capital assets, net of accumulated depreciation		
Buildings and improvements		4,676,251
Other capital assets		116,808
Total assets		7,056,157

LIABILITIES

Other accrued expenses		30,705
Deferred revenue - taxes		489,144
Noncurrent liabilities:		
Bonds and notes payable, due within one year		70,056
Portion due or payable after one year		3,325,315
Total liabilities		3,915,220

NET ASSETS

Invested in capital assets, net of related debt		1,672,688
Restricted for:		
Instruction		1,769
Operation of noninstructional services		51,011
Debt service		60,009
Unrestricted		1,355,460
Total net assets	\$	3,140,937

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, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for	Operating	Revenues and
		Services	Grants and	Changes in
			Contributions	Net Assets
Governmental activities				
Instruction				
Regular education	\$ 1,282,996	\$ -	\$ 232,656	\$ (1,050,340)
Alternate education	5,119	-	-	(5,119)
Special education	214,226	-	88,989	(125,237)
Vocational education	176,112	-	30,979	(145,133)
Early Childhood Education	101,993	-	119,259	17,266
Support Services				
Student support	305,689	-	145,617	(160,072)
Instructional staff	143,918	-	-	(143,918)
General administration	175,934	-	-	(175,934)
School administration	183,858	-	-	(183,858)
Business administration	49,334	-	-	(49,334)
Operation and maintenance of plant	244,875	-	2,300	(242,575)
Student transportation	540	-	-	(540)
Noninstructional Services				
Food service	199,830	73,781	143,759	17,710
Community services	40,001	-	-	(40,001)
Debt service	116,299	-	-	(116,299)
Total District	<u>\$ 3,240,724</u>	<u>\$ 73,781</u>	<u>\$ 763,559</u>	<u>(2,403,384)</u>
General Revenues:				
Local taxes				203,091
Property taxes				485,249
Intergovernmental:				
Basic Education Program				1,767,000
Other				37,804
Interest				4,559
Other miscellaneous revenues				22,671
Total general revenues				<u>2,520,374</u>
Change in net assets				116,990
Net assets, beginning				<u>3,023,947</u>
Net assets, ending				<u>\$ 3,140,937</u>

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

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	MAJOR				Total Governmental Funds
	General Purpose	Special Revenue		Debt Service	
	Federal Projects	Central Cafeteria			
ASSETS					
Cash	\$ 1,230,448	\$ -	\$ 47,272	\$ 57,797	\$ 1,335,517
Taxes receivable	376,493	-	-	112,651	489,144
Accounts receivable	-	-	3,601	-	3,601
Due from other governmental agencies	60,135	-	-	2,212	62,347
Due from grantor	50,546	42,071	-	-	92,617
Due from other funds	41,422	-	-	-	41,422
Inventory	-	-	4,872	-	4,872
Total assets	<u>\$ 1,759,044</u>	<u>\$ 42,071</u>	<u>\$ 55,745</u>	<u>\$ 172,660</u>	<u>\$ 2,029,520</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Other accrued expenses	\$ 30,796	\$ 47	\$ (138)	\$ -	\$ 30,705
Due to other funds	-	41,422	-	-	41,422
Deferred revenue - taxes	376,493	-	-	112,651	489,144
Total liabilities	<u>407,289</u>	<u>41,469</u>	<u>(138)</u>	<u>112,651</u>	<u>561,271</u>
Fund balances					
Nonspendable - inventory	-	-	4,872	-	4,872
Retricted for:					
Instruction	1,167	602	-	-	1,769
Operation of noninstructional services	-	-	51,011	-	51,011
Debt service	-	-	-	60,009	60,009
Unassigned	1,350,588	-	-	-	1,350,588
Total fund balances	<u>1,351,755</u>	<u>602</u>	<u>55,883</u>	<u>60,009</u>	<u>1,468,249</u>
Total liabilities and fund balances	<u>\$ 1,759,044</u>	<u>\$ 42,071</u>	<u>\$ 55,745</u>	<u>\$ 172,660</u>	<u>\$ 2,029,520</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, 2012

Total governmental fund balances	\$ 1,468,249
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.	5,068,059
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>(3,395,371)</u>
Net assets of governmental activities	<u>\$ 3,140,937</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, 2012

	MAJOR				Total Governmental Funds
	General Purpose	Special Revenue		Debt Service	
	Federal Projects	Central Cafeteria			
REVENUES					
Taxes	\$ 573,045	\$ -	\$ -	\$ 115,295	\$ 688,340
Intergovernmental	2,053,031	372,049	143,759	-	2,568,839
Meal sales	-	-	73,781	-	73,781
Interest earnings	4,393	-	166	-	4,559
Miscellaneous	22,195	-	-	-	22,195
Total revenues	<u>2,652,664</u>	<u>372,049</u>	<u>217,706</u>	<u>115,295</u>	<u>3,357,714</u>
EXPENDITURES					
Instruction	1,423,425	195,966	-	-	1,619,391
Support services	909,613	133,511	-	-	1,043,124
Food services	-	-	193,964	-	193,964
Non-instructional services	154,937	-	-	-	154,937
Capital outlay	10,650	-	-	-	10,650
Debt service	41,205	-	-	140,628	181,833
Total expenditures	<u>2,539,830</u>	<u>329,477</u>	<u>193,964</u>	<u>140,628</u>	<u>3,203,899</u>
Revenues over (under) expenditures	<u>112,834</u>	<u>42,572</u>	<u>23,742</u>	<u>(25,333)</u>	<u>153,815</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	704	8,444	-	-	9,148
Operating transfers out	(8,444)	(704)	-	-	(9,148)
Total other financing sources (uses)	<u>(7,740)</u>	<u>7,740</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	105,094	50,312	23,742	(25,333)	153,815
Fund balances, beginning	1,246,661	(49,710)	34,154	85,342	1,316,447
Increase (decrease) in inventory	<u>-</u>	<u>-</u>	<u>(2,013)</u>	<u>-</u>	<u>(2,013)</u>
Fund balances, ending	<u>\$ 1,351,755</u>	<u>\$ 602</u>	<u>\$ 55,883</u>	<u>\$ 60,009</u>	<u>\$ 1,468,249</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, 2012**

Net change in fund balances - total governmental funds	\$ 153,815
Amounts reported for governmental activities on the statement of activities are different because of the following:	
Inventory is reported in the governmental funds using the purchases method. However, in the statement of activities, they are accounted for using the consumption method.	(2,013)
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.	
Principal payments on long-term debt	65,534
Capital outlay is reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	10,650
Depreciation	<u>(110,996)</u>
Change in net assets of governmental activities	<u>\$ 116,990</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, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
REVENUES				
Local Taxes				
Local option sales tax	\$ 180,000	\$ 180,000	\$ 193,934	\$ 13,934
Interstate telecommunications tax	150	150	147	(3)
Trustee's collections - bankruptcy	-	-	42	42
Circuit clerk-master collections	-	-	8,968	8,968
City/Special School District Property Taxes:				
Current property tax	359,652	359,652	348,314	(11,338)
Prior year's property tax	4,000	4,000	8,941	4,941
Interest and penalty	2,000	2,000	3,614	1,614
Payment in lieu of taxes	<u>7,000</u>	<u>7,000</u>	<u>9,085</u>	<u>2,085</u>
Total local taxes	<u>552,802</u>	<u>552,802</u>	<u>573,045</u>	<u>20,243</u>
Intergovernmental				
Licenses and Permits				
Marriage licenses	<u>100</u>	<u>100</u>	<u>160</u>	<u>60</u>
State Revenues				
State Education Funds:				
Basic Education Program	1,760,000	1,760,000	1,767,000	7,000
Early Childhood Education	88,141	101,991	119,259	17,268
Energy Efficient Schools Initiative	-	-	2,300	2,300
Career Ladder	22,173	22,173	23,339	1,166
Other state education funds	<u>43,000</u>	<u>43,000</u>	<u>42,914</u>	<u>(86)</u>
Total state education funds	<u>1,913,314</u>	<u>1,927,164</u>	<u>1,954,812</u>	<u>27,648</u>
Other State Revenues:				
Mixed drink tax	125	125	210	85
Other state revenues	<u>-</u>	<u>-</u>	<u>95</u>	<u>95</u>
Total other state revenues	<u>125</u>	<u>125</u>	<u>305</u>	<u>180</u>
Total state revenues	<u>1,913,439</u>	<u>1,927,289</u>	<u>1,955,117</u>	<u>27,828</u>
Federal Revenues				
Other direct federal revenue	32,800	32,800	32,034	(766)
Federal Funds Received Through State:				
ARRA - Career Ladder Extended Contract	-	-	14,000	14,000
Career Ladder - Extended Contract	-	14,000	14,000	-
Special Education Grants to States	6,000	6,000	-	(6,000)
Other federal through State	<u>108,025</u>	<u>25,000</u>	<u>25,977</u>	<u>977</u>
Total federal funds	<u>146,825</u>	<u>77,800</u>	<u>86,011</u>	<u>8,211</u>
Total intergovernmental	<u>2,060,364</u>	<u>2,005,189</u>	<u>2,041,288</u>	<u>36,099</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, 2012

	<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	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
Other Local Revenues				
Interest earned	4,000	4,000	4,393	393
Lease/rentals	-	-	110	110
Miscellaneous refunds	3,500	3,500	14,287	10,787
Miscellaneous revenue	-	-	7,753	7,753
Contributions from local groups	-	-	26	26
Damages recovered from individuals	-	-	19	19
Total other local revenues	<u>7,500</u>	<u>7,500</u>	<u>26,588</u>	<u>19,088</u>
 Total miscellaneous	 <u>10,500</u>	 <u>10,500</u>	 <u>26,588</u>	 <u>16,088</u>
 Total revenues	 <u>2,623,666</u>	 <u>2,568,491</u>	 <u>2,640,921</u>	 <u>72,430</u>

EXPENDITURES

Instruction

Regular Education				
Teachers	862,971	815,660	815,659	(1)
Career Ladder Program	9,000	9,000	9,000	-
Career Ladder - Extended Contract	-	700	610	(90)
Homebound teachers	-	200	200	-
Teacher assistants	34,212	36,412	36,357	(55)
Certified substitute teachers	2,900	2,900	853	(2,047)
Non-certified substitute teachers	11,250	11,250	10,360	(890)
Social security	57,076	50,317	49,984	(333)
State retirement	81,348	77,057	77,560	503
Medical insurance	53,021	50,555	53,623	3,068
Unemployment compensation	3,638	3,388	2,225	(1,163)
Medicare	13,348	12,947	11,690	(1,257)
Operating lease payments	3,000	3,000	3,000	-
Maintenance and repair - equipment	4,500	4,500	2,295	(2,205)
Travel	-	100	81	(19)
Tuition	3,000	3,000	-	(3,000)
Other contracted services	-	2,800	2,795	(5)
Instructional supplies/materials	20,000	16,000	9,437	(6,563)
Textbooks	26,000	22,225	21,519	(706)
Other supplies and materials	250	250	633	383
Other charges	100	100	40	(60)
Equipment	<u>15,000</u>	<u>11,000</u>	<u>10,622</u>	<u>(378)</u>
Total regular education	<u>1,200,614</u>	<u>1,133,361</u>	<u>1,118,543</u>	<u>(14,818)</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, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
Alternative Instruction Program				
Contracts with other schools	5,750	5,750	5,119	(631)
Special Education				
Teachers	75,947	75,947	75,947	-
Homebound teachers	227	2,027	1,975	(52)
Career Ladder Program	1,000	1,000	1,000	-
Substitute teachers	-	700	660	(40)
Social security	4,785	4,894	4,601	(293)
State retirement	6,978	7,102	7,142	40
Medical insurance	3,252	3,252	2,967	(285)
Unemployment compensation	300	300	278	(22)
Medicare	1,119	1,145	1,076	(69)
Contracts with other school systems	33,280	33,280	25,410	(7,870)
Evaluation and testing	300	300	-	(300)
Maintenance and repair - equipment	500	500	1,143	643
Travel	-	750	731	(19)
Other contracted services	300	300	2,943	2,643
Instrucional supplies and materials	300	300	1,118	818
Office supplies	-	100	82	(18)
Other charges	100	100	20	(80)
Total special education	<u>128,388</u>	<u>131,997</u>	<u>127,093</u>	<u>(4,904)</u>
Vocational Education				
Teachers	125,397	125,697	125,696	(1)
Career Ladder Program	1,000	1,000	1,000	-
Certified substitute teachers	100	400	358	(42)
Non-certified substitute teachers	2,000	2,000	1,654	(346)
Social security	7,967	6,967	6,445	(522)
State retirement	11,439	11,439	11,466	27
Medical insurance	17,851	17,851	17,588	(263)
Unemployment compensation	450	450	462	12
Medicare	1,863	1,863	1,507	(356)
Maintenance and repair	250	250	329	79
Other contracted services	2,900	2,900	2,860	(40)
Instructional supplies	6,500	6,500	2,608	(3,892)
Other supplies and materials	125	125	77	(48)
Other charges	100	100	90	(10)
Equipment	1,500	1,500	530	(970)
Total vocational education	<u>179,442</u>	<u>179,042</u>	<u>172,670</u>	<u>(6,372)</u>
Total instruction	<u>1,514,194</u>	<u>1,450,150</u>	<u>1,423,425</u>	<u>(26,725)</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, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
Support Services				
Student Support				
Attendance				
Travel	350	350	517	167
Other contracted services	29,664	33,664	33,272	(392)
In-service/staff development	500	500	848	348
Other charges	650	650	-	(650)
Total attendance	<u>31,164</u>	<u>35,164</u>	<u>34,637</u>	<u>(527)</u>
Health Services				
Medical personnel	16,300	16,300	16,299	(1)
Social security	1,011	1,011	1,011	-
State retirement	1,149	1,149	1,149	-
Medical insurance	490	490	482	(8)
Unemployment compensation	150	150	65	(85)
Medicare	236	236	236	-
Travel	125	125	-	(125)
Drugs and medical supplies	1,000	1,000	860	(140)
Office supplies	-	-	42	42
Other supplies/materials	500	500	601	101
Liability insurance	100	100	108	8
In-service/staff development	125	125	116	(9)
Total health services	<u>21,186</u>	<u>21,186</u>	<u>20,969</u>	<u>(217)</u>
Other Student Support				
Career Ladder Program	3,000	3,000	3,000	-
Guidance personnel	90,716	47,523	47,523	-
Social security	3,132	3,132	2,800	(332)
State retirement	8,481	4,572	4,572	-
Medical insurance	7,172	5,982	4,389	(1,593)
Unemployment compensation	300	150	173	23
Medicare	3,411	733	655	(78)
Evaluation/testing	2,500	1,200	1,119	(81)
Maintenance and repair	450	450	1,107	657
Postal charges	-	25	12	(13)
Travel	900	900	712	(188)
Other contracted services	650	650	539	(111)
Office supplies	-	350	334	(16)
Other supplies/materials	300	300	383	83
In-service/staff development	1,250	1,250	1,250	-
Total other student support	<u>122,262</u>	<u>70,217</u>	<u>68,568</u>	<u>(1,649)</u>
Total student support	<u>174,612</u>	<u>126,567</u>	<u>124,174</u>	<u>(2,393)</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, 2012

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Instructional Staff:				
Regular Education				
Director	53,895	53,895	46,638	(7,257)
Career Ladder Program	2,000	2,000	2,000	-
Career Ladder Extended Contracts	-	100	100	-
Librarian(s)	34,142	34,142	34,142	-
Instructional computer personnel	10,198	10,198	9,811	(387)
Social security	6,193	5,193	4,838	(355)
State retirement	9,040	8,040	7,501	(539)
Medical insurance	4,878	4,878	4,671	(207)
Unemployment compensation	323	323	379	56
Medicare	1,448	1,448	1,264	(184)
Maintenance and repair	250	250	-	(250)
Travel	550	550	359	(191)
Other contracted services	10,000	10,000	8,905	(1,095)
Library books	5,000	5,000	5,000	-
Office supplies	-	600	591	(9)
Periodicals	400	400	400	-
Other supplies and materials	250	250	177	(73)
In-service/staff development	800	800	-	(800)
Total regular education	<u>139,367</u>	<u>138,067</u>	<u>126,776</u>	<u>(11,291)</u>
Alternative Instruction Program				
Other contracted services	<u>5,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special Education				
Director	4,824	6,324	6,213	(111)
Accountants/bookkeepers	-	1,760	1,754	(6)
Social security	299	499	494	(5)
State retirement	437	687	686	(1)
Unemployment compensation	15	15	-	(15)
Medicare	70	70	116	46
Total special education	<u>5,645</u>	<u>9,355</u>	<u>9,263</u>	<u>(92)</u>
Vocational Education				
Director	5,988	6,238	6,213	(25)
Social security	377	377	385	8
State retirement	551	551	562	11
Medical insurance	501	501	-	(501)
Unemployment compensation	15	15	-	(15)
Medicare	88	88	90	2
Travel	1,000	1,000	509	(491)
In-service/staff development	500	500	120	(380)
Other equipment	250	250	-	(250)
Total vocational education	<u>9,270</u>	<u>9,520</u>	<u>7,879</u>	<u>(1,641)</u>
Total instructional staff	<u>159,782</u>	<u>156,942</u>	<u>143,918</u>	<u>(13,024)</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, 2012**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
General Administration				
Board of Education Services				
Audit services	10,750	10,750	10,000	(750)
Bank charges	250	250	239	(11)
Dues and memberships	2,000	2,000	1,773	(227)
Legal services	3,500	3,500	1,634	(1,866)
Postal charges	100	100	100	-
Travel	100	100	-	(100)
Maintenance and repair	1,550	1,550	1,500	(50)
Other contracted services	200	200	-	(200)
Other supplies and materials	200	200	153	(47)
Liability insurance	8,512	8,512	8,600	88
Premium on surety bond	550	550	524	(26)
Trustee commissions	11,810	11,810	12,499	689
Workmen's compensation insurance	8,386	8,386	8,775	389
In-service/staff development	900	900	750	(150)
Fines, assessments and penalties	-	9,300	9,274	(26)
Criminal investigation of applicant	300	300	-	(300)
Refund to applicant for criminal investigation	250	250	-	(250)
Other charges	500	500	2,011	1,511
Total board of education services	<u>49,858</u>	<u>59,158</u>	<u>57,832</u>	<u>(1,326)</u>
Office of the Superintendent				
County official/administrative officer	65,813	78,313	78,271	(42)
Career Ladder Program	1,000	1,000	-	(1,000)
Other salaries and wages	-	18,789	18,789	-
Social security	4,142	5,245	6,007	762
State retirement	6,047	6,047	7,174	1,127
Medical insurance	490	490	40	(450)
Unemployment compensation	150	150	358	208
Medicare	969	1,227	1,405	178
Communication	1,500	1,500	1,194	(306)
Dues and memberships	1,100	1,100	1,015	(85)
Maintenance and repair	800	800	-	(800)
Postal charges	500	500	500	-
Travel	1,500	1,500	383	(1,117)
Other contracted services	125	125	-	(125)
Office supplies	200	200	135	(65)
Other supplies and materials	200	200	109	(91)
In-service/staff development	1,000	1,000	824	(176)
Other charges	100	100	-	(100)
Administration equipment	750	750	728	(22)
Total office of the superintendent	<u>86,386</u>	<u>119,036</u>	<u>116,932</u>	<u>(2,104)</u>
Total general administration	<u>136,244</u>	<u>178,194</u>	<u>174,764</u>	<u>(3,430)</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, 2012**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
School Administration				
Office of the Principal				
Principals	54,598	65,398	65,301	(97)
Career ladder program	1,000	2,000	2,000	-
Assistant(s)	50,223	51,223	51,223	-
Secretary(s)	20,567	29,406	28,795	(611)
Social security	7,836	8,384	8,269	(115)
State retirement	11,027	11,027	12,757	1,730
Medical insurance	13,474	9,474	8,970	(504)
Unemployment compensation	450	450	573	123
Medicare	1,833	1,961	1,934	(27)
Communication	500	500	181	(319)
Dues and memberships	1,300	1,300	867	(433)
Maintenance and repair	250	250	-	(250)
Postal charges	750	750	750	-
Travel	500	500	503	3
Other supplies and materials	100	100	148	48
Office supplies	1,100	500	482	(18)
In-service/staff development	900	900	242	(658)
Other charges	-	300	283	(17)
Furniture and fixtures	-	600	580	(20)
Total school administration	<u>166,408</u>	<u>185,023</u>	<u>183,858</u>	<u>(1,165)</u>
Business Administration				
Fiscal Services:				
Accountants/bookkeepers	36,454	34,694	34,588	(106)
Social security	2,260	2,151	1,858	(293)
State retirement	2,570	2,446	2,438	(8)
Medical insurance	5,502	5,502	3,227	(2,275)
Unemployment compensation	263	263	140	(123)
Medicare	587	561	434	(127)
Data processing services	5,500	5,500	5,302	(198)
Maintenance and repair	250	250	93	(157)
Postal charges	200	200	130	(70)
Travel	400	400	79	(321)
Data processing supplies	900	900	726	(174)
Office supplies	500	500	158	(342)
Other supplies and materials	100	100	-	(100)
In-service/staff development	500	500	148	(352)
Other charges	50	50	13	(37)
Administration equipment	2,000	2,000	-	(2,000)
Total business administration	<u>58,036</u>	<u>56,017</u>	<u>49,334</u>	<u>(6,683)</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, 2012

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Operation and Maintenance of Plant				
Operation of Plant				
Plant supervisor/director	29,707	-	-	-
Custodial personnel	-	25,868	25,654	(214)
Social security	1,842	1,294	1,590	296
State retirement	1,295	1,295	1,418	123
Medical insurance	490	490	471	(19)
Unemployment compensation	215	215	127	(88)
Medicare	431	303	372	69
Maintenance and repair	500	500	445	(55)
Travel	125	125	-	(125)
Disposal fees	6,500	6,500	7,720	1,220
Other contracted services	2,000	2,000	-	(2,000)
Custodial supplies	11,000	11,000	8,456	(2,544)
Electricity	77,000	66,000	65,362	(638)
Natural gas	17,500	9,500	9,088	(412)
Water and sewer	43,500	43,500	44,608	1,108
Other supplies and materials	100	100	47	(53)
Boiler insurance	708	708	716	8
Building and contents insurance	12,892	12,892	13,057	165
Other charges	100	100	-	(100)
Plant operation equipment	5,000	300	138	(162)
Total operation of plant	<u>210,905</u>	<u>182,690</u>	<u>179,269</u>	<u>(3,421)</u>
Maintenance of Plant				
Maintenance supervisor/director	21,021	-	-	-
Maintenance personnel	-	21,021	20,041	(980)
Social security	1,303	1,303	1,243	(60)
State retirement	1,482	1,482	1,413	(69)
Medical insurance	490	490	386	(104)
Unemployment compensation	150	150	81	(69)
Medicare	305	305	291	(14)
Maintenance and repair - buildings	20,000	20,000	24,803	4,803
Maintenance and repair - equipment	8,000	8,000	6,845	(1,155)
Travel	250	250	375	125
Permits	-	250	-	(250)
Other contracted services	2,000	2,000	500	(1,500)
Fertilizer, lime and chemicals	-	1,750	1,902	152
Gasoline	500	500	1,100	600
Other supplies and materials	4,000	4,000	4,186	186
Other charges	100	100	565	465
Furniture and fixtures	-	-	136	136
Maintenance equipment	5,000	2,500	539	(1,961)
Total maintenance of plant	<u>64,601</u>	<u>64,101</u>	<u>64,406</u>	<u>305</u>
Total operation and maintenance of plant	<u>275,506</u>	<u>246,791</u>	<u>243,675</u>	<u>(3,116)</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, 2012

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Student Transportation				
Contracts with parents	1,200	1,200	-	(1,200)
Maintenance and repair	800	800	-	(800)
Diesel fuel	1,000	1,000	540	(460)
Total student transportation	<u>3,000</u>	<u>3,000</u>	<u>540</u>	<u>(2,460)</u>
Total support services	<u>973,588</u>	<u>952,534</u>	<u>920,263</u>	<u>(32,271)</u>
Non-Instructional Services				
Community services				
Other salaries and wages	25,655	30,555	30,540	(15)
Social security	1,616	1,857	1,893	36
State retirement	2,347	2,669	2,686	17
Medicare	397	454	443	(11)
Travel	4,600	2,000	598	(1,402)
Other contracted services	2,280	500	1,015	515
Other supplies and materials	3,105	2,965	2,476	(489)
Refunds	-	-	350	350
Total community services	<u>40,000</u>	<u>41,000</u>	<u>40,001</u>	<u>(999)</u>
Early Childhood Education				
Teachers	45,523	45,523	45,523	-
Career Ladder Program	1,000	1,000	1,000	-
Educational assistants	14,966	14,966	14,966	-
Substitute teachers	500	500	254	(246)
Non-certified substitute teachers	400	500	457	(43)
Social security	3,812	3,712	3,295	(417)
State retirement	5,265	5,265	5,265	-
Medical insurance	7,172	7,172	6,830	(342)
Unemployment compensation	300	300	221	(79)
Medicare	892	892	771	(121)
Communication	1,900	1,900	1,554	(346)
Maintenance and repair - equipment	1,351	1,351	461	(890)
Travel	550	550	977	427
Other contracted services	4,060	4,060	2,663	(1,397)
Electricity	1,000	1,000	1,000	-
Food supplies	350	350	857	507
Instructional supplies	350	350	5,147	4,797
Textbooks	450	450	326	(124)
Water and sewer	1,000	1,000	1,000	-
Other supplies and materials	100	100	604	504
In-service/staff development	550	550	112	(438)
Other charges	500	500	711	211
Other equipment	10,000	10,000	7,999	(2,001)
Total early childhood education	<u>101,991</u>	<u>101,991</u>	<u>101,993</u>	<u>2</u>
Total non-instructional services	<u>141,991</u>	<u>142,991</u>	<u>141,994</u>	<u>(997)</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
Debt Service				
Principal on bonds	33,000	33,000	33,000	-
Interest on bonds	10,650	10,650	6,506	(4,144)
Other debt service	4,200	4,200	1,699	(2,501)
Total debt service	<u>47,850</u>	<u>47,850</u>	<u>41,205</u>	<u>(6,645)</u>
Capital Projects				
Capital outlay	-	1,200	1,200	-
Total expenditures	<u>2,677,623</u>	<u>2,594,725</u>	<u>2,528,087</u>	<u>(66,638)</u>
Revenues over (under) expenditures	\$ (53,957)	\$ (26,234)	112,834	139,068
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds	-	-	704	704
Operating transfers to other funds	-	(8,300)	(8,444)	(144)
	<u>-</u>	<u>(8,300)</u>	<u>(7,740)</u>	<u>560</u>
Net change in fund balance	<u>\$ (53,957)</u>	<u>\$ (34,534)</u>	105,094	<u>\$ 139,628</u>
Fund balance, beginning			<u>1,246,661</u>	
Fund balance, ending			<u>\$ 1,351,755</u>	
Reconciliation to governmental fund financial statements:				
Revenues per budget statement (page 11)		\$ 2,640,921		
Non-cash revenue not included in budget statement:				
On behalf payments for fringe benefits paid by State		<u>11,743</u>		
Revenues per governmental statement of revenues, expenditures and change in fund balance (page 8)		<u>\$ 2,652,664</u>		
Expenditures per budget statement (above)		\$ 2,528,087		
Non-cash expenditure not included in budget statement:				
On behalf payments for fringe benefits paid by State		<u>11,743</u>		
Expenditures per governmental statement of revenues, expenditures and change in fund balance (page 8)		<u>\$ 2,539,830</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, 2012**

	Original <u>Budget</u>	Final <u>Budget</u>	Actual	Variance- Over <u>(Under)</u>
REVENUES				
Federal Revenues				
Vocational program improvement - Carl D. Perkins	\$ 5,979	\$ 5,979	\$ 5,979	\$ -
Title I	82,070	82,070	78,435	(3,635)
Special Education - Grants to States	86,667	88,100	83,557	(4,543)
Special Education - Preschool Grants	5,432	5,432	5,432	-
Eisenhower	19,929	19,929	15,431	(4,498)
First to the Top	28,126	28,126	101,726	73,600
Other federal through State	-	154,530	81,013	(73,517)
Total federal revenues	<u>228,203</u>	<u>384,166</u>	<u>371,573</u>	<u>(12,593)</u>
Other Revenues				
Miscellaneous refunds	-	476	476	-
Total revenues	<u>228,203</u>	<u>384,642</u>	<u>372,049</u>	<u>(12,593)</u>
EXPENDITURES				
Instruction				
Regular Instruction				
Teachers	-	47,111	45,776	(1,335)
Educational assistants	13,416	13,416	12,282	(1,134)
Social security	975	3,734	3,413	(321)
State retirement	1,000	5,291	5,009	(282)
Medical insurance	500	2,966	2,634	(332)
Unemployment compensation	30	180	175	(5)
Medicare	200	595	798	203
Instructional supplies	23,183	22,383	20,141	(2,242)
Other supplies and materials	-	400	367	(33)
Other charges	300	300	59	(241)
Equipment	17,545	14,845	14,737	(108)
Total regular instruction	<u>57,149</u>	<u>111,221</u>	<u>105,391</u>	<u>(5,830)</u>
Special Education Program				
Substitute teachers	-	150	110	(40)
Aides	31,775	30,841	30,614	(227)
Non-certified substitute teachers	500	1,600	1,573	(27)
Social security	1,970	1,970	1,978	8
State retirement	2,240	2,240	2,158	(82)
Medical Insurance	980	980	568	(412)
Unemployment compensation	450	450	155	(295)

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, 2012

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Medicare	461	461	463	2
Other contracted services	20,000	20,015	18,994	(1,021)
Contracts with other school systems	28,796	29,081	29,081	-
Instructional supplies	227	227	-	(227)
Equipment	1,000	1,417	1,439	22
Total special education program	<u>88,399</u>	<u>89,432</u>	<u>87,133</u>	<u>(2,299)</u>
Vocational Education				
Instructional supplies and materials	3,212	2,212	2,159	(53)
Other charges	400	162	216	54
Equipment	1,067	1,067	1,067	-
Total vocational education	<u>4,679</u>	<u>3,441</u>	<u>3,442</u>	<u>1</u>
Total instruction	<u>150,227</u>	<u>204,094</u>	<u>195,966</u>	<u>(8,128)</u>
Support Services				
Other Student Support				
Guidance personnel	22,188	43,784	43,193	(591)
Social security	1,422	2,761	2,678	(83)
State retirement	2,000	4,104	3,907	(197)
Medical insurance	150	250	1,390	1,140
Unemployment compensation	18	34	147	113
Medicare	340	653	626	(27)
Travel	1,300	2,538	2,538	-
Other charges	500	500	78	(422)
Total other student support	<u>27,918</u>	<u>54,624</u>	<u>54,557</u>	<u>(67)</u>
Regular Instruction				
Supervisor/director	-	-	4,000	4,000
Other salaries and wages	25,993	89,366	45,655	(43,711)
Substitute teachers	500	500	-	(500)
Social security	1,613	6,176	2,120	(4,056)
State retirement	2,137	7,162	3,095	(4,067)
Unemployment compensation	18	118	113	(5)
Medicare	457	1,443	672	(771)
In-service/staff development	15,640	16,593	12,999	(3,594)
Other charges	-	-	8,443	8,443
Total regular instruction	<u>46,358</u>	<u>121,358</u>	<u>77,097</u>	<u>(44,261)</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, 2012

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Special Education				
Travel	1,000	1,400	1,283	(117)
Other supplies and materials	200	200	-	(200)
In-service/staff development	500	500	574	74
Total special education	1,700	2,100	1,857	(243)
Transportation				
Contracts with other school systems	2,000	2,000	-	(2,000)
Total support services	77,976	180,082	133,511	(46,571)
Total expenditures	228,203	384,176	329,477	(54,699)
Revenues over expenditures	-	466	42,572	42,106
OTHER FINANCING SOURCES (USES)				
Operating transfer in	-	260	8,444	8,184
Operating transfers out	-	(726)	(704)	22
Total other financing sources (uses)	-	(466)	7,740	8,206
Net change in fund balance	\$ -	\$ -	50,312	\$ 50,312
Fund balance (deficit), beginning			(49,710)	
Fund balance, ending			\$ 602	

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, 2012

	Original Budget	Final Budget	Actual	Variance- Over (Under)
REVENUES				
Charges for current services				
Lunch payments - children	\$ 43,000	\$ 43,000	\$ 47,233	\$ 4,233
Lunch payments - adults	3,000	3,000	6,703	3,703
Income from breakfast	11,500	11,500	13,093	1,593
A La Carte sales	9,000	9,000	6,752	(2,248)
Total charges for current services	66,500	66,500	73,781	7,281
Other local revenues				
Interest earned	-	-	166	166
State education funds				
School Food Services	2,000	2,000	1,964	(36)
Federal through State				
USDA - lunch	79,000	79,000	85,104	6,104
USDA - breakfast	41,000	41,000	46,251	5,251
USDA - commodities received	-	-	10,440	10,440
Total federal through state	120,000	120,000	141,795	21,795
 Total revenues	 188,500	 188,500	 217,706	 29,206
EXPENDITURES				
Food Services				
Director	17,000	18,089	17,544	(545)
Clerical personnel	4,000	4,000	4,000	-
Cafeteria personnel	48,651	50,165	50,282	117
Bonus payments	-	1,500	-	(1,500)
Social security	4,070	4,475	4,420	(55)
State retirement	3,654	2,376	3,439	1,063
Medical insurance	2,940	2,940	3,050	110
Unemployment compensation	875	875	232	(643)
Medicare liability	952	1,065	1,034	(31)
Advertising	-	45	-	(45)
Communication	500	500	500	-
Pest control	250	250	240	(10)
Maintenance and repair - equipment	7,550	10,174	1,719	(8,455)
Postage	100	100	100	-
Travel	200	230	281	51
Other contracted services	300	300	-	(300)

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
Food preparation supplies	5,500	5,500	5,984	484
Food supplies	80,158	76,319	81,783	5,464
USDA commodities used	-	-	10,440	10,440
Office supplies	250	250	151	(99)
Uniforms	300	300	9	(291)
Utilities	6,000	6,000	6,000	-
Other supplies and materials	750	750	-	(750)
Refunds	-	48	-	(48)
In-service/staff development	500	500	466	(34)
Other charges	1,000	1,000	158	(842)
Equipment	<u>3,000</u>	<u>7,572</u>	<u>2,132</u>	<u>(5,440)</u>
Total expenditures	<u>188,500</u>	<u>195,323</u>	<u>193,964</u>	<u>(1,359)</u>
 Revenues over (under) expenditures	 <u>\$ -</u>	 <u>\$ (6,823)</u>	 <u>23,742</u>	 <u>\$ 30,565</u>
 Fund balance, beginning			 34,154	
Increase (decrease) in inventory			<u>(2,013)</u>	
 Fund balance, ending			 <u>\$ 55,883</u>	

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

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

June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The South Carroll Special School 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 are 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, 2012

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 purpose 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 \$1.65 on every \$100 of real and personal property located within the District.

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

June 30, 2012

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

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.

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, 2012, all deferred revenue consisted of unavailable property tax 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, 2012

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, net of related debt – 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 district-wide and general purpose fund financial statements.

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

June 30, 2012

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for governmental funds, with the exception of on-behalf payments, which are not budgeted since they require no cash outlay by the District. 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.

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.

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets not being depreciated				
Land	\$ 275,000	\$ -	\$ -	\$ 275,000
Capital assets being depreciated				
Buildings and improvements	10,304,855	10,650	-	10,315,505
Other capital assets	<u>222,732</u>	<u>-</u>	<u>-</u>	<u>222,732</u>
Total	<u>10,527,587</u>	<u>10,650</u>	<u>-</u>	<u>10,538,237</u>
Less accumulated depreciation for:				
Buildings and improvements	5,544,297	94,956	-	5,639,253
Other capital assets	<u>89,885</u>	<u>16,040</u>	<u>-</u>	<u>105,925</u>
Total	<u>5,634,182</u>	<u>110,996</u>	<u>-</u>	<u>5,745,178</u>
Total being depreciated, net	<u>4,893,405</u>	<u>(100,346)</u>	<u>-</u>	<u>4,793,059</u>
Capital assets, net	<u>\$ 5,168,405</u>	<u>\$ (100,346)</u>	<u>\$ -</u>	<u>\$ 5,068,059</u>

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

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

Regular instruction	\$ 57,969
General administration	1,170
Student support	48,004
Food service	3,853
Total	<u>\$ 110,996</u>

C. Interfund Balances and Transfers

As of June 30, 2012, there was a payable to the general purpose fund from the federal projects fund in the amount of \$41,422 for money advanced for temporary cash needs.

During the year ended June 30, 2012, the District made transfers of \$8,444 between the general purpose fund and the federal projects fund to temporarily fund operating expenses. A transfer of \$704 was recorded from the federal projects fund to the general purpose fund to close out a sub-fund.

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, 2012, was .42% and the balance outstanding was \$819,000.

The District has a note payable to USDA Rural Development that was used to finance construction. 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, 2012, was \$2,576,371 and the interest rate was 4.125%.

Debt service requirements on the above debt are as follows:

Years Ending June 30,	Principal	Interest	Total
2013	\$ 70,056	\$ 109,841	\$ 179,897
2014	73,530	108,185	181,715
2015	76,066	106,456	182,522
2016	79,666	104,658	184,324
2017	83,333	102,782	186,115
2018 – 2022	478,239	482,829	961,068
2023 – 2027	598,793	422,253	1,021,046
2028 – 2032	425,589	349,926	775,515
2033 – 2037	434,428	268,712	703,140
2038 – 2042	533,750	169,390	703,140
2043 – 2047	541,921	49,068	590,989
Total	<u>\$ 3,395,371</u>	<u>\$2,274,100</u>	<u>\$ 5,669,471</u>

SOUTH CARROLL 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:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities				
Capital outlay note payable	\$ 852,000	\$ -	\$ 33,000	\$ 819,000
USDA note payable	2,608,905	-	32,534	2,576,371
	<u>\$ 3,460,905</u>	<u>\$ -</u>	<u>\$ 65,534</u>	<u>\$ 3,395,371</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, 2012 was 7.05 percent 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.

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

Annual Pension Cost

For the year ending June 30, 2012, South Carroll Special School District's annual pension cost of \$18,928 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. 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, 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
6/30/2012	\$18,928	100.00%	\$0
6/30/2011	\$17,577	100.00%	\$0
6/30/2010	\$17,694	100.00%	\$0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 99.93 percent funded. The actuarial accrued liability for benefits was \$0.32 million, and the actuarial value of assets was \$0.32 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0. The covered payroll (annual payroll of active employees covered by the plan) was \$0.27 million, and the ratio of the UAAL to the covered payroll was .09 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.

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$320	\$321	\$0	99.93%	\$267	0.09%
July 1, 2009	\$203	\$203	\$0	99.86%	\$212	0.13%
July 1, 2007	\$203	\$204	\$1	99.51%	\$206	0.49%

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

June 30, 2012

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, 2012, was 9.05% 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, 2012, 2011, and 2010 were \$142,180, \$134,742 and \$92,459, 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 entity risk pools as opposed to purchasing commercial insurance for these areas. The District is a

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

June 30, 2012

member of the Tennessee Municipal League Risk Management Pool (TML 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 TML 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' bonds. 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 of \$8,953 and \$2,790 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.

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2012

(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)
7/1/2011	\$320	\$321	\$0	99.93%	\$267	0.09%
7/1/2009	\$203	\$203	\$0	99.86%	\$212	0.13%
7/1/2007	\$203	\$204	\$1	99.51%	\$206	0.49%

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
REVENUES				
Current property tax	\$ 108,027	\$ 108,027	\$ 111,499	\$ 3,472
Prior year's property tax	<u>-</u>	<u>-</u>	<u>3,796</u>	<u>3,796</u>
Total revenues	<u>108,027</u>	<u>108,027</u>	<u>115,295</u>	<u>7,268</u>
EXPENDITURES				
Principal on notes	-	31,221	32,534	1,313
Interest on notes and bonds	<u>140,628</u>	<u>109,407</u>	<u>108,094</u>	<u>(1,313)</u>
Total expenditures	<u>140,628</u>	<u>140,628</u>	<u>140,628</u>	<u>-</u>
Net change in fund balance	<u>\$ (32,601)</u>	<u>\$ (32,601)</u>	<u>(25,333)</u>	<u>\$ 7,268</u>
Fund balance, beginning			<u>85,342</u>	
Fund balance, ending			<u>\$ 60,009</u>	

See independent auditor's report

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT
June 30, 2012

Year Ended June 30,	Capital Outlay Note		USDA Note		Total
	Principal	Interest	Principal	Interest	
2013	\$ 35,000	\$ 4,269	\$ 35,056	\$ 105,572	179,897
2014	37,000	4,087	36,530	104,098	181,715
2015	38,000	3,894	38,066	102,562	182,522
2016	40,000	3,696	39,666	100,962	184,324
2017	42,000	3,487	41,333	99,295	186,115
2018	44,000	3,268	43,071	97,557	187,896
2019	46,000	3,039	44,882	95,746	189,667
2020	49,000	2,799	46,768	93,860	192,427
2021	51,000	2,544	48,735	91,893	194,172
2022	54,000	2,278	50,783	89,845	196,906
2023	56,000	1,996	52,918	87,710	198,624
2024	59,000	1,704	55,143	85,485	201,332
2025	62,000	1,397	57,461	83,167	204,025
2026	65,000	1,074	59,877	80,751	206,702
2027	69,000	735	62,394	78,234	210,363
2028	<u>72,000</u>	<u>375</u>	65,017	75,611	213,003
2029	<u>\$ 819,000</u>	<u>\$ 40,642</u>	67,750	72,878	140,628
2030			70,598	70,030	140,628
2031			73,566	67,062	140,628
2032			76,658	63,970	140,628
2033			79,881	60,747	140,628
2034			83,239	57,389	140,628
2035			86,738	53,890	140,628
2036			90,385	50,243	140,628
2037			94,185	46,443	140,628
2038			98,144	42,484	140,628
2039			102,270	38,358	140,628
2040			106,569	34,059	140,628
2041			111,049	29,579	140,628
2042			115,718	24,910	140,628
2043			120,582	20,046	140,628
2044			125,651	14,977	140,628
2045			130,934	9,694	140,628
2046			136,438	4,190	140,628
2047			<u>28,316</u>	<u>161</u>	<u>28,477</u>
			<u>\$ 2,576,371</u>	<u>\$ 2,233,458</u>	<u>\$5,669,471</u>

See independent auditor's report

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

	<u>Salary</u>	<u>Bond</u>
Director of Schools	\$ 68,000	\$ 145,000

See independent auditor's report

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF TRANSFERS
For the Fiscal Year Ended June 30, 2012

<u>Transfer From</u>	<u>Transfer To</u>	<u>Transfer Amount</u>	<u>Purpose</u>
General Fund	Federal Projects Fund	\$ 8,444	to cover operating expenses
Federal Projects Fund	General Fund	<u>\$ 704</u>	to close sub-fund

See independent auditor's report

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

	Federal CFDA Number	Balance 7/1/11	Cash Receipts	Expenditures/ Amount Earned/ Amount Issued	Balance Unearned (Receivable) 6/30/12
U.S. DEPARTMENT OF EDUCATION					
Pass-through the Tennessee Department of Education					
Special Education Grants to States					
IDEA Program	84.027	\$ (27,615)	\$ 109,069	\$ 82,007	\$ (553)
IDEA Program	84.027	-	1,550	1,550	-
Preschool Program	84.173	(2,976)	5,692	5,432	(2,716)
Total Special Education Grants to States Cluster		<u>(30,591)</u>	<u>116,311</u>	<u>88,989</u>	<u>(3,269)</u>
Title I, Grants to Local Education Agencies	84.010	<u>(5,312)</u>	<u>81,756</u>	<u>78,435</u>	<u>(1,991)</u>
Vocational Education - Carl D. Perkins	84.048	<u>-</u>	<u>5,979</u>	<u>5,979</u>	<u>-</u>
Title II, Eisenhower Professional Development State Grants					
Title II, Eisenhower Professional Development State Grants, Part D	84.318	(96)	96	-	-
Title II, Eisenhower Professional Development State Grants, Part A3	84.318	(5,068)	20,499	15,431	-
Subtotal		<u>(5,164)</u>	<u>20,595</u>	<u>15,431</u>	<u>-</u>
Rural Education Achievement Program	84.358A	<u>(1,418)</u>	<u>33,309</u>	<u>32,034</u>	<u>(143)</u>
State Fiscal Stabilization Funds					
ARRA - Government Services	84.397	-	977	977	-
ARRA - Government Services	84.397	(1,167)	15,167	14,000	-
Total State Fiscal Stabilization Funds Cluster		<u>(1,167)</u>	<u>16,144</u>	<u>14,977</u>	<u>-</u>
ARRA - First to the Top - Competitive	84.395	(49,710)	50,590	26,608	(25,728)
ARRA - First to the Top	84.395	-	25,280	25,407	(127)
		<u>(49,710)</u>	<u>75,870</u>	<u>52,015</u>	<u>(25,855)</u>
ARRA - Education Jobs Program	84.410	<u>(4,163)</u>	<u>74,221</u>	<u>81,013</u>	<u>(10,955)</u>
Total U.S. Department of Education		<u>(97,525)</u>	<u>424,185</u>	<u>368,873</u>	<u>(42,213)</u>

See independent auditor's report

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

	Federal CFDA Number	Balance 7/1/11	Cash Receipts	Expenditures/ Amount Earned/ Amount Issued	Balance Unearned (Receivable) 6/30/12
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					
Small Learning Community	94.004	<u>(16,082)</u>	<u>16,082</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF LABOR					
Workforce Investment Act Youth Activities	17.259	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
U.S. DEPARTMENT OF AGRICULTURE					
Pass-through the Tennessee Department of Agriculture					
School Breakfast Program	10.553 *	<u>-</u>	<u>46,251</u>	<u>46,251</u>	<u>-</u>
National School Lunch Program	10.555 *	<u>-</u>	<u>85,104</u>	<u>85,104</u>	<u>-</u>
Food-Distribution - Commodities	10.555	<u>-</u>	<u>10,440</u>	<u>10,440</u>	<u>-</u>
Total U. S. Department of Agriculture		<u>-</u>	<u>141,795</u>	<u>141,795</u>	<u>-</u>
Total		<u>\$ (113,607)</u>	<u>\$ 607,062</u>	<u>\$ 535,668</u>	<u>\$ (42,213)</u>

*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 Fiscal Year Ended June 30, 2012

	Balance 7/1/2011	Receipts	Expenditures	Balance Unearned (Receivable) 6/30/2012
Energy Efficient Schools	\$ -	\$ 2,300	\$ 2,300	\$ -
Early Childhood	(17,268)	101,994	119,259	(34,533)
ACT Explore	-	914	914	-
Safe Schools Grant	-	2,000	2,000	-
Career Ladder Program	-	22,172	23,339	(1,167)
Career Ladder Extended Contract	-	14,000	14,000	-
Lottery for Education - After School Programs (LEAPS)	-	25,296	40,000	(14,704)
Total State Awards	\$ (17,268)	\$ 168,676	\$ 201,812	\$ (50,404)

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

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, 2012, which collectively comprise South Carroll Special School District's basic financial statements and have issued our report thereon dated February 12, 2013. 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.

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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as Items 12-01, 12-02, 11-03, 11-04 and 10-01, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 12-01 and 11-04.

The South Carroll Special School District's response to the findings 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 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 12, 2013

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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, 2012. 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, 2012.

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 11-4. 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 findings 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 12, 2013

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal 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>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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 no

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

Section II – Financial Statement Findings

12-01 Payroll Taxes Not Paid Timely

Condition: The former bookkeeper did not file a quarterly 941 report for payroll taxes in a timely manner. The tax was not paid until after numerous letters had been received from the Internal Revenue Service, resulting in a large amount of penalties and interest eventually being paid.

Criteria: The State of Tennessee requires that “social security and federal income tax payroll withholdings for the previous month are recorded on an IRS form and deposited in an authorized bank according to IRS rules.”

Effect: The District incurred additional expense in penalties and interest due to a failure to comply with Internal Revenue reporting and deposit deadlines.

Recommendation: We recommend that the District ensure that all payroll reports are filed in a timely manner.

Response: *The District has hired a new bookkeeper and all payroll reports are being filed in a timely manner now.*

12-02 Cafeteria Accounts Receivable Not Reconciled

Condition: The amount for accounts receivable on the cafeteria’s books could not be substantiated.

Criteria: The *Tennessee Internal School Uniform Accounting Policy Manual*, which governs centralized cafeterias, states that “the school should establish and document detailed requirements for collections, including the assignment of related responsibility, timing of collection, and follow-up on uncollected accounts.”

Effect: Inaccurate or incomplete accounts receivable records could prevent the District from collecting all monies due.

Recommendation: We recommend that the District reconcile the cafeteria accounts receivable to subsidiary records on at least a monthly basis.

Response: *The bookkeeper is currently in the process of reconciling the accounts receivable and will be doing so on a monthly basis.*

11-03 Cash Receipts Issued Out of Order

Condition: Several receipts selected for testing during the audit were issued out of order according to the dates on the individual receipts. In addition, the yellow copy of 2 receipts were altered after issuance. We also found 4 instances where the white copy of voided receipts were not retained.

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

For the Fiscal Year Ended June 30, 2012

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 two instances where purchase orders were issued after the date of the purchase. There was also one instance where a single purchase order was issued for 2 separate purchases.

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.

Response: *We concur with this recommendation.*

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.

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

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

Section III – Federal Award Findings and Questioned Costs

11-04 Cash Disbursements Policy Not Followed for Race to the Top Grant Expenditures

Condition: While testing cash disbursements, we noted two instances where purchase orders were issued after the date of the purchase. There was also one instance where a single purchase order was issued for 2 separate purchases.

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.

Response: *We concur with this recommendation.*

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS RELATIVE TO
FEDERAL AWARD PROGRAMS
For the Fiscal Year Ended June 30, 2012

- 11-05 Inadequate Records for Race to the Top Grants – corrected
- 11-06 Inadequate Records for State Fiscal Stabilization Funds Grants – corrected
- 11-07 Cash Management of USDA Grant Funds – corrected