

BRADFORD SPECIAL SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**BRADFORD SPECIAL SCHOOL DISTRICT
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INTRODUCTORY SECTION

**BRADFORD SPECIAL SCHOOL DISTRICT
LIST OF PRINCIPAL OFFICIALS**

June 30, 2012

Board of Trustees

Don Lannom, President
Dr. Kelvin Moore, Vice-President
Ricky L. Bratton
Richard Cunningham
Dale Denning
Mark Hampton

Director of Schools

Dan Black

FINANCIAL SECTION



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Kentucky Society of Certified Public Accountants

Independent Auditor’s Report

Board of Education
Bradford Special School District
Bradford, Tennessee

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

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

In our opinion, the 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 fund and federal projects fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2012, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions, laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Cafeteria Fund, Schedule of Principal and Interest Requirements, Schedule of Salaries and Bonds, Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Schedule of State Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Cafeteria Fund, Schedule of Principal and Interest Requirements, Schedule of Salaries and Bonds, Schedule of Expenditures of Federal Awards, and Schedule of State Financial Assistance 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
December 31, 2012

BASIC FINANCIAL STATEMENTS

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

ASSETS

Cash	\$	616,190
Taxes receivable		765,519
Due from other governmental agencies - grants		314,528
Due from fiduciary fund		1,000
Accounts receivable		116,180
Inventory		4,759
Capital assets, not being depreciated:		
Land		112,750
Capital assets, net of accumulated depreciated:		
Buildings and improvements		1,226,112
Vehicles, equipment and other		519,846
Total assets		<u>3,676,884</u>

LIABILITIES

Accounts payable		316,060
Due to scholarship student		1,000
Deferred revenue - taxes		765,519
Deferred revenue - grants		1,048
Noncurrent liabilities:		
Bonds, notes, and/or capital leases payable		
Portion due or payable within one year		97,154
Portion due or payable after one year		291,588
Total liabilities		<u>1,472,369</u>

NET ASSETS

Invested in capital assets, net of related debt		1,469,966
Restricted for		
Career Ladder		2,333
Operation of noninstructional services		72,783
Unrestricted		659,433
Total net assets		<u>\$ 2,204,515</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction	\$ 2,586,045	\$ -	\$ 840,527	\$ -	\$ (1,745,518)
Support services	2,226,012	-	-	-	(2,226,012)
Non-instructional services	233,403	91,199	265,984	-	123,780
Food service	369,783	114,083	257,782	-	2,082
Debt service	10,379	-	-	-	(10,379)
Total	\$ 5,425,622	\$ 205,282	\$ 1,364,293	\$ -	(3,856,047)
		General revenues:			
					274,445
					201
					102
					822,341
					2,714,000
					210,086
					1,653
					14,342
					4,037,170
					181,123
					2,023,392
					\$ 2,204,515

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

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

	<u>MAJOR FUNDS</u>		<u>NONMAJOR</u>	<u>Total Governmental Funds</u>
	<u>General Purpose Fund</u>	<u>Federal Projects Fund</u>	<u>Cafeteria Fund</u>	
ASSETS				
Cash	\$ 556,347	\$ -	\$ 59,843	\$ 616,190
Taxes receivable	765,519	-	-	765,519
Due from other governmental agencies - grants	174,367	126,513	13,648	314,528
Due from fiduciary fund	1,000	-	-	1,000
Due from other funds	118,957	248	-	119,205
Accounts receivable	115,847	270	63	116,180
Inventory	-	-	4,759	4,759
Total assets	<u>\$ 1,732,037</u>	<u>\$ 127,031</u>	<u>\$ 78,313</u>	<u>\$ 1,937,381</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	\$ 248	\$ 118,957	\$ -	\$ 119,205
Due to scholarship student	1,000	-	-	1,000
Accounts payable	308,263	7,026	771	316,060
Deferred revenue - grants	-	1,048	-	1,048
Deferred revenue - taxes	765,519	-	-	765,519
Total liabilities	<u>1,075,030</u>	<u>127,031</u>	<u>771</u>	<u>1,202,832</u>
Fund balances				
Nonspendable - food service inventory	-	-	4,759	4,759
Restricted for:				
Instruction - Career Ladder	2,333	-	-	2,333
Operation of noninstructional services	-	-	72,783	72,783
Unassigned	654,674	-	-	654,674
Total fund balances	<u>657,007</u>	<u>-</u>	<u>77,542</u>	<u>734,549</u>
Total liabilities and fund balances	<u>\$ 1,732,037</u>	<u>\$ 127,031</u>	<u>\$ 78,313</u>	<u>\$ 1,937,381</u>

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

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

Total governmental fund balances	\$ 734,549
Amounts reported for governmental activities on the statement of net assets are different because of the following:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,858,708
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>(388,742)</u>
Net assets of governmental activities	<u>\$ 2,204,515</u>

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

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

	<u>MAJOR FUNDS</u>		<u>NONMAJOR</u>	Total Governmental Funds
	General Purpose Fund	Federal Projects Fund	Cafeteria Fund	
REVENUES				
Taxes	\$ 1,097,089	\$ -	\$ -	\$ 1,097,089
Intergovernmental	3,217,360	813,237	257,782	4,288,379
Charges for services	91,199	-	114,083	205,282
Interest earnings	1,500	-	153	1,653
Miscellaneous	14,342	-	-	14,342
Total revenues	<u>4,421,490</u>	<u>813,237</u>	<u>372,018</u>	<u>5,606,745</u>
EXPENDITURES				
Current				
Instruction	2,008,671	573,970	-	2,582,641
Support services	1,941,719	173,153	-	2,114,872
Food services	-	-	362,761	362,761
Non-instructional services	177,901	55,312	-	233,213
Debt service				
Principal	100,533	-	-	100,533
Interest	10,040	-	-	10,040
Administration fees	339	-	-	339
Capital outlay	<u>489,168</u>	<u>10,000</u>	<u>9,580</u>	<u>508,748</u>
Total expenditures	<u>4,728,371</u>	<u>812,435</u>	<u>372,341</u>	<u>5,913,147</u>
Revenues over (under) expenditures	<u>(306,881)</u>	<u>802</u>	<u>(323)</u>	<u>(306,402)</u>
OTHER FINANCING SOURCES (USES)				
Note payable proceeds	228,742	-	-	228,742
Operating transfers in	802	-	-	802
Operating transfers out	<u>-</u>	<u>(802)</u>	<u>-</u>	<u>(802)</u>
Total other financing sources (uses)	<u>229,544</u>	<u>(802)</u>	<u>-</u>	<u>228,742</u>
Net change in fund balance	<u>(77,337)</u>	<u>-</u>	<u>(323)</u>	<u>(77,660)</u>
Fund balance - beginning	734,344	-	82,514	816,858
Increase (decrease) in inventory	<u>-</u>	<u>-</u>	<u>(4,649)</u>	<u>(4,649)</u>
Fund balance - ending	<u>\$ 657,007</u>	<u>\$ -</u>	<u>\$ 77,542</u>	<u>\$ 734,549</u>

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

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

Net change in fund balances - total governmental funds \$ (77,660)

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

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount of

Issuance of long-term debt	(228,742)
Principal payments on long-term debt	100,533

The increase (decrease) in inventory is reported as a direct change to beginning fund balance in the governmental funds. However, in the statement of activities this change is reported as an expense, based on the consumption method. (4,649)

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	508,748
Depreciation	<u>(117,107)</u>

Change in net assets of governmental activities **\$ 181,123**

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Over (Under)
REVENUES				
Taxes				
Local option sales tax	\$ 250,000	\$ 250,000	\$ 274,445	\$ 24,445
Interstate telecommunications tax	250	250	201	(49)
Trustee's collections - bankruptcy	100	100	102	2
City/Special School District:				
Current property tax	765,078	765,078	765,519	441
Prior year's property tax	30,000	30,000	47,197	17,197
Interest and penalty	5,000	5,000	-	(5,000)
Payment in lieu of taxes	9,700	9,700	9,625	(75)
Total City/Special School District	<u>809,778</u>	<u>809,778</u>	<u>822,341</u>	<u>12,563</u>
Total taxes	<u>1,060,128</u>	<u>1,060,128</u>	<u>1,097,089</u>	<u>36,961</u>
Intergovernmental				
Licenses and permits				
Marriage licenses	<u>200</u>	<u>200</u>	<u>205</u>	<u>5</u>
State revenues				
State education funds				
Basic Education Program	2,713,000	2,713,000	2,714,000	1,000
Other state education funds	77,886	77,886	79,845	1,959
Career Ladder	19,000	19,000	22,172	3,172
Career Ladder - extended contract	39,300	39,300	39,300	-
Early Childhood Education	200,672	200,672	200,672	-
Total state education revenue	<u>3,049,858</u>	<u>3,049,858</u>	<u>3,055,989</u>	<u>6,131</u>
Other state revenues				
State on-behalf payments for postretirement benefits	-	-	42,173	42,173
Mixed drink tax	25	25	72	47
Other state grants	-	-	550	550
Other state revenues	106,050	190,245	105,614	(84,631)
Total other state revenues	<u>106,075</u>	<u>190,270</u>	<u>148,409</u>	<u>(41,861)</u>
Total state revenues	<u>3,155,933</u>	<u>3,240,128</u>	<u>3,204,398</u>	<u>(35,730)</u>
Federal revenues				
Federal funds received through state				
Special Education Preschool Grant	<u>-</u>	<u>-</u>	<u>12,757</u>	<u>12,757</u>
Total Intergovernmental	<u>3,156,133</u>	<u>3,240,328</u>	<u>3,217,360</u>	<u>(22,968)</u>

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Over (Under)
Miscellaneous				
Charges for current services				
Community service fees	72,280	72,280	91,199	18,919
Other local revenues				
Interest earned	2,000	2,000	1,500	(500)
Lease/rentals	150	150	75	(75)
Miscellaneous refunds	-	-	10,007	10,007
Sale of equipment	-	-	1,711	1,711
Sale of materials / supplies	50	50	315	265
Damages recovered from individuals	-	-	67	67
Contributions	-	-	250	250
Other local revenues	8,870	8,870	1,917	(6,953)
Total other local revenues	<u>11,070</u>	<u>11,070</u>	<u>15,842</u>	<u>4,772</u>
Total miscellaneous	<u>83,350</u>	<u>83,350</u>	<u>107,041</u>	<u>23,691</u>
Total revenues	<u>4,299,611</u>	<u>4,383,806</u>	<u>4,421,490</u>	<u>37,684</u>
EXPENDITURES				
Instruction				
Regular education				
Teachers	1,268,115	1,252,120	1,252,119	(1)
Career Ladder Program	14,000	16,000	16,000	-
Career Ladder - extended contract	24,180	24,180	24,180	-
Other salaries and wages	2,000	2,000	2,000	-
Non-certified substitute teachers	28,000	30,100	30,008	(92)
Social security	82,850	70,775	70,774	(1)
State retirement	118,210	113,454	113,453	(1)
Medical insurance	135,549	137,761	137,759	(2)
Medicare	19,377	16,860	16,859	(1)
Maintenance and repair - equipment	15,000	14,000	14,000	-
Other contracted services	30,000	29,100	29,099	(1)
Instructional supplies/materials	38,000	28,874	26,319	(2,555)
Textbooks	80,000	79,050	79,049	(1)
Fee waivers	500	7	7	-
Other charges	2,000	600	598	(2)
Equipment	8,000	8,000	8,000	-
Total regular education	<u>1,865,781</u>	<u>1,822,881</u>	<u>1,820,224</u>	<u>(2,657)</u>

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

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

For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Over (Under)
Special education				
Teachers	47,285	51,189	51,189	-
Aides	26,900	15,431	15,431	-
Social security	4,600	3,707	3,707	-
State retirement	4,280	4,633	4,633	-
Medical insurance	3,735	4,421	4,421	-
Medicare	1,076	866	866	-
Maintenance and repair - equipment	1,000	2,000	2,000	-
Other contracted services	27,400	39,271	39,271	-
Other supplies and materials	2,552	13,478	13,478	-
Equipment	-	7,067	7,067	-
Total special education	<u>118,828</u>	<u>142,063</u>	<u>142,063</u>	<u>-</u>
Vocational education				
Teachers	33,502	37,777	37,775	(2)
Substitute teachers	300	300	300	-
Social security	2,078	2,343	2,342	(1)
State retirement	3,032	3,419	3,419	-
Medicare	486	548	548	-
Maintenance and repair - equipment	500	500	500	-
Instructional supplies	1,000	1,000	1,000	-
Other supplies and materials	500	500	500	-
Total vocational education	<u>41,398</u>	<u>46,387</u>	<u>46,384</u>	<u>(3)</u>
Total instruction	<u>2,026,007</u>	<u>2,011,331</u>	<u>2,008,671</u>	<u>(2,660)</u>
Support services				
Student support				
Health services				
Medical personnel	39,290	39,290	39,240	(50)
Other salaries and wages	54,106	55,066	55,066	-
Social security	5,791	5,060	5,059	(1)
Medical insurance	3,636	5,157	5,157	-
Medicare	1,355	1,184	1,184	-
Communication	800	327	326	(1)
Maintenance and repair services	500	500	500	-
Travel	3,500	3,691	3,691	-
Other contracted services	200	200	200	-
Drugs and medical supplies	2,000	600	2,534	1,934
Other supplies/materials	17,855	18,220	16,220	(2,000)
Other charges	500	1,000	1,000	-
Total health services	<u>129,533</u>	<u>130,295</u>	<u>130,177</u>	<u>(118)</u>

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

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

For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Over (Under)
Other student support				
Guidance personnel	58,440	57,588	57,588	-
Social workers	10,500	8,924	8,924	-
Social security	4,275	3,401	3,401	-
State retirement	5,289	4,919	4,915	(4)
Medical insurance	7,021	8,028	8,028	-
Dental insurance	98	98	98	-
Medicare	1,000	796	795	(1)
Evaluation/testing	9,000	2,120	2,120	-
Other charges	-	1,000	1,000	-
Travel	5,000	7,332	7,332	-
Inservice/staff development	2,000	3,022	3,022	-
Other equipment	4,000	3,287	3,287	-
Total other student support	<u>106,623</u>	<u>100,515</u>	<u>100,510</u>	<u>(5)</u>
Total student support	<u>236,156</u>	<u>230,810</u>	<u>230,687</u>	<u>(123)</u>
Instructional staff				
Regular education				
Director	81,000	81,000	81,000	-
Career Ladder - extended contract	9,520	9,520	9,520	-
Librarian(s)	96,040	96,040	96,040	-
Social security	11,567	6,667	6,595	(72)
State retirement	11,788	11,788	11,745	(43)
Medical insurance	20,900	23,350	23,349	(1)
Dental insurance	294	294	294	-
Medicare	2,706	2,435	2,434	(1)
Maintenance and repair	500	500	500	-
Travel	1,000	3,310	3,307	(3)
Library books	7,000	5,399	5,398	(1)
Other supplies and materials	3,000	363	363	-
Periodicals	1,000	1,000	974	(26)
In-service training	5,500	6,744	6,743	(1)
Other charges	-	803	803	-
Total regular education	<u>251,815</u>	<u>249,213</u>	<u>249,065</u>	<u>(148)</u>
Special education				
Director	30,000	30,000	30,000	-
Social security	2,046	2,046	2,046	-
State retirement	2,715	2,715	2,715	-
Medicare	479	479	479	-
Travel	6,000	6,000	6,000	-

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Over (Under)
Other salaries and wages	3,000	3,000	3,000	-
Inservice/staff development	<u>2,000</u>	<u>3,822</u>	<u>3,822</u>	-
Total special education	<u>46,240</u>	<u>48,062</u>	<u>48,062</u>	-
 Total instructional staff	 <u>298,055</u>	 <u>297,275</u>	 <u>297,127</u>	 <u>(148)</u>
 General administration				
Board of education services				
Unemployment compensation	13,530	3,530	2,211	(1,319)
Audit services	10,000	10,500	10,500	-
Dues and memberships	5,000	2,864	2,864	-
Legal services	500	522	522	-
Travel	10,000	10,000	10,000	-
Maintenance and repair	2,000	2,000	2,000	-
Trustee commissions	20,000	20,000	19,034	(966)
Workmen's compensation insurance	20,078	16,702	16,702	-
In-service/staff development	1,000	1,000	1,000	-
Refund to applicant for criminal	200	93	93	-
Other charges	<u>15,000</u>	<u>17,000</u>	<u>16,954</u>	<u>(46)</u>
Total board of education services	<u>97,308</u>	<u>84,211</u>	<u>81,880</u>	<u>(2,331)</u>
 Office of the superintendent				
County official/administrative officer	86,500	86,500	86,500	-
Career Ladder Program	1,000	1,000	1,000	-
Clerical personnel	21,040	21,040	21,015	(25)
Social security	1,305	1,181	1,181	-
Medical insurance	8,000	7,572	7,571	(1)
Dental insurance	195	195	195	-
Medicare	1,574	1,574	1,526	(48)
Communication	16,000	10,300	10,300	-
Postal charges	2,000	1,128	1,127	(1)
Travel	-	2,700	2,700	-
Administration equipment	<u>5,000</u>	<u>2,410</u>	<u>2,410</u>	-
Total office of the superintendent	<u>142,614</u>	<u>135,600</u>	<u>135,525</u>	<u>(75)</u>
 Total general administration	 <u>239,922</u>	 <u>219,811</u>	 <u>217,405</u>	 <u>(2,406)</u>

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

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

For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Over (Under)
School Administration				
Office of the principal				
Principals	135,000	131,620	131,620	-
Secretary(ies)	45,400	45,400	45,400	-
Social security	11,185	10,527	10,527	-
State retirement	12,218	12,218	12,218	-
Medical insurance	20,000	19,156	19,155	(1)
Dental insurance	389	389	388	(1)
Medicare	2,616	2,462	2,462	-
Communication	2,000	555	554	(1)
Dues and memberships	1,000	860	860	-
Travel	3,500	3,500	3,500	-
In-service/staff development	1,000	1,000	1,000	-
Other charges	-	550	550	-
Equipment	2,500	2,500	2,500	-
Total office of the principal	<u>236,808</u>	<u>230,737</u>	<u>230,734</u>	<u>(3)</u>
Fiscal services				
Accountants/bookkeepers	41,575	41,575	41,575	-
Inservice training	150	150	-	(150)
Social security	2,578	2,223	2,222	(1)
Medical insurance	6,042	5,539	5,538	(1)
Dental insurance	98	98	97	(1)
Medicare	603	603	520	(83)
Communication	500	500	500	-
Maintenance and repair - equipment	500	500	500	-
Travel	500	500	500	-
Other contracted services	8,000	7,649	7,649	-
Data processing services	2,000	741	740	(1)
Office supplies	3,000	3,000	3,000	-
Inservice/Staff development	2,000	1,634	1,633	(1)
Administration equipment	2,000	2,000	2,000	-
Total fiscal services	<u>69,546</u>	<u>66,712</u>	<u>66,474</u>	<u>(238)</u>
Operation and maintenance of plant				
Operation of plant				
Director	4,785	4,785	4,785	-
Custodial personnel	113,460	99,286	99,285	(1)
Social security	7,335	5,652	5,652	-
Medical insurance	12,000	11,788	11,787	(1)
Dental insurance	196	196	186	(10)
Medicare	1,715	1,385	1,385	-
Maintenance and repair	28,000	28,000	28,000	-

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

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

For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Over (Under)
Rental	2,400	2,400	2,400	-
Travel	2,000	2,000	1,997	(3)
Disposal fees	3,180	3,180	3,180	-
Other contracted services	22,000	18,744	18,743	(1)
Custodial supplies	10,000	5,073	5,073	-
Electricity	100,000	97,378	97,377	(1)
Natural gas	15,000	10,274	10,273	(1)
Water and sewer	11,300	11,300	11,300	-
Other supplies and materials	10,000	10,000	10,000	-
Building and contents insurance	35,071	35,071	35,071	-
Plant operation equipment	-	93,830	238,377	144,547
Total operation of plant	<u>378,442</u>	<u>440,342</u>	<u>584,871</u>	<u>144,529</u>
Maintenance of plant				
Supervisor/director	15,430	15,430	15,430	-
Social security	957	957	957	-
Medical insurance	2,000	2,000	2,000	-
Dental insurance	98	98	32	(66)
Medicare	224	224	224	-
Communication	600	314	314	-
Maintenance and repair	28,200	43,048	42,887	(161)
Travel	2,000	139	139	-
Other contracted services	5,000	1,850	1,850	-
Other supplies and materials	10,000	10,000	10,000	-
In-service/staff development	500	255	255	-
Other charges	10,000	9,899	9,899	-
Maintenance equipment	1,750	6,044	6,044	-
Total maintenance of plant	<u>76,759</u>	<u>90,258</u>	<u>90,031</u>	<u>(227)</u>
Total operation and maintenance of plant	<u>455,201</u>	<u>530,600</u>	<u>674,902</u>	<u>144,302</u>
Student transportation				
Director	15,000	15,000	15,000	-
Bus drivers	78,000	82,172	82,221	49
Training	500	500	435	(65)
Social security	5,766	5,013	5,013	-
Medical insurance	7,296	803	792	(11)
Medicare	1,349	1,349	1,349	-
Contracts with other schools	43,000	33,815	31,814	(2,001)
Contracts with vehicle owners	8,000	-	-	-
Maintenance and repair	500	500	484	(16)
Medical and dental services	1,300	809	809	-

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

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

For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Over (Under)
Travel	1,200	1,200	1,200	-
Gasoline	40,000	40,000	40,000	-
Vehicle and equipment insurance	7,698	7,698	7,698	-
In service/staff development	1,500	230	210	(20)
Equipment	-	15,105	15,105	-
Total student transportation	<u>211,109</u>	<u>204,194</u>	<u>202,130</u>	<u>(2,064)</u>
Central and other				
Other salaries and wages	-	1,678	1,678	-
Social security	-	105	104	(1)
Medicare	-	25	24	(1)
Consultants	2,000	2,955	2,955	-
Maintenance and repair	6,000	2,106	2,106	-
Other contracted services	10,000	15,393	15,393	-
Total central and other	<u>18,000</u>	<u>22,262</u>	<u>22,260</u>	<u>(2)</u>
Total support services	<u>1,764,797</u>	<u>1,802,401</u>	<u>1,941,719</u>	<u>139,318</u>
Non-instructional services				
Community services				
Director	17,000	18,201	18,201	-
Part-time personnel	28,000	34,658	34,657	(1)
Social security	2,790	1,322	1,321	(1)
Dental insurance	98	98	97	(1)
Medicare	653	324	323	(1)
Travel	2,000	673	673	-
Other supplies and materials	21,739	35,340	35,087	(253)
Total community services	<u>72,280</u>	<u>90,616</u>	<u>90,359</u>	<u>(257)</u>
Early childhood education				
Director	9,124	9,124	9,124	-
Teachers	93,310	93,310	93,310	-
Educational assistants	53,800	53,800	53,800	-
Other salaries and wages	3,000	3,000	3,000	-
Social security	9,873	9,873	9,873	-
State retirement	9,271	9,271	9,271	-
Medical insurance	13,999	13,999	13,999	-
Dental insurance	487	487	487	-
Medicare	2,310	2,310	2,310	-
Maintenance and repair services	1,000	1,000	1,000	-

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

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

For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Over (Under)
Travel	9,000	10,435	10,435	-
Other supplies and materials	23,234	25,075	25,075	-
Other charges	3,276	-	-	-
Total early childhood education	<u>231,684</u>	<u>231,684</u>	<u>231,684</u>	<u>-</u>
State on-behalf payments				
State payments for postretirement benefits	<u>-</u>	<u>-</u>	<u>42,173</u>	<u>42,173</u>
Capital outlay:				
Other salaries and wages	14,000	14,000	14,000	-
Social security	868	868	868	-
Medicare	203	203	203	-
Other contracted services	3,500	2,635	2,634	(1)
Architects	3,000	-	-	-
Building construction	186,029	263,548	263,548	-
Site development	<u>22,400</u>	<u>21,600</u>	<u>21,600</u>	<u>-</u>
Total capital outlay	<u>230,000</u>	<u>302,854</u>	<u>302,853</u>	<u>(1)</u>
Debt service				
Principal on bonds	80,192	75,000	75,000	-
Interest on bonds	3,560	8,752	8,751	(1)
Principal on capitalized leases	25,533	25,533	25,533	-
Interest on capitalized leases	1,290	1,290	1,289	(1)
Other debt service	<u>500</u>	<u>500</u>	<u>339</u>	<u>(161)</u>
Total debt service	<u>111,075</u>	<u>111,075</u>	<u>110,912</u>	<u>(163)</u>
Total non-instructional services	<u>645,039</u>	<u>736,229</u>	<u>777,981</u>	<u>41,752</u>
Total expenditures	<u>4,435,843</u>	<u>4,549,961</u>	<u>4,728,371</u>	<u>178,410</u>
Revenues under expenditures	(136,232)	(166,155)	(306,881)	(140,726)
OTHER FINANCING SOURCES (USES)				
Note payable proceeds	-	-	228,742	228,742
Operating transfers in	<u>-</u>	<u>-</u>	<u>802</u>	<u>802</u>
Net change in fund balance	<u>\$ (136,232)</u>	<u>\$ (166,155)</u>	<u>(77,337)</u>	<u>\$ 88,818</u>
Fund balance - beginning			<u>734,344</u>	
Fund balance - ending			<u>\$ 657,007</u>	

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

**BRADFORD SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FEDERAL PROJECTS FUND**

For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Over (Under)
REVENUES				
Vocational program improvement - Carl D. Perkins	\$ 11,071	\$ 11,744	\$ 11,744	\$ -
Title I	320,477	333,351	324,599	(8,752)
Race to the Top - ARRA	241,511	95,708	40,543	(55,165)
Special Education - IDEA	121,468	121,289	121,289	-
Special Education - Preschool	5,419	5,419	5,419	-
Title II Grants	28,817	24,110	24,110	-
Twenty-first Century Community Learning Centers	65,312	65,312	65,312	-
Other direct federal	35,460	35,460	35,460	-
Other federal through state	77,385	229,434	184,761	(44,673)
Total revenues	<u>906,920</u>	<u>921,827</u>	<u>813,237</u>	<u>(108,590)</u>
EXPENDITURES				
Instruction				
Regular instruction				
Teachers	366,804	368,289	295,948	(72,341)
Social security	21,180	21,271	14,902	(6,369)
State retirement	30,813	30,948	24,639	(6,309)
Medical insurance	34,397	34,397	32,220	(2,177)
Dental insurance	456	456	433	(23)
Medicare	4,982	5,003	3,829	(1,174)
Maintenance and repair - equipment	4,000	2,317	2,317	-
Other contracted services	26,165	26,795	26,795	-
Instructional supplies	-	766	766	-
Other supplies and materials	8,282	17,528	18,066	538
Equipment	40,517	39,293	35,155	(4,138)
Total regular instruction	<u>537,596</u>	<u>547,063</u>	<u>455,070</u>	<u>(91,993)</u>
Special education program				
Teachers	32,353	32,353	32,353	-
Aides	53,800	53,800	53,800	-
Social security	5,342	5,342	5,342	-
State retirement	2,928	2,928	2,928	-
Dental insurance	98	98	98	-
Medicare	1,250	1,250	1,250	-
Other contracted services	15,195	13,769	13,769	-
Instructional supplies	-	1,247	1,247	-
Other supplies and materials	419	419	419	-
Total special education	<u>111,385</u>	<u>111,206</u>	<u>111,206</u>	<u>-</u>

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

**BRADFORD SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FEDERAL PROJECTS FUND**

For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Over (Under)
Instruction (continued)				
Vocational education				
Other supplies and materials	642	642	642	-
Other charges	321	321	321	-
Equipment	7,658	6,731	6,731	-
Total vocational education	8,621	7,694	7,694	-
Total instruction	657,602	665,963	573,970	(91,993)
Support services				
Other student support				
Social workers	14,400	14,400	14,400	-
Social security	893	893	893	-
Medicare	209	209	209	-
Evaluation and testing	5,000	5,000	4,214	(786)
Travel	2,000	3,600	3,600	-
In-service/staff development	5,000	5,000	3,048	(1,952)
Total other student support	27,502	29,102	26,364	(2,738)
Regular instruction				
Supervisor/director	12,000	12,000	12,000	-
Materials supervisor	1,500	1,500	-	(1,500)
Secretary	1,500	1,500	1,500	-
Other salaries and wages	10,054	-	-	-
Social security	294	294	294	-
State retirement	295	295	295	-
Medicare	196	196	196	-
Travel	7,173	7,173	7,173	-
Other contracted services	30,000	30,485	24,792	(5,693)
Library books/media	1,248	3,237	3,237	-
Other supplies and materials	1,194	1,194	1,194	-
In-service-staff development	59,866	56,359	52,856	(3,503)
Other charges	2,854	1,654	1,361	(293)
Other equipment	4,000	4,000	4,000	-
Total regular instruction	132,174	119,887	108,898	(10,989)
Vocational education				
Other salaries and wages	10,620	10,620	10,170	(450)
Social security	658	658	631	(27)
State retirement	342	342	342	-
Medicare	154	154	147	(7)
Travel	450	450	450	-
Total vocational education	12,224	12,224	11,740	(484)

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

**BRADFORD SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FEDERAL PROJECTS FUND**

For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Over (Under)
Support services (continued)				
Operation of plant				
Custodial personnel	-	14,511	14,511	-
Social security	-	783	783	-
Medicare	-	181	181	-
Total operation of plant	-	15,475	15,475	-
Student transportation				
Bus drivers	11,245	9,917	9,917	-
Social security	698	615	615	-
Medicare	163	144	144	-
Total student transportation	12,106	10,676	10,676	-
Total support services	184,006	187,364	173,153	(14,211)
Non-instructional services				
Community services				
Director	4,200	4,200	4,200	-
Teachers	19,751	21,406	21,406	-
Clerical personnel	5,400	5,400	5,400	-
Part-time personnel	25,000	25,000	25,000	-
Social security	3,370	3,473	3,473	-
State retirement	2,168	2,318	2,318	-
Medicare	789	797	797	-
Travel	2,000	1,991	1,991	-
Other contracted services	1,000	-	-	-
Other supplies and materials	1,634	727	727	-
Total community services	65,312	65,312	65,312	-
Total expenditures	906,920	918,639	812,435	(106,204)
Revenues over expenditures	-	3,188	802	(2,386)
OTHER FINANCING USES				
Operating transfers out	-	(4,150)	(802)	3,348
Net change in fund balance	\$ -	\$ (962)	-	\$ 962
Fund balance - beginning			-	
Fund balance - ending			\$ -	

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

BRADFORD SPECIAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	Private-Purpose Trust Funds					Total
	Class of 1951 Scholarship	Tom Fund	School Endowment	Billy M. Pierce Endowment	Wave Young Scholarship	
ASSETS						
Cash	\$ 312	\$ 497	\$ 4,058	\$ 11,703	\$ 7,048	\$ 23,618
Accrued interest receivable	-	-	536	-	-	536
Investments	<u>13,049</u>	<u>16,045</u>	<u>46,945</u>	<u>-</u>	<u>39,426</u>	<u>115,465</u>
Total assets	<u>\$ 13,361</u>	<u>\$ 16,542</u>	<u>\$ 51,539</u>	<u>\$ 11,703</u>	<u>\$ 46,474</u>	<u>\$ 139,619</u>
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000
NET ASSETS						
Held in trust for other purposes	<u>13,361</u>	<u>16,542</u>	<u>51,539</u>	<u>11,703</u>	<u>45,474</u>	<u>138,619</u>
Total net assets	<u>\$ 13,361</u>	<u>\$ 16,542</u>	<u>\$ 51,539</u>	<u>\$ 11,703</u>	<u>\$ 46,474</u>	<u>\$ 139,619</u>

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

BRADFORD SPECIAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2012

	Private-Purpose Trust Funds					Total
	Class of 1951 Scholarship	Tom Fund	School Endowment	Billy M. Pierce Endowment	Wave Young Scholarship	
ADDITIONS						
Contributions	\$ -	\$ -	\$ 495	\$ -	\$ 1,000	\$ 1,495
Investment earnings	<u>150</u>	<u>136</u>	<u>626</u>	<u>82</u>	<u>7,286</u>	<u>8,280</u>
Total additions	150	136	1,121	82	8,286	9,775
DEDUCTIONS						
Other charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>199</u>	<u>199</u>
Change in net assets	150	136	1,121	82	8,087	9,576
Net assets - beginning	<u>13,211</u>	<u>16,406</u>	<u>50,418</u>	<u>11,621</u>	<u>37,387</u>	<u>129,043</u>
Net assets - ending	<u>\$ 13,361</u>	<u>\$ 16,542</u>	<u>\$ 51,539</u>	<u>\$ 11,703</u>	<u>\$ 45,474</u>	<u>\$ 138,619</u>

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

**BRADFORD SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

As required by generally accepted accounting principles, these financial statements present all funds which comprise the District. These financial statements present the District as “The Primary Government” and there are no 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. However, 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.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

**BRADFORD SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2012

recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The District reports the following major governmental funds:

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

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

The District also reports the following fiduciary funds: School Endowment Fund, Tom Endowment Fund, Billy M. Pierce Endowment Fund, Class of 1951 Scholarship Fund and Wave Young Scholarship Fund.

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

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

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

The District's cash consists of 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.

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

Receivables and Payables

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

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

of interfund loans) or “advances to / from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to / from other funds”.

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

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

For the purpose of operating and maintaining the District, the private act creating the District authorized an annual property tax on every one hundred (\$100) assessment of real and personal property located within the District. The current property tax is \$1.82 on every \$100 of real and personal property located within the District.

Inventories

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

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

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

Buildings and improvements	15 – 50 years
Vehicles, equipment and other	7 – 15 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 just ended. Deferred revenues primarily include unearned or unavailable revenues.

BRADFORD SPECIAL SCHOOL DISTRICT NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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 upon leaving employment or retirement. Employees can elect to take ten dollars a day for every sick leave day they have accrued upon retirement. The employee has to have worked with the school system for ten years to be able to take the payout upon retirement. As of June 30, 2012, this amount was immaterial to the financial statements.

Long-term Liabilities

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

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

Fund Equity

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

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

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

- Invested in capital assets, 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

**BRADFORD SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2012

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 State of Tennessee makes payments on behalf of the District 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 department-wide and General Purpose Fund financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The Board of Education approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal year end. Each budget is presented on the modified accrual basis of accounting.

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

B. Expenditures over Budget

For the year ended June 30, 2012, the General Purpose Fund had Support Services expenditures that exceeded appropriations by \$139,318. The overage was mainly attributable to an adjustment to accrue additional expenditures for plant operation equipment financed by a State Energy Efficient Schools Council loan. The additional loan proceeds were also accrued. The Non-Instructional Services function was also over budget by \$41,752. This was caused by on-behalf payments of \$42,173 made by the State for the District that are not included in the District's budget.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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. As of June 30, 2012, all bank deposits were fully collateralized or insured. The District does not have a deposit policy for custodial credit risk.

**BRADFORD SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2012

B. Interfund Receivables, Payables, and Transfers

The General Purpose Fund advances money to the Federal Projects Fund on a short-term basis to meet temporary cash needs. The amount due to the General Purpose Fund as of June 30, 2012, was \$118,957. There was also \$1,000 due to the General Purpose Fund from a fiduciary fund for a student scholarship payment and \$248 due from the General Purpose Fund to the Federal Projects Fund to reimburse an expenditure.

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 112,750	\$ -	\$ -	\$ 112,750
Construction in process	54,750	-	(54,750)	-
	<u>167,500</u>	<u>-</u>	<u>(54,750)</u>	<u>112,750</u>
Capital assets being depreciated				
Buildings and improvements	2,617,952	264,541	-	2,882,493
Vehicles, equipment and other	445,952	298,957	-	744,909
	<u>3,063,904</u>	<u>563,498</u>	<u>-</u>	<u>3,627,402</u>
Less accumulated depreciation for:				
Buildings and improvements	1,583,802	72,579	-	1,656,381
Vehicles, equipment and other	180,535	44,528	-	225,063
	<u>1,764,337</u>	<u>117,107</u>	<u>-</u>	<u>1,881,444</u>
Total capital assets being depreciated, net	<u>1,299,567</u>	<u>446,391</u>	<u>-</u>	<u>1,745,958</u>
Total capital assets, net	<u>\$ 1,467,067</u>	<u>\$ 446,391</u>	<u>\$ (54,750)</u>	<u>\$ 1,858,708</u>

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

Instruction	\$ 3,404
Support Services:	
Operation and maintenance of plant	85,063
Student support	1,606
Non-instructional Services:	
Transportation	24,471
Food service	2,373
Community service	190
Total	<u>\$ 117,107</u>

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

D. Long-term Debt

Long-term debt includes school refunding bonds, Series 1998, which are scheduled to mature in 2014. The amount outstanding as of June 30, 2012, was \$160,000. Long-term debt also includes an interest-free loan payable to the Energy Efficient Schools Council in the amount of \$228,742. Monthly payments will be \$1,906 beginning in October 2012. The District paid off a capital lease with Central States Bus Sales through Blue Bird Body Company, with an annual payment of \$26,822, including interest.

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

Years Ending June 30,	Bonds Payable		Loan Payable		Total
	Principal	Interest	Principal	Interest	
2013	\$ 80,000	\$ 5,340	\$ 17,154	\$ -	\$ 102,494
2014	80,000	1,780	22,872	-	104,652
2015	-	-	22,872	-	22,872
2016	-	-	22,872	-	22,872
2017	-	-	22,872	-	22,872
2018	-	-	22,872	-	22,872
2019	-	-	22,872	-	22,872
2020	-	-	22,872	-	22,872
2021	-	-	22,872	-	22,872
2022	-	-	22,872	-	22,872
2023	-	-	5,740	-	5,740
	<u>\$ 160,000</u>	<u>\$ 7,120</u>	<u>\$ 228,742</u>	<u>\$ -</u>	<u>\$ 395,862</u>

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

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
Bonds Payable	\$ 235,000	\$ -	\$ 75,000	\$ 160,000	\$ 80,000
Loan Payable	-	228,742	-	228,742	17,154
Lease Payable	25,533	-	25,533	-	-
	<u>\$ 260,533</u>	<u>\$ 228,742</u>	<u>\$ 100,533</u>	<u>\$ 388,742</u>	<u>\$ 97,154</u>

**BRADFORD SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2012

NOTE 4 – OTHER INFORMATION

A. Pensions

Plan Description

Employees of Bradford 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 Bradford 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

Bradford 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 0.00% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Bradford Special School District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2012, Bradford Special School District's annual pension cost of \$0 to TCRS was equal to Bradford Special School District's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 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. Bradford Special School District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The

**BRADFORD SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2012

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 <u>Ending</u>	Annual Pension <u>Cost(APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
June 30, 2012	\$0	100.00%	\$0.00
June 30, 2011	\$0	100.00%	\$0.00
June 30, 2010	\$0	100.00%	\$0.00

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 100% funded. The actuarial accrued liability for benefits was \$2.16 million, and the actuarial value of assets was \$2.16 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0. The covered payroll (annual payroll of active employees covered by the plan) was \$0.6 million, and the ratio of the UAAL to the covered payroll was 0%.

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)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2011	\$2,163	\$2,163	\$0	100.00%	\$599	0.00%
July 01, 2009	\$1,803	\$1,803	\$0	100.00%	\$529	0.00%
July 01, 2007	\$1,739	\$1,739	\$0	100.00%	\$451	0.00%

Teachers' Pension Plan

Plan Description

The Bradford Special Schools contribute to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEPP), 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

BRADFORD SPECIAL SCHOOL DISTRICT NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. 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 Bradford Special Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2012 was 9.05% of annual covered payroll. The employer contribution requirement for Bradford Special Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2012, 2011, and 2010 were \$192,892, \$202,129, and \$134,229 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 member of the Tennessee School Boards Liability Trust (TSBLT) and the Tennessee School Boards Workers Compensation Trust (TSB-WCT), which are public entity risk pools, established by the Tennessee School Boards Association, an association of member school districts. The District pays an annual premium to these pools for coverage under the above areas. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The creation of the TSBLT and the TSB-WCT provides for it to be self-sustaining through member premiums. The TSBLT and the TSB-WCT reinsure through commercial insurance companies for claims in excess of a specified amount for each uninsured event.

The District continues to carry commercial insurance for all other risks of loss, including employee health and accident, business trip accidental death and dismemberment and public officials' bond.

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

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 \$41,550 and \$623 respectively.

**BRADFORD 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) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	\$2,163	\$2,163	\$0	100.00%	\$599	0.00%
7/1/2009	\$1,803	\$1,803	\$0	100.00%	\$529	0.00%
7/1/2007	\$1,739	\$1,739	\$0	100.00%	\$451	0.00%

See independent auditor's report

OTHER SUPPLEMENTARY INFORMATION

**BRADFORD SPECIAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAFETERIA FUND**

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				
Charges for current services				
Lunch payments - children	\$ 74,710	\$ 74,715	\$ 74,697	\$ (18)
Lunch payments - adults	19,647	19,104	20,365	1,261
Income from breakfast	<u>19,631</u>	<u>19,587</u>	<u>19,021</u>	<u>(566)</u>
Total charges for current services	<u>113,988</u>	<u>113,406</u>	<u>114,083</u>	<u>677</u>
Other local revenues				
Interest earned	<u>-</u>	<u>-</u>	<u>153</u>	<u>153</u>
State education funds				
School food services	<u>3,365</u>	<u>3,365</u>	<u>3,591</u>	<u>226</u>
Federal through state				
USDA - Lunch	154,255	154,255	149,922	(4,333)
USDA - Breakfast	75,729	75,729	79,565	3,836
USDA - Other	<u>4,676</u>	<u>4,676</u>	<u>5,617</u>	<u>941</u>
Total federal through state	<u>234,660</u>	<u>234,660</u>	<u>235,104</u>	<u>444</u>
Total revenues	<u>352,013</u>	<u>351,431</u>	<u>352,931</u>	<u>1,500</u>
EXPENDITURES				
Food services				
Accountants/bookkeepers	4,300	4,300	4,206	(94)
Cafeteria personnel	107,000	105,420	105,420	-
In-service training	300	300	300	-
Social security	6,800	6,300	5,946	(354)
Medical insurance	15,800	15,020	15,014	(6)
Dental insurance	398	405	404	(1)
Medicare liability	1,400	1,400	1,391	(9)
Maintenance and repair - equipment	1,500	943	943	-
Utilities	8,000	2,008	2,008	-
Food supplies	162,000	167,800	167,758	(42)
Other supplies and materials	5,000	5,000	4,711	(289)
Communication	-	736	735	(1)
Postal charges	176	-	-	-
Travel	5,500	4,459	4,458	(1)

See independent auditor's report

**BRADFORD SPECIAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAFETERIA FUND**

For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Over (Under)
EXPENDITURES (continued)				
Other contracted services	500	2,081	2,081	-
Food prep supplies	17,000	20,500	20,260	(240)
Other charges	3,000	3,545	3,544	(1)
Equipment	10,000	14,075	14,075	-
Total expenditures	348,674	354,292	353,254	(1,038)
Revenues over (under) expenditures	\$ 3,339	\$ (2,861)	(323)	\$ 2,538
Fund balance - beginning			82,514	
Increase (decrease) in inventory			(4,649)	
Fund balance - ending			\$ 77,542	
 Reconciliation to governmental fund financial statements:				
Revenues per budget statement (page 36)		\$ 352,931		
Non-cash revenue not included in budget statement:				
Commodities received		19,087		
Revenues per governmental statement of revenues, expenditures and change in fund balance (page 8)		\$ 372,018		
 Expenditures per budget statement (above)		\$ 353,254		
Non-cash expenditure not included in budget statement:				
Commodities used		19,087		
Expenditures per governmental statement of revenues, expenditures and change in fund balance (page 8)		\$ 372,341		

See independent auditor's report

BRADFORD SPECIAL SCHOOL DISTRICT
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
June 30, 2012

Year Ended June 30,	Bonds Payable		Loan Payable - Energy Efficient Schools Council		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 80,000	\$ 5,340	\$ 17,154	\$ -	\$ 97,154	\$ 5,340
2014	80,000	1,780	22,872	-	102,872	1,780
2015	-	-	22,872	-	22,872	-
2016	-	-	22,872	-	22,872	-
2017	-	-	22,872	-	22,872	-
2018	-	-	22,872	-	22,872	-
2019	-	-	22,872	-	22,872	-
2020	-	-	22,872	-	22,872	-
2021	-	-	22,872	-	22,872	-
2022	-	-	22,872	-	22,872	-
2023	-	-	5,740	-	5,740	-
	<u>\$ 160,000</u>	<u>\$ 7,120</u>	<u>\$ 228,742</u>	<u>\$ -</u>	<u>\$ 388,742</u>	<u>\$ 7,120</u>

See independent auditor's report

BRADFORD SPECIAL SCHOOL DISTRICT
SCHEDULE OF SALARIES AND BONDS
June 30, 2012

	<u>Salary</u>	<u>Bond</u>	
Director of Schools	<u>\$ 86,500</u>	<u>\$ 177,600</u>	*

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

BRADFORD 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 6/30/12	Due from Grantor	Unearned Revenue
U.S. DEPARTMENT OF LABOR							
Job Training Partnership Act	17.259	\$ -	\$ 11,292	\$ 11,292	\$ -	\$ -	\$ -
U.S. DEPARTMENT OF EDUCATION							
Rural Education	84.358A	(2,817)	38,277	35,460	-	-	-
Pass-through the Tennessee Department of Education							
Special Education Grants to States							
IDEA Program, Part B	84.027	-	120,042	121,289	(1,247)	(1,247)	-
IDEA Preschool Program	84.173A	-	5,419	5,419	-	-	-
IDEA Preschool High Costs		-	12,757	12,757	-	-	-
Total Special Education Grants To States		-	138,218	139,465	(1,247)	(1,247)	-
Title I, Grants to Local Education Agencies	84.010 *	(13,184)	181,414	174,036	(5,806)	(6,137)	331
Vocational Education - Carl D. Perkins	84.048	-	11,744	11,744	-	-	-
Title II, Eisenhower Professional Development State Grants							
Part D	84.281	-	117	117	-	-	-
ARRA - Part D	84.281	-	165	165	-	-	-
Total Title II Cluster		-	282	282	-	-	-
Part A	84.367	-	24,110	24,110	-	-	-
Title IV, Part B	84.287C	(28,645)	84,850	65,312	(9,107)	(9,824)	717
Title I, School Improvement Grant	84.377A	(46,777)	157,607	150,563	(39,733)	(39,733)	-
ARRA - Race to the Top	84.395	(47,525)	83,273	40,543	(4,795)	(4,795)	-
ARRA - Teacher Incentive Fund	84.374A	(13,311)	54,298	105,764	(64,777)	(64,777)	-

See independent auditor's report

BRADFORD 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 6/30/12	Due from Grantor	Unearned Revenue
ARRA - Education Jobs Fund	84.410 *	(6,693)	74,117	67,424	-	-	-
ARRA - State Stabilization Fiscal Funds							
Government Services	86.397	(3,300)	3,300	-	-	-	-
Government Services	87.397	(40,467)	79,767	39,300	-	-	-
Government Services	88.397	(20,778)	70,496	75,000	(25,282)	(25,282)	-
Government Services	89.397	-	1,449	1,449	-	-	-
Total State Stabilization Fiscal Funds		(64,545)	155,012	115,749	(25,282)	(25,282)	-
Total U.S. Department of Education		(223,497)	1,003,202	930,452	(150,747)	(151,795)	1,048
U.S. DEPARTMENT OF AGRICULTURE							
Pass-through the Tennessee Department of Agriculture							
Snack Program	10.533 *	(243)	5,589	5,617	(271)	(271)	-
School Breakfast Program	10.553 *	(7,020)	81,742	79,565	(4,843)	(4,843)	-
National School Lunch Program	10.555 *	(13,466)	154,854	149,922	(8,534)	(8,534)	-
Total U.S. Department of Agriculture Cluster		(20,729)	242,185	235,104	(13,648)	(13,648)	-
Total cash federal awards		(244,226)	1,256,679	1,176,848	(164,395)	(165,443)	1,048
U.S. DEPARTMENT OF AGRICULTURE							
Pass-through the Tennessee Department of Agriculture							
Food Distribution - Commodities	10.555 *	-	19,087	19,087	-	-	-
Total federal awards		\$ (244,226)	\$ 1,275,766	\$ 1,195,935	\$ (164,395)	\$ (165,443)	\$ 1,048

* major program

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

See independent auditor's report

BRADFORD SPECIAL SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2012

	<u>Balance 7/1/11</u>	<u>Cash Receipts</u>	<u>Expenditures/ Amount Earned/ Amount Issued</u>	<u>Balance 6/30/12</u>	<u>Due from Grantor</u>
Early Childhood	\$ (20,946)	\$ 217,080	\$ 200,672	\$ (4,538)	\$ (4,538)
TN Agriculture Enhancement Program	(47,250)	47,250	-	-	-
ACT Explore	-	1,479	1,479	-	-
Energy Efficient Loan	-	84,195	228,742	(144,547)	(144,547)
USDA State Match	-	3,591	3,591	-	-
Connect Tennessee	-	1,916	1,916	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total state awards	<u>\$ (68,196)</u>	<u>\$ 355,511</u>	<u>\$ 436,400</u>	<u>\$ (149,085)</u>	<u>\$ (149,085)</u>

See independent auditor's report

INTERNAL CONTROL AND COMPLIANCE SECTION



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

To the Board of Education
Bradford Special School District
Bradford, Tennessee

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bradford Special School District as of and for the year ended June 30, 2012, which collectively comprise the Bradford Special School District's basic financial statements and have issued our report thereon dated December 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 above. 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 and 10-02, 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 the Bradford Special School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Bradford 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 management, the Board of Education, others within the entity, the State of Tennessee Comptroller's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Alexander Thompson Arnold PLLC

Martin, Tennessee
December 31, 2012



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

Board of Education
Bradford Special School District
Bradford, Tennessee

Compliance

We have audited Bradford 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 Bradford Special School District's major federal programs for the year ended June 30, 2012. The Bradford 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 Bradford 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 Bradford Special School District's compliance with those requirements.

In our opinion, Bradford 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 Bradford 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 Bradford 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

This report is intended solely for the information and use of the management, the Board of Education, others within the entity, 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
December 31, 2012

**BRADFORD 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>
84.010	Title I – Grants to Local Education Agencies
84.410	ARRA – Education Jobs Fund
10.533	Snack Program
10.553	School Breakfast Program
10.555	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

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

Section II – Financial Statement Findings

12-01 Expenditures over Budget

Condition: For the year ended June 30, 2012, the General Purpose Fund had Support Services expenditures that exceeded appropriations by \$139,318. The overage was mainly attributable to an adjustment to accrue additional expenditures for plant operation equipment financed by a State Energy Efficient Schools Council loan. The Non-Instructional Services function was also over budget by \$41,752. This was caused by on-behalf payments of \$42,173 made by the State for the District that are not included in the District's budget.

Criteria: Tennessee Code Annotated Section 5-12-110 limits expenditures to the amounts appropriated, which constitutes authorization for such expenditures.

Effect: The District has made unauthorized expenditures.

Recommendation: The District should properly authorize all expenditures by including them in the current year's budget appropriations. The District should make amendments to its budget as necessary to include all expenditures.

Response: *The Board of Trustees approved the application for the grant and the expenditures for the replacement of old HVAC equipment during the summer; however, amendments were not properly included in the budget. In the future, all receipts and expenditures will be included.*

10-02 Failure to Follow Cash Disbursements Controls

Condition: During our testing of cash disbursements, we noted that purchase orders were not being issued for credit card purchases. We also tested 10 invoices for proper purchase order procedures and found 4 instances where a purchase order was not issued prior to the purchase being made.

Criteria: The District's policies for purchase orders states that "all purchases . . . shall be by purchase order or formal contract, and no purchase shall be made nor payment approved unless covered by an approved purchase order."

Effect: Funds have been disbursed that were not properly approved or substantiated in accordance with the District's internal control procedures.

Recommendation: We recommend that internal control procedures for disbursements be followed for all disbursements.

Response: *Every effort will be made to follow internal control procedures for all disbursements.*

Section III – Federal Award Findings and Questioned Costs

None reported.

BRADFORD SPECIAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2012

10-02 Failure to Follow Cash Disbursements Controls – repeated