

HUNTINGDON SPECIAL SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2013

HUNTINGDON SPECIAL SCHOOL DISTRICT

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INTRODUCTORY SECTION

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

June 30, 2013

Board of Education

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

Director of Schools

Pat Dillahunty

FINANCIAL SECTION

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Independent Auditor's Report

Board of Education
Huntingdon Special School District
Huntingdon, Tennessee

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Huntingdon Special School District as of June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Huntingdon Special School District as of June 30, 2013, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of funding progress on page 31 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.

Other Information

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, combining and individual nonmajor fund statements and schedules, schedule of long-term debt principal and interest requirements, schedule of salaries and bonds of principal officials, schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and schedule of state financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund statements and schedules, schedule of long-term debt principal and interest requirements, schedule of salaries and bonds of principal officials, schedule of expenditures of federal awards, and schedule of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 combining and individual nonmajor fund statements and schedules, schedule of long-term debt principal and interest requirements, schedule of salaries and bonds of principal officials,

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.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2014, on our consideration of Huntingdon Special School 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Martin, Tennessee
January 20, 2014

BASIC FINANCIAL STATEMENTS

HUNTINGDON SPECIAL SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 763,239
Investments	3,583,000
Taxes receivable, net	1,376,890
Due from other governmental agencies - non-grant	187,483
Due from other governmental agencies - grants	366,698
Inventory	20,493
Capital assets not being depreciated:	
Land	206,287
Capital assets net of accumulated depreciation:	
Buildings and improvements	11,724,601
Other capital assets	433,473
Total assets	18,662,164
LIABILITIES	
Accounts payable	22,463
Other accrued expenses	293,907
Long-term liabilities:	
Bonds payable - due within one year	365,000
Bonds payable - noncurrent portion	5,739,533
Total liabilities	6,420,903
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	1,376,890
NET POSITION	
Net investment in capital assets	6,259,828
Restricted for	
Education - trophy	2,303
Education - band	2,081
Instruction - Career Ladder	4,357
Education - Career Ladder - Extended Contract	4,835
Debt service	465,085
Operation of non-instructional services	149,110
Unrestricted	3,976,772
Total net position	\$ 10,864,371

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction:					
Regular education	\$ 4,696,832	\$ 2,300	\$ 617,859	\$ -	\$ (4,076,673)
Alternate education	16,222	-	-	-	(16,222)
Special education	821,299	-	415,100	-	(406,199)
Vocational education	203,743	-	20,769	-	(182,974)
Student Body Education	12,290	-	-	-	(12,290)
Support Services:					
Student support	435,290	-	3,863	-	(431,427)
Instructional staff	451,742	-	-	-	(451,742)
General administration	254,454	-	-	-	(254,454)
School administration	513,839	-	-	-	(513,839)
Business administration	56,545	-	-	-	(56,545)
Operation and maintenance of plant	1,241,909	-	-	-	(1,241,909)
Student transportation	25,952	-	-	-	(25,952)
Noninstructional Services:					
Food service	646,145	171,926	452,126	-	(22,093)
Community services	75,036	-	-	-	(75,036)
Early Childhood Education	310,555	-	310,555	-	-
Capital outlay	224,986	-	-	-	(224,986)
Debt service	353,706	-	-	-	(353,706)
Total District	<u>\$ 10,340,545</u>	<u>\$ 174,226</u>	<u>\$ 1,820,272</u>	<u>\$ -</u>	<u>(8,346,047)</u>
General revenues:					
Local taxes					632,142
Property taxes					1,708,571
Intergovernmental:					
Basic Education Program					5,878,607
Other					3,596
Interest					18,347
Other local revenues					17,069
Total general revenues					<u>8,258,332</u>
Change in net position					(87,715)
Net position - July 1, 2012					<u>10,952,086</u>
Net position - June 30, 2013					<u>\$ 10,864,371</u>

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

**HUNTINGDON SPECIAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013**

	<u>MAJOR</u>		<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Debt Service</u>		
ASSETS				
Cash	\$ 550,348	\$ 109,471	\$ 103,420	\$ 763,239
Investments	3,204,419	348,581	30,000	3,583,000
Taxes receivable, net	919,025	457,865	-	1,376,890
Due from other governments	180,450	7,033	-	187,483
Grants receivable	238,246	-	128,452	366,698
Inventory	-	-	20,493	20,493
Total assets	<u>\$5,092,488</u>	<u>\$922,950</u>	<u>\$ 282,365</u>	<u>\$ 6,297,803</u>
LIABILITIES				
Accounts payable	\$ 22,351	\$ -	\$ 112	\$ 22,463
Other accrued expenses	293,907	-	-	293,907
Total liabilities	<u>316,258</u>	-	<u>112</u>	<u>316,370</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	<u>919,025</u>	<u>457,865</u>	-	<u>1,376,890</u>
FUND BALANCES				
Nonspendable - food service inventory	-	-	20,493	20,493
Restricted for:				
Education - trophy	2,303	-	-	2,303
Education - band	2,081	-	-	2,081
Instruction - Career Ladder	4,357	-	-	4,357
Education - Career Ladder - Extended Contract	4,835	-	-	4,835
Debt service	-	465,085	-	465,085
Operation of non-instructional services	-	-	149,110	149,110
Committed for federal projects	-	-	112,650	112,650
Unassigned	<u>3,843,629</u>	-	-	<u>3,843,629</u>
Total fund balances	<u>3,857,205</u>	<u>465,085</u>	<u>282,253</u>	<u>4,604,543</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$5,092,488</u>	<u>\$922,950</u>	<u>\$ 282,365</u>	<u>\$ 6,297,803</u>

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

**HUNTINGDON SPECIAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES**
June 30, 2013

Total governmental fund balances	\$ 4,604,543
Amounts reported for governmental activities on the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported as assets in governmental funds.	12,364,361
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>(6,104,533)</u>
Net position of governmental activities	<u>\$ 10,864,371</u>

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	<u>MAJOR</u>		<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Debt Service</u>		
Revenues				
Taxes	\$ 1,774,749	\$ 565,964	\$ -	\$ 2,340,713
Intergovernmental	6,493,737	-	1,256,724	7,750,461
Charges for services	4,112	-	171,926	176,038
Interest earnings	17,532	529	286	18,347
Other local revenues	15,235	-	21	15,256
Total revenues	<u>8,305,365</u>	<u>566,493</u>	<u>1,428,957</u>	<u>10,300,815</u>
Expenditures				
Instruction	5,269,243	-	677,585	5,946,828
Support services	2,447,205	-	90,880	2,538,085
Food services	-	-	670,102	670,102
Non-instructional services	385,591	-	-	385,591
Debt service	248,882	548,362	-	797,244
Capital outlay:				
Instruction	1,185,596	-	-	1,185,596
Total expenditures	<u>9,536,517</u>	<u>548,362</u>	<u>1,438,567</u>	<u>11,523,446</u>
Revenues over (under) expenditures	<u>(1,231,152)</u>	<u>18,131</u>	<u>(9,610)</u>	<u>(1,222,631)</u>
Other financing sources (uses)				
Transfers in	300,000	300,000	77,650	677,650
Transfers out	(377,650)	(300,000)	-	(677,650)
Refunding bonds	4,485,000	-	-	4,485,000
Premium on refunding bonds	91,690	-	-	91,690
New bond proceeds	1,500,000	-	-	1,500,000
Premium on new bonds	36,382	-	-	36,382
Debt service - principal	(4,435,000)	-	-	(4,435,000)
Total other financing sources (uses)	<u>1,600,422</u>	<u>-</u>	<u>77,650</u>	<u>1,678,072</u>
Net change in fund balance	<u>369,270</u>	<u>18,131</u>	<u>68,040</u>	<u>455,441</u>
Fund balance - July 1, 2012	3,487,935	446,954	210,383	4,145,272
Increase (decrease) in inventory	-	-	3,830	3,830
Fund balance - June 30, 2013	<u>\$ 3,857,205</u>	<u>\$ 465,085</u>	<u>\$ 282,253</u>	<u>\$ 4,604,543</u>

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

**HUNTINGDON SPECIAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

Net change in fund balances - total governmental funds \$ 455,441

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 the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Debt principal payments	435,000	
New bond proceeds	(1,500,000)	
Refunding bonds proceeds	(4,485,000)	
Refunded bonds principal payments	<u>4,435,000</u>	(1,115,000)

Also, governmental funds report the effect of bond premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond premiums	(128,071)	
Amortization of bond premiums	<u>8,538</u>	(119,533)

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

3,830

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

Capital outlays	1,185,596	
Depreciation	<u>(498,049)</u>	

Change in net position of governmental activities \$ (87,715)

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
REVENUES				
Taxes				
Local option sales tax	\$ 582,038	\$ 582,038	\$ 631,542	\$ 49,504
Interstate telecommunications tax	400	400	600	200
Special school district:				
Current property tax	919,025	919,025	927,694	8,669
Prior year's property tax	33,600	33,600	65,827	32,227
Interest and penalty	-	-	5,502	5,502
Payment in lieu of taxes	100,275	100,275	143,584	43,309
Total taxes	<u>1,635,338</u>	<u>1,635,338</u>	<u>1,774,749</u>	<u>139,411</u>
Intergovernmental				
Marriage licenses	400	400	430	30
State revenues				
State education funds:				
Basic Education Program	5,852,000	5,852,000	5,878,607	26,607
Early Childhood Education	310,555	310,555	310,555	-
Other state education funds	75,037	75,037	98,861	23,824
Career Ladder	56,680	56,680	64,374	7,694
Career Ladder - extended contract	37,900	37,900	24,000	(13,900)
Total state education funds	6,332,172	6,332,172	6,376,397	44,225
Other state revenues				
Mixed drink tax	-	-	666	666
Other state grants	575	575	3,863	3,288
Other state revenues	-	-	2,500	2,500
Total state revenues	6,332,747	6,332,747	6,383,426	50,679
Federal revenues				
Federal funds received through state:				
Special education grants to states	109,057	109,057	98,028	(11,029)
Total intergovernmental	<u>6,442,204</u>	<u>6,442,204</u>	<u>6,481,884</u>	<u>39,680</u>
Charges for services				
Tuition - regular day students	-	-	2,300	2,300
Lease/rentals	-	-	100	100
Sale of materials and supplies	-	-	1,712	1,712
Total charges for services	<u>-</u>	<u>-</u>	<u>4,112</u>	<u>4,112</u>
Other local revenues				
Interest earned	35,000	35,000	17,532	(17,468)
Miscellaneous refunds	10,000	10,000	1,026	(8,974)
E-Rate funding	12,000	12,000	12,604	604
Sale of equipment	-	-	105	105
Contributions	1,500	1,500	1,500	-
Total other local revenues	<u>58,500</u>	<u>58,500</u>	<u>32,767</u>	<u>(25,733)</u>
Total revenues	<u>8,136,042</u>	<u>8,136,042</u>	<u>8,293,512</u>	<u>157,470</u>

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
EXPENDITURES				
Instruction				
Regular education				
Teachers	2,986,907	2,940,339	2,911,444	(28,895)
Career Ladder program	39,680	39,680	36,180	(3,500)
Career Ladder - extended contract	33,000	33,000	22,160	(10,840)
Homebound teachers	1,000	1,000	702	(298)
Teacher assistants	151,834	151,834	132,628	(19,206)
Other salaries and wages	500	500	-	(500)
Substitute teachers	25,000	29,068	29,068	-
Non-certified substitute teachers	29,700	41,700	38,207	(3,493)
Social security	205,143	205,143	179,926	(25,217)
State retirement	292,165	292,165	269,349	(22,816)
Medical insurance	276,943	276,943	237,938	(39,005)
Unemployment compensation	6,976	6,976	6,299	(677)
Medicare	47,977	47,977	43,509	(4,468)
Contracts with other schools	12,500	12,500	12,500	-
Maintenance and repair - equipment	16,000	16,000	16,000	-
Other contracted services	70,000	70,000	69,995	(5)
Instructional supplies/materials	110,000	175,000	125,226	(49,774)
Textbooks	80,000	80,000	79,517	(483)
Other supplies and materials	7,000	7,000	6,533	(467)
Fee waivers	675	675	675	-
Other charges	2,500	2,500	1,280	(1,220)
Equipment	42,938	107,938	101,463	(6,475)
Total regular education	<u>4,438,438</u>	<u>4,537,938</u>	<u>4,320,599</u>	<u>(217,339)</u>
Alternate instruction program				
Contracts with other schools	<u>17,000</u>	<u>17,000</u>	<u>16,222</u>	<u>(778)</u>
Special education				
Teachers	307,357	320,357	319,562	(795)
Career Ladder program	5,000	5,000	5,000	-
Homebound teachers	2,000	-	-	-
Aides	23,978	10,812	10,037	(775)
Substitute teachers	2,500	750	750	-
Non-certified substitute teachers	2,500	2,500	2,500	-
Social security	20,977	19,477	19,387	(90)
State retirement	30,558	30,058	29,936	(122)
Medical insurance	28,218	28,134	28,134	-
Medicare	4,906	4,606	4,534	(72)
Contracts with other school systems	85,627	85,627	85,627	-
Contracts with private agencies	2,700	-	-	-
Other contracted services	10,000	10,000	10,000	-
Instructional supplies/materials	10,000	19,000	15,996	(3,004)
Total special education	<u>536,321</u>	<u>536,321</u>	<u>531,463</u>	<u>(4,858)</u>

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Vocational education				
Teachers	142,738	142,738	138,991	(3,747)
Career Ladder program	2,000	2,000	2,000	-
Substitute teachers	1,000	1,000	590	(410)
Non-certified substitute teachers	1,000	1,000	1,000	-
Social security	9,049	9,049	8,060	(989)
State retirement	12,853	12,853	12,466	(387)
Medical insurance	8,359	12,489	12,489	-
Medicare	2,117	2,117	1,885	(232)
Maintenance and repair - equipment	2,000	2,000	582	(1,418)
Other contracted services	1,000	1,000	-	(1,000)
Instructional supplies	4,500	4,500	4,379	(121)
Other supplies and materials	4,400	4,400	1,606	(2,794)
Other charges	5,000	5,000	4,119	(881)
Equipment	1,000	1,000	-	(1,000)
Total vocational education	<u>197,016</u>	<u>201,146</u>	<u>188,167</u>	<u>(12,979)</u>
Student body education				
Other contracted services	9,000	13,100	12,290	(810)
Other charges	200	200	-	(200)
Total student body education	<u>9,200</u>	<u>13,300</u>	<u>12,290</u>	<u>(1,010)</u>
Total instruction	<u>5,197,975</u>	<u>5,305,705</u>	<u>5,068,741</u>	<u>(236,964)</u>
Support services				
Student support				
Attendance:				
Director	27,693	27,693	27,693	-
Clerical personnel	12,685	12,685	11,684	(1,001)
Social security	2,504	2,504	2,117	(387)
State retirement	3,858	3,858	3,780	(78)
Medical insurance	4,233	4,233	4,193	(40)
Medicare	586	586	495	(91)
Travel	800	800	800	-
Other charges	500	500	139	(361)
Total attendance	<u>52,859</u>	<u>52,859</u>	<u>50,901</u>	<u>(1,958)</u>
Health services:				
Medical personnel	33,527	33,527	33,527	-
Social security	2,079	2,079	1,736	(343)
State retirement	3,695	3,695	3,695	-
Medical insurance	600	600	600	-
Medicare	486	486	406	(80)
Travel	1,500	1,500	466	(1,034)
Other supplies/materials	2,500	2,500	2,150	(350)
Health equipment	500	500	-	(500)
Total health services	<u>44,887</u>	<u>44,887</u>	<u>42,580</u>	<u>(2,307)</u>

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Other student support:				
Career Ladder program	2,000	2,000	2,000	-
Guidance personnel	139,743	139,743	139,743	-
Social security	8,788	8,788	8,609	(179)
State retirement	12,586	12,586	12,586	-
Medical insurance	4,237	4,237	4,237	-
Medicare	2,055	2,055	2,013	(42)
Evaluation/testing	10,500	10,500	5,198	(5,302)
Travel	2,000	2,000	700	(1,300)
Other charges	443	443	216	(227)
Other equipment	1,500	1,500	996	(504)
Total other student support	<u>183,852</u>	<u>183,852</u>	<u>176,298</u>	<u>(7,554)</u>
Total student support	<u>281,598</u>	<u>281,598</u>	<u>269,779</u>	<u>(11,819)</u>
Instructional staff				
Regular education:				
Director	91,908	91,908	91,907	(1)
Career Ladder Program	6,000	6,000	6,000	-
Librarian(s)	141,865	141,865	141,865	-
Clerical personnel	26,499	26,499	26,498	(1)
In-service/staff development	26,011	26,011	-	(26,011)
Other salaries and wages	1,000	1,000	26,011	25,011
Social security	18,121	18,121	16,582	(1,539)
State retirement	27,078	27,078	27,045	(33)
Medical insurance	19,541	19,541	19,399	(142)
Medicare	4,238	4,238	3,878	(360)
Travel	8,000	8,000	4,601	(3,399)
Library books	10,500	10,500	10,433	(67)
Other supplies and materials	1,000	1,000	663	(337)
In-service/staff development	10,000	10,000	5,988	(4,012)
Other charges	300	300	55	(245)
Other equipment	500	500	-	(500)
Total regular education	<u>392,561</u>	<u>392,561</u>	<u>380,925</u>	<u>(11,636)</u>
Special education				
Supervisor/Director	7,051	7,051	7,051	-
Social security	438	438	401	(37)
State retirement	626	626	626	-
Medical insurance	673	673	666	(7)
Medicare	102	102	94	(8)
Other contracted services	64,000	64,000	61,420	(2,580)
Total special education	<u>72,890</u>	<u>72,890</u>	<u>70,258</u>	<u>(2,632)</u>

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Vocational education:				
Travel	3,000	3,000	559	(2,441)
Total instructional staff	<u>468,451</u>	<u>468,451</u>	<u>451,742</u>	<u>(16,709)</u>
General administration				
Board of Education services:				
Secretary to Board	11,163	11,163	11,133	(30)
Social security	692	692	599	(93)
State retirement	1,230	1,230	1,227	(3)
Medicare	162	162	140	(22)
Audit services	10,450	10,450	10,450	-
Dues and memberships	4,100	4,100	2,700	(1,400)
Legal services	7,000	3,815	3,144	(671)
Travel	1,500	1,500	125	(1,375)
Other contracted services	2,500	2,500	840	(1,660)
Liability insurance	28,223	28,223	28,223	-
Trustee commissions	27,500	27,500	27,500	-
Workmen's compensation insurance	30,000	33,185	32,553	(632)
Criminal investigation of applicant	1,000	1,000	666	(334)
Other charges	12,000	14,500	14,500	-
Total Board of Education services	<u>137,520</u>	<u>140,020</u>	<u>133,800</u>	<u>(6,220)</u>
Office of the superintendent:				
County official/administrative officer	84,780	84,780	84,780	-
Career Ladder program	1,000	1,000	1,000	-
Social security	5,319	5,319	4,976	(343)
State retirement	7,618	7,618	7,617	(1)
Medical insurance	6,726	6,726	6,665	(61)
Medicare	1,245	1,245	1,164	(81)
Communication	5,000	8,153	8,153	-
Dues and memberships	1,800	1,800	730	(1,070)
Postal charges	3,500	3,500	2,882	(618)
Travel	916	1,016	1,000	(16)
Office supplies	1,000	1,000	791	(209)
Other charges	500	900	896	(4)
Total office of the superintendent	<u>119,404</u>	<u>123,057</u>	<u>120,654</u>	<u>(2,403)</u>
Total general administration	<u>256,924</u>	<u>263,077</u>	<u>254,454</u>	<u>(8,623)</u>

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
School administration				
Office of the principal:				
Principals	208,493	208,493	208,493	-
Career ladder program	1,000	1,000	1,000	-
Assistant(s)	107,275	107,275	107,275	-
Secretary(s)	83,256	83,256	82,315	(941)
Social security	24,802	24,802	24,016	(786)
State retirement	37,303	37,303	37,176	(127)
Medical insurance	16,827	16,827	16,827	-
Medicare	5,800	5,800	5,617	(183)
Communication	14,000	15,000	14,991	(9)
Maintenance and repair	2,000	2,000	2,000	-
Postal charges	3,000	3,000	1,218	(1,782)
Travel	1,500	1,500	283	(1,217)
Other contracted services	2,910	2,910	2,910	-
Office supplies	3,600	3,600	3,600	-
Other charges	-	3,863	3,859	(4)
Equipment	4,000	3,000	2,259	(741)
Total school administration	<u>515,766</u>	<u>519,629</u>	<u>513,839</u>	<u>(5,790)</u>
Fiscal services				
Accountants/bookkeepers	42,908	42,908	42,908	-
Social security	2,661	2,661	1,866	(795)
State retirement	4,729	4,729	4,728	(1)
Medical insurance	600	600	600	-
Medicare	623	623	436	(187)
Maintenance and repair	500	500	259	(241)
Travel	500	500	120	(380)
Other contracted services	4,401	4,401	4,386	(15)
Data processing services	1,400	1,400	725	(675)
Office supplies	500	500	17	(483)
Administration equipment	500	500	500	-
Total fiscal services	<u>59,322</u>	<u>59,322</u>	<u>56,545</u>	<u>(2,777)</u>
Operation and maintenance of plant				
Operation of plant:				
Janitorial services	273,550	283,550	282,678	(872)
Other contracted services	11,200	11,200	11,200	-
Electricity	245,000	265,000	262,156	(2,844)
Natural gas	55,000	55,000	48,248	(6,752)
Water and sewer	27,000	27,000	26,130	(870)
Other supplies and materials	5,000	5,000	4,999	(1)
Building and contents insurance	45,139	46,359	46,359	-
Other charges	30,000	30,000	29,998	(2)
Plant operation equipment	10,000	10,000	3,464	(6,536)
Total operation of plant	<u>701,889</u>	<u>733,109</u>	<u>715,232</u>	<u>(17,877)</u>

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

**HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Maintenance of plant:				
Director	30,720	30,720	30,720	-
Maintenance personnel	29,760	29,760	29,760	-
Other salaries and wages	22,000	22,000	11,759	(10,241)
Social security	5,114	5,114	3,590	(1,524)
State retirement	6,665	6,665	4,793	(1,872)
Medicare	1,196	1,196	840	(356)
Maintenance and repair - building	15,000	16,000	15,898	(102)
Maintenance and repair - equipment	20,000	36,000	34,082	(1,918)
Travel	3,000	3,000	2,704	(296)
Other supplies and materials	5,000	5,000	4,995	(5)
Other charges	8,000	10,500	10,500	-
Maintenance equipment	5,000	5,000	3,972	(1,028)
Total maintenance of plant	<u>151,455</u>	<u>170,955</u>	<u>153,613</u>	<u>(17,342)</u>
Total operation and maintenance of plant	<u>853,344</u>	<u>904,064</u>	<u>868,845</u>	<u>(35,219)</u>
Transportation				
Contracts with parents	<u>30,000</u>	<u>30,000</u>	<u>25,952</u>	<u>(4,048)</u>
Central and other				
Maintenance and repair	1,200	1,200	791	(409)
Travel	500	500	-	(500)
Other contracted services	1,000	1,000	-	(1,000)
Data processing supplies	1,500	1,500	499	(1,001)
Office supplies	2,500	2,500	2,246	(254)
Other supplies and materials	500	500	-	(500)
Other equipment	500	2,550	2,513	(37)
Total central and other	<u>7,700</u>	<u>9,750</u>	<u>6,049</u>	<u>(3,701)</u>
Total support services	<u>2,473,105</u>	<u>2,535,891</u>	<u>2,447,205</u>	<u>(88,686)</u>
Non-instructional services				
Community services				
Teachers	46,740	49,540	49,540	-
Social security	2,897	3,071	3,071	-
State retirement	4,298	4,546	4,546	-
Medicare	678	718	718	-
Postal charges	300	-	-	-
Travel	1,000	168	168	-
Instructional supplies	<u>19,124</u>	<u>16,993</u>	<u>16,993</u>	<u>-</u>
Total community services	<u>75,037</u>	<u>75,036</u>	<u>75,036</u>	<u>-</u>

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Early childhood education				
Teachers	162,090	160,919	160,919	-
Educational assistants	24,332	20,791	20,791	-
Other salaries and wages	19,927	19,746	19,746	-
Non-certified substitute teachers	2,500	2,500	2,500	-
Social security	12,694	11,257	11,257	-
State retirement	18,828	18,146	18,146	-
Medical insurance	19,373	19,307	19,307	-
Employer medicare	2,892	2,634	2,634	-
Travel	3,000	1,743	1,743	-
Other contracted services	28,000	26,686	26,686	-
Instructional supplies	3,219	20,083	20,083	-
In-service/staff development	2,000	-	-	-
Other charges	1,000	491	491	-
Other equipment	10,700	6,252	6,252	-
Total early childhood education	<u>310,555</u>	<u>310,555</u>	<u>310,555</u>	<u>-</u>
Capital outlay				
Architects	-	14,522	14,522	-
Building improvements	-	799,267	799,267	-
Other capital outlay	-	563,370	560,456	(2,914)
Total capital outlay	<u>-</u>	<u>1,377,159</u>	<u>1,374,245</u>	<u>(2,914)</u>
Debt service				
Principal on bonds	79,370	79,370	79,370	-
Total non-instructional services	<u>464,962</u>	<u>1,842,120</u>	<u>1,839,206</u>	<u>(2,914)</u>
Total expenditures	<u>8,136,042</u>	<u>9,683,716</u>	<u>9,355,152</u>	<u>(328,564)</u>
Revenues over (under) expenditures	<u>-</u>	<u>(1,547,674)</u>	<u>(1,061,640)</u>	<u>486,034</u>
Other financing sources (uses)				
Transfers in	-	-	300,000	300,000
Transfers out	-	-	(377,650)	(377,650)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(77,650)</u>	<u>(77,650)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (1,547,674)</u>	<u>(1,139,290)</u>	<u>\$ 408,384</u>
Fund balance - July 1, 2012			3,487,935	
Fund balance - June 30, 2013			<u><u>\$2,348,645</u></u>	

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

**HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2013**

Reconciliation of budgetary basis to statement of revenues, expenditures and changes in fund balances - governmental funds:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other</u>	<u>Net Change</u>
Budgetary basis (above)	\$8,293,512	\$ 9,355,152	\$ (77,650)	\$(1,139,290)
On-behalf payments for post-retirement benefits	11,853	11,853	-	-
Refunding bonds	-	-	4,485,000	4,485,000
Premium on refunding bonds	-	-	91,690	91,690
New bond proceeds	-	-	1,500,000	1,500,000
Premium on new bonds	-	-	36,382	36,382
Debt service - principal	-	-	(4,435,000)	(4,435,000)
Interest on refunded bonds	-	61,599	-	(61,599)
Refunding bonds issuance costs	-	107,913	-	(107,913)
GAAP basis - page 9	<u>\$8,305,365</u>	<u>\$ 9,536,517</u>	<u>\$1,600,422</u>	<u>\$ 369,270</u>

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as promulgated by the Governmental Accounting Standards Board (GASB). These financial statements present all funds which comprise the District. The District has no component units as defined by GASB pronouncements.

B. District-wide and Fund Financial Statements

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

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

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

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

The District reports the following major governmental funds:

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

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

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

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

D. Impact of recently issued accounting pronouncements

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 had no impact on the District's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows and inflows of resources, which are distinct from assets and liabilities, and also renames as net position, rather than net assets, the residual of all other elements presented in a statement of financial position. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. However, management has chosen to implement this pronouncement for the year ended June 30, 2013. The early implementation of this pronouncement did not result in any restatement of prior period balances.

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

E. Assets, Liabilities, and Net Position/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. As of June 30, 2013, the District had invested cash in certificates of deposit, savings accounts and the State Local Government Investment Pool.

Receivables and Payables

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

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

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1, and become delinquent on April 1. The property taxes are collected by the Trustee of Carroll County and remitted to the District. District property tax revenues are recognized in the period in which the taxes are permitted to be used and only for amounts actually received. Property taxes receivable are recognized when an enforceable legal claim to the taxable property arises; however, due to the timing of the receipts, the receivable is reported as a deferred inflow. The receivable is reported net of an allowance for delinquent taxes, which was \$79,915 in the General Fund and \$14,161 in the Debt Service Fund as of June 30, 2013.

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

Capital Assets

Capital assets, which include land, buildings and improvements, and other fixed assets, are reported in the applicable district-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 (amount not rounded) or more and an estimated useful life in excess of two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applied to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District had no deferred outflows as of June 30, 2013.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Property taxes reported as receivables in the statements of financial position before the period for which they were levied are deferred and recognized as an inflow of resources in the period that the amounts become available. This item is reported as unavailable revenue in both the governmental funds balance sheet and the statement of net position.

Compensated Absences

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

Long-term Liabilities

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities in the statement of net position. Bond premiums and discounts 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. With the adoption of GASB 65, bond issuance costs are expensed when incurred in both the district-wide and governmental fund statements.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources along with bond premiums, 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 Balances

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.

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

- 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 in the form of a resolution.
- 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.

In governmental funds, the City'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.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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 statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, with the exception of items that do not involve the receipt or expenditure of cash, such as on-behalf payments made by the State for the District's employees and commodities received and used in the cafeteria. During the current year, there was also bond activity that was not budgeted. The large deficit on the General Fund's budget statement was the result of budgeting capital outlay expenditures, but not budgeting the bond proceeds used for those expenditures. A reconciliation to the statement of revenues, expenditures and changes in fund balance – governmental funds has been provided in the budgetary comparison statements.

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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, 2013, all bank deposits were fully collateralized or insured.

B. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 206,287	\$ -	\$ -	\$ 206,287
Construction in progress	<u>1,111,107</u>	<u>799,267</u>	<u>(1,910,374)</u>	<u>-</u>
Total	1,317,394	799,267	(1,910,374)	206,287
Capital assets being depreciated				
Buildings and improvements	15,324,942	2,252,001	-	17,576,943
Other capital assets	<u>1,134,713</u>	<u>44,702</u>	<u>-</u>	<u>1,179,415</u>
Total capital assets being depreciated	<u>16,459,655</u>	<u>2,296,703</u>	<u>-</u>	<u>18,756,358</u>
Less accumulated depreciation for:				
Buildings and improvements	5,433,075	419,267	-	5,852,342
Other capital assets	<u>667,160</u>	<u>78,782</u>	<u>-</u>	<u>745,942</u>
Total accumulated depreciation	<u>6,100,235</u>	<u>498,049</u>	<u>-</u>	<u>6,598,284</u>
Total being depreciated, net	<u>10,359,420</u>	<u>1,798,654</u>	<u>-</u>	<u>12,158,074</u>
Total capital assets, net	<u>\$ 11,676,814</u>	<u>\$ 2,597,921</u>	<u>\$ (1,910,374)</u>	<u>\$ 12,364,361</u>

Depreciation was charged to governmental activities as follows:

Operation and maintenance of plant	\$367,015
Instruction	40,397
Student support	74,631
Food service	<u>16,006</u>
Total	<u>\$498,049</u>

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

C. Long-term Debt

The District issued \$5,985,000 in limited tax school bonds, Series 2013, on June 12, 2013. In addition to refunding \$4,485,000 of the Series 2003 bonds, new funds of \$1,500,000 were borrowed and added to the total of the new bond issue. This refunding was undertaken to reduce total debt service payments over the next 8 years by \$332,606 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$288,078. The term of the refunding payments was also extended from 2021 to 2027, for a net reduction in total refunding debt service payments of \$35,252. The new money portion matures in 2029. The premium associated with the new bond issue was \$128,071. This amount is being amortized over the life of the new debt, and is included in bonds payable in the statement of net position. Amortization for the year ended June 30, 2013, was \$8,538.

The new bonds have interest rates that vary from 1.0% to 3.0% and the maturity date is February 1, 2029. Principal payments are due annually on February 1, with interest payments due semi-annually on February 1 and August 1.

The following is a summary of future debt service requirements for the City:

Year Ending June 30,	Governmental-type Activities	
	Principal	Interest
2014	\$ 365,000	\$ 81,847
2015	335,000	125,018
2016	340,000	119,994
2017	345,000	114,894
2018	350,000	107,994
2019-2023	1,850,000	431,901
2024-2028	2,000,000	220,962
2029	400,000	12,000
Totals	<u>\$ 5,985,000</u>	<u>\$ 1,214,610</u>

The following is a summary of long-term debt transactions for the year ended June 30, 2013:

Governmental activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
School bonds - refunded	\$ 4,870,000	\$ -	\$ 4,870,000	\$ -	\$ -
School bonds - refunding		4,485,000			
New proceeds included in refunding		<u>1,500,000</u>			
Total new bond issue	-	5,985,000	-	5,985,000	365,000
Bond premium, reduced by amortization	-	128,071	8,538	119,533	n/a
	<u>\$ 4,870,000</u>	<u>\$ 6,113,071</u>	<u>\$ 4,878,538</u>	<u>\$ 6,104,533</u>	<u>\$ 365,000</u>

**HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

D. Interfund Transfers

Interfund transfers made during the year ended June 30, 2013, are summarized as follows:

Transfer to	Transfer from		Total
	General Fund	Debt Service Fund	
General Fund		\$ 300,000	\$ 300,000
Federal Projects Fund	\$ 77,650		77,650
Debt Service Fund	300,000		300,000
Total	<u>\$ 377,650</u>	<u>\$ 300,000</u>	<u>\$ 677,650</u>

The transfer from the General Fund to the Debt Service Fund was for temporary cash needs related to bond payments and was repaid prior to year-end. The transfer to the Federal Projects Fund was to provide cash in advance of receiving grant reimbursements.

NOTE 4 – OTHER INFORMATION

A. Pensions

Employee Defined Benefit Plan

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

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

Funding Policy

Huntingdon Special School District requires employees to contribute 5.0 percent of earnable compensation. Huntingdon Special School District is required to contribute at an actuarially determined

**HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

rate; the rate for the fiscal year ending June 30, 2013, was 11.02% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2013, Huntingdon Special School District's annual pension cost of \$64,599 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0% percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Huntingdon Special School District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was 1 year. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$64,599	100.00%	\$0.00
June 30, 2012	\$61,394	100.00%	\$0.00
June 30, 2011	\$59,960	100.00%	\$0.00

Funded Status and Funding Progress

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

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

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)- Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/01/11	\$1,999	\$2,036	\$37	98.17%	\$582	6.39%

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Teachers Defined Benefit Plan

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

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

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Huntingdon City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2013, was 8.88% of annual covered payroll. The employer contribution requirement for Huntingdon City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2013, 2012, and 2011 were \$425,897, \$423,798, and \$430,535 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

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Workers Compensation Trust (TSB-WCT), which are public entity risk pools, established by the Tennessee School Boards Association, an association of member school districts. The District pays an annual premium to these pools for coverage under the above areas. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The creation of the TSBLT and the TSB-WCT provides for it to be self-sustaining through member premiums. The TSBLT and the TSB-WCT reinsure through commercial insurance companies for claims in excess of a specified amount for each uninsured event.

The District continues to carry commercial insurance for all other risks of loss, including employee health and accident, business trip accidental death and dismemberment and public officials' bond. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

D. On-Behalf Payments for Postretirement Insurance Benefits

The District recognizes as revenues and expenses contributions made by the State of Tennessee to the Teacher Group Plan and Medicare Plan on behalf of the District's employees. For the year ended June 30, 2013, the State made contributions to the Medicare Plan of approximately \$11,853.

**HUNTINGDON SPECIAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2013**

Schedule of Funding Progress

(dollar amounts in thousands)

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

See independent auditor's report

OTHER SUPPLEMENTARY INFORMATION SECTION

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

**HUNTINGDON SPECIAL SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2013**

	Federal Projects Fund	Centralized Cafeteria Fund	Totals
ASSETS			
Cash	\$ 13	\$ 103,407	\$ 103,420
Investments	-	30,000	30,000
Due from other governmental agencies - grants	112,637	15,815	128,452
Inventory	-	20,493	20,493
Total assets	\$ 112,650	\$ 169,715	\$ 282,365
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ 112	\$ 112
Fund Balances			
Nonspendable - inventory	-	20,493	20,493
Restricted - operation of non-instructional services		149,110	149,110
Committed for federal projects	112,650	-	112,650
Total fund balances	112,650	169,603	282,253
Total liabilities and fund balances	\$ 112,650	\$ 169,715	\$ 282,365

See independent auditor's report

**HUNTINGDON SPECIAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2013**

	<u>Federal Projects Fund</u>	<u>Centralized Cafeteria Fund</u>	<u>Totals</u>
REVENUES			
Charges for current services	\$ -	\$ 171,926	\$ 171,926
Other local revenues	-	307	307
State revenue	-	7,351	7,351
Commodities		36,133	36,133
Federal revenue	768,465	444,775	1,213,240
Total revenues	<u>768,465</u>	<u>660,492</u>	<u>1,428,957</u>
EXPENDITURES			
Instruction	677,585	-	677,585
Support services	90,880	-	90,880
Food services	-	670,102	670,102
Total expenditures	<u>768,465</u>	<u>670,102</u>	<u>1,438,567</u>
Revenues over (under) expenditures	-	(9,610)	(9,610)
OTHER FINANCING SOURCES (USES)			
Transfers in	77,650	-	77,650
Net change in fund balances	<u>77,650</u>	<u>(9,610)</u>	<u>68,040</u>
Fund balances - July 1, 2012	35,000	175,383	210,383
Increase (decrease) in inventory	-	3,830	3,830
Fund balances - June 30, 2013	<u>\$ 112,650</u>	<u>\$ 169,603</u>	<u>\$ 282,253</u>

See independent auditor's report

HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SCHOOL FEDERAL PROJECTS
For the Year Ended June 30, 2013

REVENUES	Original Budget	Final Budget	Actual	Variance Over (Under)
Federal through State				
Career and Technical Education	\$ 20,769	\$ 20,769	\$ 20,769	\$ -
Title I	336,257	384,133	317,882	(66,251)
Education of the Handicapped - IDEA	319,574	319,574	301,437	(18,137)
Education of the Handicapped - Preschool	15,635	15,635	15,635	-
Race to the Top	70,498	70,498	28,300	(42,198)
Rural Education	27,380	26,062	10,260	(15,802)
Eisenhower	64,695	72,015	69,208	(2,807)
Other federal through state	4,974	4,974	4,974	-
Total revenues	859,782	913,660	768,465	(145,195)
EXPENDITURES				
Instruction				
Regular instruction				
Teachers	317,801	327,350	263,482	(63,868)
Social security	22,420	23,105	15,049	(8,056)
State retirement	27,365	27,781	22,955	(4,826)
Medical insurance	16,830	16,418	16,418	-
Medicare	5,277	5,432	3,519	(1,913)
Instructional supplies	29,572	48,992	19,704	(29,288)
Other supplies and materials	35,539	19,448	10,648	(8,800)
Other charges	3,000	3,000	2,746	(254)
Regular instruction equipment	-	17,652	17,652	-
Total regular instruction	457,804	489,178	372,173	(117,005)
Special education program				
Teachers	35,283	35,283	35,283	-
Aides	53,703	41,962	41,813	(149)
Other salaries and wages	18,115	20,102	18,205	(1,897)
Social security	6,641	5,897	5,845	(52)
State retirement	10,660	9,569	9,364	(205)
Unemployment compensation	18	18	18	-
Medicare	1,554	1,380	1,365	(15)
Contracts with other schools	135,635	135,635	135,635	-
Other contracted services	20,630	28,010	17,028	(10,982)
Instructional supplies	18,120	20,279	20,280	1
Equipment	5,000	5,000	5,000	-
Total special education	305,359	303,135	289,836	(13,299)
Vocational education				
Instructional supplies and materials	1,000	1,000	1,000	-
Other supplies and materials	1,000	1,000	1,000	-
Equipment	13,576	13,576	13,576	-
Total vocational education	15,576	15,576	15,576	-
Total instruction	778,739	807,889	677,585	(130,304)

See independent auditor's report

HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SCHOOL FEDERAL PROJECTS
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
EXPENDITURES				
Support services				
Other student support				
Other salaries and wages	-	16,660	16,660	-
Social security	-	1,033	1,033	-
State retirement	-	1,480	1,480	-
Employer medicare	-	242	242	-
Travel	4,654	4,654	4,654	-
Other contracted services	539	539	539	-
Other charges	1,248	3,115	1,230	(1,885)
Total other student support	<u>6,441</u>	<u>27,723</u>	<u>25,838</u>	<u>(1,885)</u>
Regular instruction				
Supervisor/director	22,645	22,646	18,713	(3,933)
Clerical personnel	5,494	5,007	5,007	-
Social security	1,876	1,752	1,471	(281)
State retirement	2,327	2,439	2,214	(225)
Medical insurance	2,203	2,021	2,021	-
Medicare	460	454	344	(110)
Inservice/staff development	9,247	10,654	7,378	(3,276)
Other charges	500	1,000	658	(342)
Total regular instruction	<u>44,752</u>	<u>45,973</u>	<u>37,806</u>	<u>(8,167)</u>
Special education program				
In-service training	3,000	3,000	3,000	-
Travel	3,000	3,000	3,000	-
Other contracted services	18,000	20,884	18,570	(2,314)
In-service-staff development	3,000	3,000	475	(2,525)
Total special education	<u>\$ 27,000</u>	<u>\$ 29,884</u>	<u>\$ 25,045</u>	<u>\$ (4,839)</u>
Transportation				
Contracts with other schools	2,000	1,341	1,341	-
Contracts with parents	850	850	850	-
Total transportation	<u>2,850</u>	<u>2,191</u>	<u>2,191</u>	<u>-</u>
Total support services	<u>81,043</u>	<u>105,771</u>	<u>90,880</u>	<u>(14,891)</u>
Total expenditures	<u>859,782</u>	<u>913,660</u>	<u>768,465</u>	<u>(145,195)</u>
Revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Transfer in	-	-	77,650	77,650
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>77,650</u>	<u>\$ 77,650</u>
Fund balance - July 1, 2012			<u>35,000</u>	
Fund balance - June 30, 2013			<u>\$ 112,650</u>	

See independent auditor's report

**HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CENTRAL CAFETERIA FUND
For the Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
REVENUES				
Charges for current services				
Lunch payments - children	\$ 135,000	\$ 135,000	\$ 110,648	\$ (24,352)
Lunch payments - adults	25,000	25,000	22,398	(2,602)
Income from breakfast	20,000	20,000	16,687	(3,313)
A la carte sales	24,000	24,000	22,193	(1,807)
Total charges for current services	<u>204,000</u>	<u>204,000</u>	<u>171,926</u>	<u>(32,074)</u>
Other local revenues				
Interest earned	600	600	286	(314)
Miscellaneous refunds	-	-	21	21
Total other local revenues	<u>600</u>	<u>600</u>	<u>307</u>	<u>(293)</u>
State education funds				
School food services	<u>7,400</u>	<u>7,400</u>	<u>7,351</u>	<u>(49)</u>
Federal through state				
USDA - lunch	300,000	300,000	309,303	9,303
USDA - snack	2,600	2,600	3,200	600
Breakfast reimbursement	130,400	130,400	132,272	1,872
Total federal through state	<u>433,000</u>	<u>433,000</u>	<u>444,775</u>	<u>11,775</u>
Total revenues	<u>645,000</u>	<u>645,000</u>	<u>624,359</u>	<u>(20,641)</u>
EXPENDITURES				
Director	46,831	46,831	46,831	-
Accountants/bookkeepers	11,403	11,403	11,403	-
Cafeteria personnel	182,966	186,066	185,992	(74)
Social Security	14,600	15,110	15,109	(1)
State retirement	15,200	16,670	16,658	(12)
Unemployment compensation	700	700	632	(68)
Medicare liability	2,700	2,718	2,717	(1)
Communication	1,500	1,710	1,708	(2)
Maintenance and repair services - equipment	2,100	4,800	4,800	-
Travel	1,425	1,625	1,616	(9)
Other contracted services	3,000	11,200	11,193	(7)
Food supplies	280,000	280,000	269,558	(10,442)
Clothing allowance	1,500	1,500	1,331	(169)
Utilities	15,000	15,000	15,000	-
Other supplies and materials	24,075	26,325	26,291	(34)
In service/staff development	1,500	2,025	1,813	(212)
Other charges	39,000	17,917	17,917	-
Equipment	1,500	3,400	3,400	-
Total expenditures	<u>645,000</u>	<u>645,000</u>	<u>633,969</u>	<u>(11,031)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,610)</u>	<u>\$ (9,610)</u>

See independent auditor's report

**HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CENTRAL CAFETERIA FUND
For the Year Ended June 30, 2013**

Changes in fund balance:

Fund balance - July 1, 2012	\$ 175,383
Increase (decrease) in inventory	3,830
Expenditures in excess of revenues for the year	<u>(9,610)</u>
Fund balance - June 30, 2013	<u>\$ 169,603</u>

**Reconciliation of budgetary basis to Statement of Revenues, Expenditures,
and Changes in Fund Balance - Governmental Funds on page 9**

	<u>Revenues</u>	<u>Expenditures</u>
Per budget statement above	\$ 624,359	\$ 633,969
Commodities received/disbursed	<u>36,133</u>	<u>36,133</u>
GAAP basis	<u>\$ 660,492</u>	<u>\$ 670,102</u>

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

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes				
Property taxes	\$ 546,865	\$ 546,865	\$ 565,964	\$ 19,099
Other local revenues				
Interest earned	<u>2,500</u>	<u>2,500</u>	<u>529</u>	<u>(1,971)</u>
Total revenues	<u>549,365</u>	<u>549,365</u>	<u>566,493</u>	<u>17,128</u>
EXPENDITURES				
Education debt service:				
Principal on bonds	435,000	355,630	355,630	-
Interest on bonds	182,135	182,135	182,135	-
Trustee's commission	11,000	11,000	10,555	(445)
Other charges	<u>600</u>	<u>600</u>	<u>42</u>	<u>(558)</u>
Total expenditures	<u>628,735</u>	<u>549,365</u>	<u>548,362</u>	<u>(1,003)</u>
Revenues over (under) expenditures	<u>(79,370)</u>	-	<u>18,131</u>	<u>18,131</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	300,000	300,000
Transfers out	<u>-</u>	<u>-</u>	<u>(300,000)</u>	<u>(300,000)</u>
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (79,370)</u>	<u>\$ -</u>	<u>18,131</u>	<u>\$ 18,131</u>
Fund balance - July 1, 2012			<u>446,954</u>	
Fund balance - June 30, 2013			<u>\$ 465,085</u>	

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HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
For the Year Ended June 30, 2013

<u>Year Ended June 30,</u>	<u>Bonds - Series 2013</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 365,000	\$ 81,847
2015	335,000	125,018
2016	340,000	119,994
2017	345,000	114,894
2018	350,000	107,994
2019	355,000	100,994
2020	365,000	93,894
2021	370,000	86,594
2022	375,000	79,194
2023	385,000	71,225
2024	390,000	63,044
2025	395,000	54,268
2026	405,000	44,888
2027	410,000	34,762
2028	400,000	24,000
2029	400,000	12,000
	<u>\$ 5,985,000</u>	<u>\$ 1,214,610</u>

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HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS
June 30, 2013

	<u>Salary</u>	<u>Bond</u>
Director of Schools	\$ <u>84,780</u>	\$ <u>287,787</u>

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

See independent auditor's report

**HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2013

	Federal CFDA Number	Agency or Pass-through Number	Balance 7/1/2012	Cash Receipts	Expenditures/ Amount Earned/ Amount Issued	Balance Unearned (Receivable) 6/30/2013
U.S. DEPARTMENT OF EDUCATION						
Pass-through Tennessee Department of Education						
Title I, Grants to Local Education Agencies	84.01	N/A	\$ -	\$ 308,385	\$ 317,882	\$ (9,497)
Title I, Education Jobs Program	84.410	N/A	-	4,974	4,974	-
Subtotal			-	313,359	322,856	(9,497)
Special Education Grants to States						
IDEA Program	84.027	N/A	(102,992)	350,318	399,465	(152,139)
Preschool Program	84.173	N/A	-	15,635	15,635	-
Total Special Education Grants to States Cluster			(102,992)	365,953	415,100	(152,139)
Title II, Part A3, Eisenhower Professional Development State Grants	84.367A	N/A	(6,562)	74,794	69,209	(977)
Vocational Education - Carl D. Perkins	84.048	N/A	-	4,747	20,769	(16,022)
ARRA - Race-to-the-Top Incentive Grant	84.395A	N/A	-	-	28,300	(28,300)
Title VI, Rural Education Achievement Program	84.358A	N/A	(7,300)	16,515	10,260	(1,045)
State Stabilization Fiscal Funds						
ARRA - Government Services	84.397	N/A	-	6,000	6,000	-
ARRA - Government Services	84.397	N/A	-	6,600	6,600	-
ARRA - Government Services	84.397	N/A	-	2,500	2,500	-
ARRA - Government Services	84.397	N/A	-	3,365	3,365	-
Total State Stabilization Fiscal Funds			-	18,465	18,465	-
Total Department of Education			(116,854)	793,833	884,959	(207,980)
U.S. DEPARTMENT OF AGRICULTURE						
Pass-through Tennessee Department of Agriculture						
School Breakfast Program	10.553*	N/A	(13,149)	139,525	132,272	(5,896)
National School Lunch Program	10.555*	N/A	(25,558)	324,942	309,303	(9,919)
Snack Program	10.555*	N/A	-	3,200	3,200	-
			(38,707)	467,667	444,775	(15,815)
Food distribution - commodities	10.579	N/A	-	36,133	36,133	-
Total Department of Agriculture			(38,707)	503,800	480,908	(15,815)
Total federal awards			\$ (155,561)	\$ 1,297,633	\$ 1,365,867	\$ (223,795)

* major program

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

See independent auditor's report

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

For the Year Ended June 30, 2013

	<u>Balance 7/1/2012</u>	<u>Cash Receipts</u>	<u>Expenditures/ Amount Earned/ Amount Issued</u>	<u>Balance Unearned (Receivable) 6/30/2013</u>
Early Childhood	\$ (11,388)	\$ 247,554	\$ 310,555	\$ (74,389)
Connect Tennessee	-	4,099	4,099	-
Tennessee ARTS Commission	-	3,863	3,863	-
Energy Efficient Schools	-	3,760	3,760	-
Lottery for Education - After School Program (LEAPS)	<u>(3,875)</u>	<u>10,397</u>	<u>75,036</u>	<u>(68,514)</u>
Total state financial assistance	<u>\$ (15,263)</u>	<u>\$ 269,673</u>	<u>\$ 397,313</u>	<u>\$ (142,903)</u>

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

See independent auditor's report

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

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AICPA Center for Public Company Audit Firms
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**Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Members of the Board
Huntingdon Special School District
Huntingdon, Tennessee

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Huntingdon Special School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Huntingdon Special School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Huntingdon Special School District's internal control.

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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Members of the Board
Huntingdon Special School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Huntingdon Special School District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alexander Thompson Arnold PLLC

Martin, Tennessee
January 20, 2014

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
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Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance

Members of the Board
Huntingdon Special School District
Huntingdon, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Huntingdon Special School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The Huntingdon Special School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Huntingdon Special School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Huntingdon Special School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Huntingdon Special School District complied, in all material respects, with the types of 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, 2013.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control 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. *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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Alexander Thompson Arnold PLLC

Martin, Tennessee
January 20, 2014

**HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013**

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 X no
- significant deficiency(ies) identified? _____yes X none reported
- noncompliance material to financial statements noted? _____yes X no

Federal Awards

Internal control over major programs:

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

Identification of major programs:

<u>Program Name</u>	<u>CFDA No.</u>
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Snack Program	10.555

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

Auditee qualified as low-risk auditee? X yes _____no

**HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013**

Section II – Financial Statement Findings

There were no findings reported in the current or prior year.

Section III – Federal Award Findings and Questioned Costs

There were no findings required to be reported by section 510(a) of Circular A-133 in the current or prior year.