

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**For the Fiscal Year Ended June 30, 2013**

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
For the Fiscal Year Ended June 30, 2013

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## **INTRODUCTORY SECTION**

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
LIST OF PRINCIPAL OFFICIALS**

June 30, 2013

Board Chairman	Philip Moore
Vice-Chairman	Kevin Hart
Treasurer	David Taylor
Vice-Treasurer	Ricky Walker
Secretary	Corey Bartholomew

Director of Schools	Dr. Tony Tucker
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## **FINANCIAL SECTION**

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## Independent Auditor's Report

Board of Education  
South Carroll Special School District  
Clarksburg, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of South Carroll 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 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 South Carroll 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 and other supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules contained in the other supplementary information section 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 basic financial statements or to the basic 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 balance sheet and combining schedule of revenues, expenditures and changes in fund balances for the nonmajor governmental funds, the schedules of revenues, expenditures and changes in fund balance – budget and actual for the federal projects fund, centralized cafeteria fund and debt service fund, schedule of principal and interest requirements - general obligation debt, 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 basic 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 December 5, 2013 on our consideration of the South Carroll 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  
December 5, 2013

## **BASIC FINANCIAL STATEMENTS**

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**DISTRICT-WIDE STATEMENT OF NET POSITION**  
June 30, 2013

**ASSETS**

Cash and cash equivalents	\$ 1,319,767
Taxes receivable	487,642
Accounts receivable	158
Due from other governmental agencies	61,298
Due from grantor	83,835
Inventory	8,076
Capital assets, not being depreciated	
Land	310,182
Capital assets, net of accumulated depreciation	
Buildings and improvements	4,606,628
Other capital assets	105,716
<b>Total assets</b>	<u>6,983,302</u>

**LIABILITIES**

Other accrued expenses	41,996
Deferred revenue - taxes	487,642
Noncurrent liabilities:	
Bonds and notes payable, due within one year	73,530
Portion due or payable after one year	3,252,940
<b>Total liabilities</b>	<u>3,856,108</u>

**NET POSITION**

Net investment in capital assets	1,696,056
Restricted for:	
Instruction	2,210
Operation of noninstructional services	57,826
Debt service	51,094
Unrestricted	1,320,008
<b>Total net position</b>	<u>\$ 3,127,194</u>

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**DISTRICT-WIDE STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
<b>Governmental activities</b>				
<b>Instruction</b>				
Regular education	\$ 1,357,741	\$ -	\$ 133,801	\$ (1,223,940)
Alternate education	5,191	-	-	(5,191)
Special education	204,853	-	86,815	(118,038)
Vocational education	181,730	-	17,896	(163,834)
Early Childhood Education	103,518	-	103,518	-
<b>Support Services</b>				
Student support	304,491	-	106,976	(197,515)
Instructional staff	138,644	-	-	(138,644)
General administration	158,551	-	-	(158,551)
School administration	161,206	-	-	(161,206)
Business administration	56,665	-	-	(56,665)
Operation and maintenance of plant	278,651	-	-	(278,651)
Student transportation	195	-	-	(195)
<b>Noninstructional Services</b>				
Food service	220,582	66,893	164,874	11,185
Community services	40,000	-	-	(40,000)
Debt service	119,989	-	-	(119,989)
<b>Total District</b>	<b>\$ 3,332,007</b>	<b>\$ 66,893</b>	<b>\$ 613,880</b>	<b>(2,651,234)</b>
<b>General Revenues:</b>				
Local taxes				214,882
Property taxes				521,655
Intergovernmental:				
Basic Education Program				1,838,823
Other				32,586
Interest				2,778
Other miscellaneous revenues				26,767
Total general revenues				2,637,491
<b>Change in net position</b>				(13,743)
Net position, beginning				3,140,937
Net position, ending				\$ 3,127,194

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

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

	MAJOR		NONMAJOR	Total
	General Purpose	Debt Service	Other Governmental Funds	
<b>ASSETS</b>				
Cash	\$ 1,208,820	\$ 49,474	\$ 61,473	\$ 1,319,767
Taxes receivable	375,337	112,305	-	487,642
Accounts receivable	-	-	158	158
Due from other governmental agencies	59,678	1,620	-	61,298
Due from grantor	34,307	-	49,528	83,835
Due from other funds	49,705	-	-	49,705
Inventory	-	-	8,076	8,076
<b>Total assets</b>	<b><u>\$ 1,727,847</u></b>	<b><u>\$ 163,399</u></b>	<b><u>\$ 119,235</u></b>	<b><u>\$ 2,010,481</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Other accrued expenses	\$ 40,578	\$ -	1,418	\$ 41,996
Due to other funds	-	-	49,705	49,705
Deferred revenue - taxes	<u>375,337</u>	<u>112,305</u>	<u>-</u>	<u>487,642</u>
Total liabilities	<u>415,915</u>	<u>112,305</u>	<u>51,123</u>	<u>579,343</u>
Fund balances				
Nonspendable - inventory	-	-	8,076	8,076
Retricted for:				
Instruction	-	-	2,210	2,210
Operation of noninstructional services	-	-	57,826	57,826
Debt service	-	51,094	-	51,094
Unassigned	<u>1,311,932</u>	<u>-</u>	<u>-</u>	<u>1,311,932</u>
Total fund balances	<u>1,311,932</u>	<u>51,094</u>	<u>68,112</u>	<u>1,431,138</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,727,847</u></b>	<b><u>\$ 163,399</u></b>	<b><u>\$ 119,235</u></b>	<b><u>\$ 2,010,481</u></b>

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

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

<b>Total governmental fund balances</b>	\$ 1,431,138
Amounts reported for governmental activities on the statement of net position are different because of the following:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in governmental funds.	5,022,526
Long-term liabilities, including bonds, notes, and leases payable, are not due in the current period and, therefore, are not reported in the funds.	<u>(3,326,470)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 3,127,194</u></b>

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended June 30, 2013

	<u>MAJOR</u>		<u>NONMAJOR</u>	Total Governmental Funds
	General Purpose	Debt Service	Other Governmental Funds	
<b>REVENUES</b>				
Taxes	\$ 604,824	\$ 131,713	\$ -	\$ 736,537
Intergovernmental	2,067,811	-	417,478	2,485,289
Meal sales	-	-	66,893	66,893
Interest earnings	2,723	-	55	2,778
Miscellaneous	<u>26,767</u>	<u>-</u>	<u>-</u>	<u>26,767</u>
Total revenues	<u>2,702,125</u>	<u>131,713</u>	<u>484,426</u>	<u>3,318,264</u>
<b>EXPENDITURES</b>				
Instruction	1,561,992	-	127,711	1,689,703
Support services	890,762	-	123,285	1,014,047
Food services	-	-	219,607	219,607
Non-instructional services	178,700	-	-	178,700
Capital outlay	62,232	-	5,400	67,632
Debt service	<u>48,262</u>	<u>140,628</u>	<u>-</u>	<u>188,890</u>
Total expenditures	<u>2,741,948</u>	<u>140,628</u>	<u>476,003</u>	<u>3,358,579</u>
<b>Net change in fund balances</b>	<b>(39,823)</b>	<b>(8,915)</b>	<b>8,423</b>	<b>(40,315)</b>
Fund balances, beginning	1,351,755	60,009	56,485	1,468,249
Increase (decrease) in inventory	<u>-</u>	<u>-</u>	<u>3,204</u>	<u>3,204</u>
Fund balances, ending	<u>\$ 1,311,932</u>	<u>\$ 51,094</u>	<u>\$ 68,112</u>	<u>\$ 1,431,138</u>

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

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

<b>Net change in fund balances - total governmental funds</b>	<b>\$ (40,315)</b>
Amounts reported for governmental activities on the statement of activities are different because of the following:	
Inventory is reported in the governmental funds using the purchases method. However, in the statement of activities, they are accounted for using the consumption method.	3,204
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	
Principal payments on long-term debt	68,901
Capital outlay is reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	67,632
Depreciation	<u>(113,165)</u>
<b>Change in net position of governmental activities</b>	<b><u>\$ (13,743)</u></b>

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

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

	Original Budget	Final Budget	Actual	Variance- Over (Under)
<b>REVENUES</b>				
<b>Local Taxes</b>				
Local option sales tax	\$ 180,000	\$ 180,000	\$ 203,531	\$ 23,531
Interstate telecommunications tax	150	150	189	39
Trustee's collections - bankruptcy	-	-	725	725
Circuit clerk-master collections	-	-	10,437	10,437
City/Special School District Property Taxes:				
Current property tax	362,611	362,611	365,674	3,063
Prior year's property tax	4,000	4,000	12,796	8,796
Interest and penalty	2,000	2,000	3,013	1,013
Payment in lieu of taxes	7,000	7,000	8,459	1,459
Total local taxes	<u>555,761</u>	<u>555,761</u>	<u>604,824</u>	<u>49,063</u>
<b>Intergovernmental</b>				
Licenses and Permits				
Marriage licenses	<u>100</u>	<u>100</u>	<u>137</u>	<u>37</u>
State Revenues				
State Education Funds:				
Basic Education Program	1,810,000	1,810,000	1,838,823	28,823
Early Childhood Education	101,991	103,518	103,518	-
Career Ladder	23,306	23,306	20,391	(2,915)
Other state education funds	40,000	40,000	40,000	-
Total state education funds	<u>1,975,297</u>	<u>1,976,824</u>	<u>2,002,732</u>	<u>25,908</u>
Other State Revenues:				
State on-behalf payments for postretirement benefits	-	-	12,015	12,015
Mixed drink tax	125	125	213	88
Other state grants	-	-	445	445
Other state revenues	-	-	2,500	2,500
Total other state revenues	<u>125</u>	<u>125</u>	<u>15,173</u>	<u>15,048</u>
Total state revenues	<u>1,975,422</u>	<u>1,976,949</u>	<u>2,017,905</u>	<u>40,956</u>
Federal Revenues				
Other direct federal revenue	28,000	28,000	28,369	369
Federal Funds Received Through State:				
Career Ladder - Extended Contract	-	8,900	8,900	-
Other federal through State	12,500	12,500	12,500	-
Total federal funds	<u>40,500</u>	<u>49,400</u>	<u>49,769</u>	<u>369</u>
Total intergovernmental	<u>2,016,022</u>	<u>2,026,449</u>	<u>2,067,811</u>	<u>41,362</u>

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
<b>Miscellaneous</b>				
Charges for Current Services				
Receipts from individual schools	3,000	3,000	-	(3,000)
Other Local Revenues				
Interest earned	4,000	4,000	2,723	(1,277)
E-rate funding	3,500	3,500	5,584	2,084
Miscellaneous revenue	-	10,000	10,102	102
Contributions from local groups	-	-	10	10
Insurance recoveries	-	9,835	11,043	1,208
Damages recovered from individuals	-	-	28	28
Total other local revenues	<u>7,500</u>	<u>27,335</u>	<u>29,490</u>	<u>2,155</u>
Total miscellaneous	<u>10,500</u>	<u>30,335</u>	<u>29,490</u>	<u>(845)</u>
<b>Total revenues</b>	<b><u>2,582,283</u></b>	<b><u>2,612,545</u></b>	<b><u>2,702,125</u></b>	<b><u>89,580</u></b>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Regular Education				
Teachers	855,531	846,931	846,897	(34)
Career Ladder Program	9,500	10,000	10,000	-
Career Ladder - Extended Contract	-	8,000	8,000	-
Teacher assistants	36,148	52,398	52,382	(16)
Other salaries and wages	-	1,510	1,510	-
Certified substitute teachers	2,900	2,900	260	(2,640)
Non-certified substitute teachers	11,250	11,250	8,628	(2,622)
Social security	56,766	56,766	52,745	(4,021)
State retirement	79,385	79,385	79,040	(345)
Medical insurance	54,144	60,244	60,217	(27)
Medicare	13,276	13,276	12,336	(940)
Operating lease payments	6,064	6,064	4,395	(1,669)
Maintenance and repair - equipment	-	3,220	3,218	(2)
Travel	-	-	275	275
Other contracted services	3,000	3,000	5,743	2,743
Instructional supplies/materials	20,000	20,000	16,649	(3,351)
Textbooks	26,000	26,000	25,939	(61)
Other supplies and materials	250	885	882	(3)
In-service/staff development	-	355	352	(3)
Other charges	100	100	167	67
Equipment	<u>15,000</u>	<u>28,660</u>	<u>39,463</u>	<u>10,803</u>
Total regular education	<u>1,189,314</u>	<u>1,230,944</u>	<u>1,229,098</u>	<u>(1,846)</u>

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

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

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Alternative Instruction Program				
Contracts with other schools	5,750	5,750	5,191	(559)
Special Education				
Teachers	78,217	78,217	78,217	-
Homebound teachers	227	552	550	(2)
Career Ladder Program	1,000	1,000	1,000	-
Career Ladder - Extended Contract	-	2,825	2,825	-
Substitute teachers	-	280	279	(1)
Social security	4,926	4,926	4,760	(166)
State retirement	7,048	7,048	7,285	237
Medical insurance	3,383	3,383	3,333	(50)
Medicare	1,152	1,152	1,113	(39)
Contracts with other school systems	33,280	33,280	27,912	(5,368)
Evaluation and testing	300	300	600	300
Maintenance and repair - equipment	500	500	1,595	1,095
Travel	-	-	124	124
Other contracted services	300	4,500	6,897	2,397
Instrucional supplies and materials	300	300	743	443
Other charges	100	100	2	(98)
Total special education	<u>130,733</u>	<u>138,363</u>	<u>137,235</u>	<u>(1,128)</u>
Vocational Education				
Teachers	128,623	128,623	128,623	-
Career Ladder Program	1,000	1,000	1,000	-
Certified substitute teachers	100	100	51	(49)
Non-certified substitute teachers	2,000	2,000	1,193	(807)
Social security	8,167	6,467	6,457	(10)
State retirement	11,511	11,511	11,511	-
Medical insurance	18,511	18,511	18,673	162
Medicare	1,910	1,910	1,510	(400)
Maintenance and repair	250	250	-	(250)
Other contracted services	2,900	2,900	3,040	140
Instructional supplies	6,500	5,500	5,498	(2)
Other supplies and materials	125	125	340	215
Other charges	100	100	85	(15)
Equipment	1,500	500	472	(28)
Total vocational education	<u>183,197</u>	<u>179,497</u>	<u>178,453</u>	<u>(1,044)</u>
State On-Behalf Payments:				
State on-behalf payments for postretirement benefits	-	-	12,015	12,015
<b>Total instruction</b>	<u>1,508,994</u>	<u>1,554,554</u>	<u>1,561,992</u>	<u>7,438</u>

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
<b>Support Services</b>				
Student Support				
Attendance				
Travel	350	350	647	297
Other contracted services	33,814	33,814	33,814	-
In-service/staff development	500	500	594	94
Attendance equipment	650	1,375	968	(407)
Total attendance	<u>35,314</u>	<u>36,039</u>	<u>36,023</u>	<u>(16)</u>
Health Services				
Medical personnel	16,700	16,800	16,799	(1)
Social security	1,035	1,035	1,042	7
State retirement	1,177	877	769	(108)
Medical insurance	490	490	523	33
Medicare	242	242	244	2
Travel	125	125	-	(125)
Drugs and medical supplies	500	500	353	(147)
Other supplies/materials	250	250	425	175
Liability insurance	100	100	108	8
In-service/staff development	125	125	200	75
Total health services	<u>20,744</u>	<u>20,544</u>	<u>20,463</u>	<u>(81)</u>
Other Student Support				
Career Ladder Program	3,000	3,000	3,000	-
Guidance personnel	48,638	48,638	48,638	-
Career Ladder - Extended Contract	-	4,000	4,000	-
Social security	3,202	3,202	3,086	(116)
State retirement	4,585	4,585	4,941	356
Medical insurance	519	2,819	5,584	2,765
Medicare	749	749	722	(27)
Evaluation/testing	1,000	1,000	557	(443)
Maintenance and repair	450	450	802	352
Postal charges	-	-	6	6
Travel	900	900	815	(85)
Other contracted services	650	650	334	(316)
Other supplies/materials	5,500	5,500	3,392	(2,108)
In-service/staff development	1,250	1,250	839	(411)
Total other student support	<u>70,443</u>	<u>76,743</u>	<u>76,716</u>	<u>(27)</u>
Total student support	<u>126,501</u>	<u>133,326</u>	<u>133,202</u>	<u>(124)</u>

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
Instructional Staff:				
Regular Education				
Director	49,778	44,378	44,302	(76)
Career Ladder Program	2,000	2,000	2,000	-
Librarian(s)	34,979	34,979	34,979	-
Instructional computer personnel	10,447	10,457	10,448	(9)
Social security	6,172	4,772	4,715	(57)
State retirement	8,840	7,240	7,218	(22)
Medical insurance	3,907	3,907	5,073	1,166
Medicare	1,444	1,444	1,244	(200)
Maintenance and repair	250	250	11	(239)
Travel	550	550	180	(370)
Other contracted services	10,000	6,500	6,488	(12)
Library books	5,000	5,000	5,000	-
Periodicals	400	400	410	10
Other supplies and materials	250	250	272	22
In-service/staff development	800	800	-	(800)
Total regular education	<u>134,817</u>	<u>122,927</u>	<u>122,340</u>	<u>(587)</u>
Special Education				
Director	6,222	6,222	6,222	-
Social security	414	414	386	(28)
State retirement	593	593	553	(40)
Medical insurance	440	440	-	(440)
Medicare	97	97	90	(7)
Total special education	<u>7,766</u>	<u>7,766</u>	<u>7,251</u>	<u>(515)</u>
Vocational Education				
Director	6,222	6,222	6,222	-
Social security	414	414	386	(28)
State retirement	593	593	553	(40)
Medical insurance	440	440	-	(440)
Medicare	97	97	90	(7)
Travel	1,000	1,000	1,802	802
In-service/staff development	500	500	-	(500)
Total vocational education	<u>9,266</u>	<u>9,266</u>	<u>9,053</u>	<u>(213)</u>
Total instructional staff	<u>151,849</u>	<u>139,959</u>	<u>138,644</u>	<u>(1,315)</u>

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

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

	Original Budget	Final Budget	Actual	Variance- Over (Under)
General Administration				
Board of Education Services				
Unemployment compensation	6,265	6,265	6,264	(1)
Audit services	10,750	10,750	11,500	750
Bank charges	-	20	20	-
Dues and memberships	2,000	2,000	1,921	(79)
Legal services	3,500	3,500	271	(3,229)
Postal charges	100	100	120	20
Travel	100	100	-	(100)
Maintenance and repair	1,550	1,550	2,000	450
Other contracted services	200	1,600	1,620	20
Other supplies and materials	200	200	137	(63)
Liability insurance	8,700	10,700	10,759	59
Premium on surety bond	550	550	508	(42)
Trustee commissions	11,810	11,810	12,217	407
Workmen's compensation insurance	9,000	9,000	9,431	431
In-service/staff development	900	900	755	(145)
Refund to applicant for criminal investigation	300	300	304	4
Other charges	1,000	3,539	4,941	1,402
Total board of education services	<u>56,925</u>	<u>62,884</u>	<u>62,768</u>	<u>(116)</u>
Office of the Superintendent				
County official/administrative officer	69,700	69,700	69,700	-
Career Ladder Program	1,000	1,000	1,000	-
Social security	4,383	4,383	4,362	(21)
State retirement	6,278	6,278	6,278	-
Medical insurance	11,548	6,398	6,231	(167)
Medicare	1,025	1,025	1,020	(5)
Communication	1,500	1,500	2,409	909
Dues and memberships	1,200	1,200	1,015	(185)
Postal charges	500	500	404	(96)
Travel	1,500	1,500	1,139	(361)
Office supplies	300	300	335	35
In-service/staff development	1,000	1,000	417	(583)
Other charges	100	100	303	203
Administration equipment	750	250	-	(250)
Total office of the superintendent	<u>100,784</u>	<u>95,134</u>	<u>94,613</u>	<u>(521)</u>
Total general administration	<u>157,709</u>	<u>158,018</u>	<u>157,381</u>	<u>(637)</u>

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

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

	Original Budget	Final Budget	Actual	Variance- Over (Under)
School Administration				
Office of the Principal				
Principals	64,065	64,065	64,065	-
Career ladder program	1,500	2,000	2,000	-
Assistant(s)	26,169	27,619	27,601	(18)
Secretary(s)	30,904	30,904	30,904	-
Social security	7,604	7,604	6,796	(808)
State retirement	10,325	10,325	9,733	(592)
Medical insurance	6,129	6,579	9,650	3,071
Medicare	1,778	1,778	1,590	(188)
Communication	500	500	113	(387)
Dues and memberships	1,300	1,300	975	(325)
Maintenance and repair	250	250	-	(250)
Postal charges	750	750	750	-
Travel	500	500	361	(139)
Other supplies and materials	100	100	-	(100)
Office supplies	1,100	1,100	1,618	518
In-service/staff development	900	900	50	(850)
Other charges	5,000	5,000	5,000	-
Total school administration	<u>158,874</u>	<u>161,274</u>	<u>161,206</u>	<u>(68)</u>
Business Administration				
Fiscal Services:				
Accountants/bookkeepers	39,950	42,050	42,008	(42)
Social security	2,477	2,477	2,531	54
State retirement	2,816	2,816	1,924	(892)
Medical insurance	1,080	1,080	896	(184)
Medicare	579	579	592	13
Data processing services	5,500	5,500	7,194	1,694
Maintenance and repair	250	250	221	(29)
Postal charges	200	200	103	(97)
Travel	-	-	100	100
Data processing supplies	900	900	55	(845)
Office supplies	500	500	813	313
In-service/staff development	500	500	60	(440)
Other charges	50	50	32	(18)
Administration equipment	500	500	136	(364)
Total business administration	<u>55,302</u>	<u>57,402</u>	<u>56,665</u>	<u>(737)</u>

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

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

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Operation and Maintenance of Plant				
Operation of Plant				
Custodial personnel	21,768	26,018	25,972	(46)
Non-certified substitute teacher	-	105	101	(4)
Social security	1,350	1,350	1,617	267
State retirement	1,323	1,323	936	(387)
Medical insurance	490	490	471	(19)
Medicare	316	316	378	62
Maintenance and repair	500	500	147	(353)
Travel	125	125	-	(125)
Disposal fees	6,500	9,500	9,374	(126)
Other contracted services	1,000	1,000	449	(551)
Custodial supplies	9,000	9,000	7,878	(1,122)
Electricity	77,000	77,000	74,898	(2,102)
Natural gas	10,000	13,600	11,548	(2,052)
Water and sewer	45,000	46,545	45,733	(812)
Other supplies and materials	100	100	-	(100)
Boiler insurance	750	750	750	-
Building and contents insurance	13,710	13,710	13,710	-
Other charges	100	100	-	(100)
Plant operation equipment	5,000	5,000	6,119	1,119
Total operation of plant	<u>194,032</u>	<u>206,532</u>	<u>200,081</u>	<u>(6,451)</u>
Maintenance of Plant				
Maintenance personnel	21,421	21,421	19,695	(1,726)
Social security	1,328	1,328	1,221	(107)
State retirement	1,510	1,510	434	(1,076)
Medical insurance	490	490	193	(297)
Medicare	311	311	286	(25)
Maintenance and repair - buildings	-	46,575	51,477	4,902
Maintenance and repair - equipment	8,000	8,000	13,688	5,688
Travel	20,400	400	286	(114)
Other contracted services	2,000	2,000	2,374	374
Gasoline	500	500	471	(29)
Other supplies and materials	8,000	8,000	2,778	(5,222)
Other charges	100	100	6	(94)
Building construction	-	10,000	9,987	(13)
Maintenance equipment	5,000	5,000	725	(4,275)
Other equipment	-	-	1,999	1,999
Total maintenance of plant	<u>69,060</u>	<u>105,635</u>	<u>105,620</u>	<u>(15)</u>
Total operation and maintenance of plant	<u>263,092</u>	<u>312,167</u>	<u>305,701</u>	<u>(6,466)</u>

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

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

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Student Transportation				
Contracts with parents	1,200	-	-	-
Maintenance and repair	800	100	88	(12)
Diesel fuel	1,000	150	107	(43)
Total student transportation	<u>3,000</u>	<u>250</u>	<u>195</u>	<u>(55)</u>
<b>Total support services</b>	<u>916,327</u>	<u>962,396</u>	<u>952,994</u>	<u>(9,402)</u>
<b>Non-Instructional Services</b>				
Community services				
Other salaries and wages	25,655	28,000	26,546	(1,454)
Social security	1,616	1,736	1,645	(91)
State retirement	2,347	2,858	2,039	(819)
Medicare	397	406	385	(21)
Travel	4,600	500	205	(295)
Other contracted services	2,280	1,000	1,045	45
Other supplies and materials	3,105	5,500	8,135	2,635
Total community services	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Early Childhood Education				
Supervisor/Director	3,500	3,500	3,500	-
Teachers	46,638	46,638	46,638	-
Career Ladder Program	1,000	-	-	-
Educational assistants	15,366	15,376	15,366	(10)
Substitute teachers	500	400	-	(400)
Non-certified substitute teachers	400	875	863	(12)
Social security	3,906	4,124	3,514	(610)
State retirement	5,314	5,621	5,156	(465)
Medical insurance	7,419	7,285	6,987	(298)
Unemployment compensation	-	450	-	(450)
Medicare	914	965	822	(143)
Communication	-	1,200	1,052	(148)
Maintenance and repair - equipment	825	500	191	(309)
Travel	1,000	500	335	(165)
Other contracted services	3,000	2,950	3,565	615
Electricity	-	1,000	1,000	-
Instructional supplies	2,100	5,634	5,494	(140)
Textbooks	400	-	-	-
Water and sewer	-	1,000	1,000	-
Other supplies and materials	5,327	-	-	-
In-service/staff development	2,250	500	429	(71)
Other equipment	2,132	5,000	7,606	2,606
Total early childhood education	<u>101,991</u>	<u>103,518</u>	<u>103,518</u>	<u>-</u>
<b>Total non-instructional services</b>	<u>141,991</u>	<u>143,518</u>	<u>143,518</u>	<u>-</u>

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
<b>Debt Service</b>				
Principal on bonds	35,000	35,000	35,000	-
Interest on bonds	6,150	8,650	11,587	2,937
Other debt service	4,620	4,620	1,675	(2,945)
Total debt service	<u>45,770</u>	<u>48,270</u>	<u>48,262</u>	<u>(8)</u>
<b>Capital Projects</b>				
Capital outlay	<u>-</u>	<u>35,182</u>	<u>35,182</u>	<u>-</u>
<b>Total expenditures</b>	<u>2,613,082</u>	<u>2,743,920</u>	<u>2,741,948</u>	<u>(1,972)</u>
<b>Net change in fund balance</b>	<u>\$ (30,799)</u>	<u>\$ (131,375)</u>	<u>(39,823)</u>	<u>\$ 91,552</u>
Fund balance, beginning			<u>1,351,755</u>	
Fund balance, ending			<u>\$ 1,311,932</u>	

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

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

June 30, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

**B. District-wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statements of net 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 has no business-type activities.

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

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

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

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

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

June 30, 2013

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

For the year ended June 30, 2013, the District reported the following major governmental funds:

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

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

The federal projects fund accounts for federal grant revenue and expenditures. The centralized cafeteria fund accounts for the operation of school cafeterias in a central location and includes substantially all of the administrative activities related to food service. These two funds were considered nonmajor funds for the year ended June 30, 2013.

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

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

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

**Deposits and Investments**

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

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

**Receivables and Payables**

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

For the purpose of operating and maintaining the District, the private act creating the District authorized an annual property tax on every one hundred dollar (\$100) assessment of real and personal property located within the District. The current property tax is \$1.65 on every \$100 of real and personal property located within the District.

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

June 30, 2013

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

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

**Inventories**

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

**Capital Assets**

Capital assets, which include land, buildings and improvements, and other assets, are reported in the applicable district-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 (amount not rounded) or more and an estimated useful life in excess of two years. Normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property and equipment of the District is depreciated using the straight line method over the following useful lives:

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

**Deferred Revenue**

Deferred revenue represents amounts that were receivable and measurable at June 30 but were not available to finance expenditures for the year ended June 30. Deferred revenues primarily include unearned or unavailable revenues. As of June 30, 2013, all deferred revenue consisted of unavailable property tax revenue that did not meet the sixty-day requirement for current year revenue.

**Compensated Absences**

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

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

June 30, 2013

### **Long-term Liabilities**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. When present, 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.

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

### **Impact of recently issued accounting pronouncements**

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. As of June 30, 2013, the District had no items that met the definition of deferred outflows or deferred inflows of resources based on the adoption of GASB 63.

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. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements, but has not implemented its effects on items currently reported as deferred assets or liabilities in the financial statements presented herein.

### **Fund Balance**

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

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

The District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances – before using unassigned fund balances.

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

June 30, 2013

**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 district-wide and general purpose fund financial statements.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for governmental funds. The Board of Education approves and appropriates the budgets for these funds annually. As an extension of the formal budgetary process, the Board may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption.

The District's policy is to not allow expenditures to exceed budgetary amounts at the function level without obtaining additional appropriation approval from the Board of Education. For the year ended June 30, 2013, the Central Cafeteria Fund had expenditures that exceeded budgeted appropriations in the amount of \$10,509. However, \$10,440 of this amount was due to the fact that the District did not budget USDA commodities used, which is required to be reported as an expenditure in accordance with generally accepted accounting principles, but does not require a cash expenditure by the District.

**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. Interfund Balances and Transfers**

As of June 30, 2013, there was a payable to the general purpose fund from the federal projects fund in the amount of \$49,705 for money advanced for temporary cash needs.

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

**C. 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	\$ 275,000	\$ 35,182	\$ -	\$ 310,182
Capital assets being depreciated				
Buildings and improvements	10,315,505	26,950	-	10,342,455
Other capital assets	222,732	5,500	-	228,232
Total	<u>10,538,237</u>	<u>32,450</u>	<u>-</u>	<u>10,570,687</u>
Less accumulated depreciation for:				
Buildings and improvements	5,639,253	96,574	-	5,735,827
Other capital assets	105,925	16,591	-	122,516
Total	<u>5,745,178</u>	<u>113,165</u>	<u>-</u>	<u>5,858,343</u>
Total being depreciated, net	<u>4,793,059</u>	<u>(80,715)</u>	<u>-</u>	<u>4,712,344</u>
Capital assets, net	<u>\$ 5,068,059</u>	<u>\$ (45,533)</u>	<u>\$ -</u>	<u>\$ 5,022,526</u>

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

Regular instruction	\$ 59,812
General administration	1,170
Student support	48,004
Food service	4,179
Total	<u>\$ 113,165</u>

**D. Long-term Debt**

The District has a capital outlay note, Series 2001, payable to Tennessee Municipal Bond Fund with monthly interest payments and annual principal payments through 2028. The interest rate as of June 30, 2013, was .33% and the balance outstanding was \$784,000.

The District has a note payable to USDA Rural Development that was used to finance construction. The note was in the principal amount of \$2,694,000 and requires monthly payments of \$11,719 due the 13<sup>th</sup> of each month. The balance outstanding as of June 30, 2013, was \$2,542,470 and the interest rate was 4.125%.

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

Debt service requirements on the long-term debt are as follows:

Years Ending June 30,	Principal	Interest	Total
2014	\$ 73,530	\$ 108,185	\$ 181,715
2015	76,066	106,456	182,522
2016	79,666	104,658	184,324
2017	83,333	102,782	186,115
2018	87,071	100,825	187,896
2019 – 2023	500,086	471,710	971,796
2024 – 2028	626,892	408,533	1,035,425
2029 – 2033	368,453	334,687	703,140
2034 – 2038	452,691	250,449	703,140
2039 – 2043	556,188	146,952	703,140
2044 – 2047	422,494	29,022	451,516
Total	<u>\$ 3,326,470</u>	<u>\$ 2,164,259</u>	<u>\$ 5,490,729</u>

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

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities				
Capital outlay note payable	\$ 819,000	\$ -	\$ 35,000	\$ 784,000
USDA note payable	2,576,371	-	33,901	2,542,470
	<u>\$ 3,395,371</u>	<u>\$ -</u>	<u>\$ 68,901</u>	<u>\$ 3,326,470</u>

**NOTE 4 – OTHER INFORMATION**

**A. Political Subdivision Pension Plan**

**Plan Description**

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

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

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

**Funding Policy**

South Carroll Special School District requires employees to contribute 5.0 percent of earnable compensation. The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013, was 4.58 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for South Carroll Special School District is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ending June 30, 2013, South Carroll Special School District's annual pension cost of \$12,167 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. South Carroll Special School District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 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
6/30/2013	\$12,167	100.00%	\$0
6/30/2012	\$18,928	100.00%	\$0
6/30/2011	\$17,577	100.00%	\$0

**Funded Status and Funding Progress**

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

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

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

June 30, 2013

*(dollar amounts in thousands)*

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

**B. State Employees, Teachers, and Higher Education Employees Pension Plan**

**Plan Description**

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

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

**Funding Policy**

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for South Carroll County Special School District is established at an actuarially determined rate. The rate for the fiscal year ending June 30, 2013, was 8.88% of annual covered payroll. The employer contribution requirement for South Carroll County Special School District is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2013, 2012, and 2011 were \$135,113, \$142,180 and \$134,742, respectively, equal to the required contributions for each year.

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

June 30, 2013

**C. 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.

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

**E. 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 of \$8,953 and \$3,062 respectively.

**F. Commitments**

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
For the Fiscal Year Ended June 30, 2013

*(dollar amounts in thousands)*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	\$320	\$321	\$0	99.93%	\$267	0.09%
7/1/2009	\$203	\$203	\$0	99.86%	\$212	0.13%
7/1/2007	\$203	\$204	\$1	99.51%	\$206	0.49%

*See independent auditor's report*

## **OTHER SUPPLEMENTARY INFORMATION**

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<u>Special Revenue Funds</u>		
	<u>Federal Projects</u>	<u>Central Cafeteria</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash	\$ 2,411	\$ 59,062	\$ 61,473
Accounts receivable	-	158	158
Due from grantor	49,528	-	49,528
Inventory	-	8,076	8,076
<b>Total assets</b>	<b><u>\$ 51,939</u></b>	<b><u>\$ 67,296</u></b>	<b><u>\$ 119,235</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accrued expenses	\$ 24	\$ 1,394	\$ 1,418
Due to General Purpose Fund	49,705	-	49,705
Total liabilities	<u>49,729</u>	<u>1,394</u>	<u>51,123</u>
Fund Balances			
Nonspendable - inventory	-	8,076	8,076
Restricted for instruction	2,210	-	2,210
Restricted for operation of noninstructional services	-	57,826	57,826
Total fund balances	<u>2,210</u>	<u>65,902</u>	<u>68,112</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 51,939</u></b>	<b><u>\$ 67,296</u></b>	<b><u>\$ 119,235</u></b>

*See independant auditor's report*

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

	<u>Special Revenue Funds</u>		
	<u>Federal</u>	<u>Central</u>	
	<u>Projects</u>	<u>Cafeteria</u>	<u>Total</u>
<b>REVENUES</b>			
Charges for current services	\$ -	\$ 66,893	\$ 66,893
Interest income	-	55	55
State revenue	-	2,085	2,085
Federal revenue	<u>252,604</u>	<u>162,789</u>	<u>415,393</u>
Total revenues	<u>252,604</u>	<u>231,822</u>	<u>484,426</u>
<b>EXPENDITURES</b>			
Instruction	127,711	-	127,711
Support services	123,285	-	123,285
Food services	<u>-</u>	<u>225,007</u>	<u>225,007</u>
Total expenditures	<u>250,996</u>	<u>225,007</u>	<u>476,003</u>
<b>Net change in fund balances</b>	<b>1,608</b>	<b>6,815</b>	<b>8,423</b>
Fund balances, beginning	602	55,883	56,485
Increase in inventory	<u>-</u>	<u>3,204</u>	<u>3,204</u>
Fund balances, ending	<u>\$ 2,210</u>	<u>\$ 65,902</u>	<u>\$ 68,112</u>

*See independent auditor's report*

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
FEDERAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013**

	Original <u>Budget</u>	Final <u>Budget</u>	Actual	Variance- Over <u>(Under)</u>
<b>REVENUES</b>				
<b>Federal Revenues</b>				
Vocational program improvement - Carl D. Perkins	\$ 5,395	\$ 5,395	\$ 5,396	\$ 1
Title I	81,991	81,991	77,052	(4,939)
Special Education - Grants to States	86,720	86,720	81,448	(5,272)
Special Education - Preschool Grants	5,367	5,367	5,367	-
Eisenhower	20,088	20,088	14,848	(5,240)
First to the Top	80,000	128,273	66,976	(61,297)
Other federal through State	<u>-</u>	<u>1,517</u>	<u>1,517</u>	<u>-</u>
<b>Total revenues</b>	<u>279,561</u>	<u>329,351</u>	<u>252,604</u>	<u>(76,747)</u>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Regular Instruction				
Teachers	-	1,375	1,375	-
Educational assistants	13,416	13,416	12,682	(734)
Substitute teachers	-	630	609	(21)
Social security	950	1,035	909	(126)
State retirement	1,200	1,237	618	(619)
Medical insurance	650	650	615	(35)
Unemployment compensation	18	18	-	(18)
Medicare	200	219	212	(7)
Instructional supplies	24,754	31,484	33,000	1,516
Other charges	500	500	-	(500)
Equipment	<u>7,591</u>	<u>7,591</u>	<u>6,796</u>	<u>(795)</u>
Total regular instruction	<u>49,279</u>	<u>58,155</u>	<u>56,816</u>	<u>(1,339)</u>
Special Education Program				
Aides	30,900	30,100	30,095	(5)
Non-certified substitute teachers	500	1,450	1,446	(4)
Social security	1,970	1,970	1,956	(14)
State retirement	2,240	1,040	1,028	(12)
Medical Insurance	1,068	1,068	1,059	(9)
Unemployment compensation	450	450	-	(450)
Medicare	461	461	457	(4)
Other contracted services	-	1,930	1,927	(3)
Contracts with other school systems	28,731	28,731	28,731	-
Instructional supplies	227	227	919	692
Equipment	<u>500</u>	<u>200</u>	<u>-</u>	<u>(200)</u>
Total special education program	<u>67,047</u>	<u>67,627</u>	<u>67,618</u>	<u>(9)</u>

*See independent auditor's report*

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
FEDERAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Vocational Education				
Instructional supplies and materials	1,081	1,081	1,439	358
Other charges	200	200	200	-
Equipment	<u>1,914</u>	<u>1,914</u>	<u>1,638</u>	<u>(276)</u>
Total vocational education	<u>3,195</u>	<u>3,195</u>	<u>3,277</u>	<u>82</u>
<b>Total instruction</b>	<u>119,521</u>	<u>128,977</u>	<u>127,711</u>	<u>(1,266)</u>
<b>Support Services</b>				
Other Student Support				
Travel	<u>2,200</u>	<u>2,200</u>	<u>2,119</u>	<u>(81)</u>
Regular Instruction				
Supervisor/director	22,743	22,743	22,743	-
Other salaries and wages	73,650	109,860	59,575	(50,285)
Substitute teachers	1,000	1,000	-	(1,000)
Social security	6,613	8,525	3,588	(4,937)
State retirement	7,212	9,951	5,130	(4,821)
Medical insurance	150	150	-	(150)
Unemployment compensation	33	33	-	(33)
Medicare	1,514	2,040	1,194	(846)
Travel	4,000	4,000	1,845	(2,155)
In-service/staff development	15,038	14,565	7,746	(6,819)
Other charges	1,100	1,100	148	(952)
Other equipment	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
Total regular instruction	<u>133,553</u>	<u>174,467</u>	<u>101,969</u>	<u>(72,498)</u>
Special Education				
Travel	1,957	1,957	1,520	(437)
Other contracted services	20,000	19,420	16,877	(2,543)
Other supplies and materials	663	663	500	(163)
In-service/staff development	<u>420</u>	<u>420</u>	<u>300</u>	<u>(120)</u>
Total special education	<u>23,040</u>	<u>22,460</u>	<u>19,197</u>	<u>(3,263)</u>
Transportation				
Contracts with other school systems	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
<b>Total support services</b>	<u>160,793</u>	<u>201,127</u>	<u>123,285</u>	<u>(77,842)</u>
<b>Total expenditures</b>	<u>280,314</u>	<u>330,104</u>	<u>250,996</u>	<u>(79,108)</u>
<b>Net change in fund balance</b>	<u>\$ (753)</u>	<u>\$ (753)</u>	<u>1,608</u>	<u>\$ 2,361</u>
Fund balance, beginning			<u>602</u>	
Fund balance, ending			<u>\$ 2,210</u>	

*See independent auditor's report*

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
CENTRALIZED CAFETERIA FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
<b>REVENUES</b>				
Charges for current services				
Lunch payments - children	\$ 46,000	\$ 46,000	\$ 42,155	\$ (3,845)
Lunch payments - adults	5,000	5,000	7,058	2,058
Income from breakfast	12,000	12,000	10,996	(1,004)
A La Carte sales	5,500	5,500	6,684	1,184
Total charges for current services	68,500	68,500	66,893	(1,607)
Other local revenues				
Interest earned	-	-	55	55
State education funds				
School Food Services	2,000	2,000	2,085	85
Federal through State				
USDA - lunch	83,430	98,430	99,349	919
USDA - breakfast	45,835	49,235	53,000	3,765
USDA - commodities received	-	-	10,440	10,440
Total federal through state	129,265	147,665	162,789	15,124
<b>Total revenues</b>	<b>199,765</b>	<b>218,165</b>	<b>231,822</b>	<b>13,657</b>
<b>EXPENDITURES</b>				
Food Services				
Director	17,944	17,944	17,944	-
Clerical personnel	5,750	5,750	5,750	-
Cafeteria personnel	46,882	49,482	49,473	(9)
Social security	4,019	4,019	4,491	472
State retirement	3,443	3,443	2,136	(1,307)
Medical insurance	2,570	2,570	1,945	(625)
Unemployment compensation	1,050	1,050	-	(1,050)
Medicare liability	940	940	1,050	110
Communication	500	500	500	-
Pest control	250	250	260	10
Maintenance and repair - equipment	6,500	8,600	8,593	(7)
Postage	100	100	100	-
Travel	200	200	661	461
Other contracted services	300	300	-	(300)

*See independent auditor's report*

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
CENTRALIZED CAFETERIA FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
Food preparation supplies	6,200	6,200	8,488	2,288
Food supplies	88,200	93,400	93,371	(29)
USDA commodities used	-	-	10,440	10,440
Office supplies	250	250	212	(38)
Uniforms	300	300	-	(300)
Utilities	6,000	6,000	6,000	-
Other supplies and materials	500	2,800	2,807	7
In-service/staff development	500	3,200	3,206	6
Other charges	200	3,700	4,561	861
Equipment	<u>3,500</u>	<u>3,500</u>	<u>3,019</u>	<u>(481)</u>
<b>Total expenditures</b>	<u>196,098</u>	<u>214,498</u>	<u>225,007</u>	<u>10,509</u>
 <b>Net change in fund balance</b>	 <b><u>\$ 3,667</u></b>	 <b><u>\$ 3,667</u></b>	 <b>6,815</b>	 <b><u>\$ 3,148</u></b>
 Fund balance, beginning			55,883	
Increase (decrease) in inventory			<u>3,204</u>	
 Fund balance, ending			 <u>\$ 65,902</u>	

*See independent auditor's report*

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
<b>REVENUES</b>				
Current property tax	\$ 108,498	\$ 108,498	\$ 127,891	\$ 19,393
Prior year's property tax	<u>-</u>	<u>-</u>	<u>3,822</u>	<u>3,822</u>
Total revenues	<u>108,498</u>	<u>108,498</u>	<u>131,713</u>	<u>23,215</u>
<b>EXPENDITURES</b>				
Principal on notes	32,533	33,901	33,901	-
Interest on notes and bonds	<u>108,094</u>	<u>106,727</u>	<u>106,727</u>	-
Total expenditures	<u>140,627</u>	<u>140,628</u>	<u>140,628</u>	-
<b>Net change in fund balance</b>	<b><u>\$ (32,129)</u></b>	<b><u>\$ (32,130)</u></b>	<b><u>(8,915)</u></b>	<b><u>\$ 23,215</u></b>
Fund balance, beginning			<u>60,009</u>	
Fund balance, ending			<u>\$ 51,094</u>	

*See independent auditor's report*

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**GENERAL OBLIGATION DEBT**  
June 30, 2013

Year Ended June 30,	Capital Outlay Note		USDA Note		Total
	Principal	Interest	Principal	Interest	
2014	\$ 37,000	\$ 4,087	\$ 36,530	\$ 104,098	181,715
2015	38,000	3,894	38,066	102,562	182,522
2016	40,000	3,696	39,666	100,962	184,324
2017	42,000	3,487	41,333	99,295	186,115
2018	44,000	3,268	43,071	97,557	187,896
2019	46,000	3,039	44,882	95,746	189,667
2020	49,000	2,799	46,768	93,860	192,427
2021	51,000	2,544	48,735	91,893	194,172
2022	54,000	2,278	50,783	89,845	196,906
2023	56,000	1,996	52,918	87,710	198,624
2024	59,000	1,704	55,143	85,485	201,332
2025	62,000	1,397	57,461	83,167	204,025
2026	65,000	1,074	59,877	80,751	206,702
2027	69,000	735	62,394	78,234	210,363
2028	72,000	375	65,017	75,611	213,003
2029	<u>\$ 784,000</u>	<u>\$ 36,373</u>	67,750	72,878	140,628
2030			70,598	70,030	140,628
2031			73,566	67,062	140,628
2032			76,658	63,970	140,628
2033			79,881	60,747	140,628
2034			83,239	57,389	140,628
2035			86,738	53,890	140,628
2036			90,385	50,243	140,628
2037			94,185	46,443	140,628
2038			98,144	42,484	140,628
2039			102,270	38,358	140,628
2040			106,569	34,059	140,628
2041			111,049	29,579	140,628
2042			115,718	24,910	140,628
2043			120,582	20,046	140,628
2044			125,651	14,977	140,628
2045			130,934	9,694	140,628
2046			136,438	4,190	140,628
2047			29,471	161	29,632
			<u>\$ 2,542,470</u>	<u>\$ 2,127,886</u>	<u>\$5,490,729</u>

*See independent auditor's report*

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS**  
June 30, 2013

	<u>Salary</u>	<u>Bond</u>
Director of Schools	\$ 69,700	\$ 145,000

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2013

	Federal CFDA Number	Balance 7/1/12	Cash Receipts	Expenditures/ Amount Earned/ Amount Issued	Balance Unearned (Receivable) 6/30/13
<b>U.S. DEPARTMENT OF EDUCATION</b>					
Pass-through the Tennessee Department of Education					
Title I, Grants to Local Education Agencies	84.010	\$ (1,991)	\$ 77,862	\$ 77,052	\$ (1,181)
Special Education Grants to States					
IDEA Program	84.027	(553)	47,976	80,191	(32,768)
IDEA Program	84.027	-	1,257	1,257	-
Preschool Program	84.173	(2,716)	8,083	5,367	-
Total Special Education Grants to States Cluster		<u>(3,269)</u>	<u>57,316</u>	<u>86,815</u>	<u>(32,768)</u>
Vocational Education - Carl D. Perkins	84.048	-	3,046	5,396	(2,350)
Title II, Eisenhower Professional Development State Grants					
Title II, Eisenhower Professional Development State Grants, Part A3	84.318	-	14,848	14,848	-
Rural Education Achievement Program	84.358A	(143)	28,512	28,369	-
State Fiscal Stabilization Funds					
ARRA - Basic Education Program	84.394	-	2,500	2,500	-
ARRA - Government Services	84.397	-	968	968	-
Total State Fiscal Stabilization Funds Cluster		<u>-</u>	<u>3,468</u>	<u>3,468</u>	<u>-</u>
ARRA - First to the Top - Competitive	84.395	(25,728)	76,756	64,257	(13,229)
ARRA - First to the Top	84.395	(127)	2,846	2,719	-
		<u>(25,855)</u>	<u>79,602</u>	<u>66,976</u>	<u>(13,229)</u>
ARRA - Education Jobs Program	84.410	(10,955)	12,472	1,517	-
Total U.S. Department of Education		<u>(42,213)</u>	<u>277,126</u>	<u>284,441</u>	<u>(49,528)</u>

*See independent auditor's report*

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2013

	Federal CFDA Number	Balance 7/1/12	Cash Receipts	Expenditures/ Amount Earned/ Amount Issued	Balance Unearned (Receivable) 6/30/13
<b>U.S. DEPARTMENT OF LABOR</b>					
Workforce Investment Act Youth Activities	17.259	-	-	12,500	(12,500)
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
Pass-through the Tennessee Department of Agriculture					
School Breakfast Program	10.553	-	53,000	53,000	-
National School Lunch Program	10.555	-	99,349	99,349	-
Food-Distribution - Commodities	10.555	-	10,440	10,440	-
Total U. S. Department of Agriculture		-	162,789	162,789	-
<b>Total</b>		<b>\$ (42,213)</b>	<b>\$ 439,915</b>	<b>\$ 459,730</b>	<b>\$ (62,028)</b>

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

*See independent auditor's report*

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
SCHEDULE OF STATE FINANCIAL ASSISTANCE**  
For the Fiscal Year Ended June 30, 2013

	<u>Balance 7/1/2012</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance Unearned (Receivable) 6/30/2013</u>
Early Childhood	\$ (34,533)	\$ 138,051	\$ 103,518	\$ -
Lottery for Education - After School Programs (LEAPS)	<u>(14,704)</u>	<u>31,929</u>	<u>39,032</u>	<u>(21,807)</u>
Total State Awards	<u>\$ (49,237)</u>	<u>\$ 169,980</u>	<u>\$ 142,550</u>	<u>\$ (21,807)</u>

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

*See independent auditor's report*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

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## Independent Auditor's Report

Board of Education  
South Carroll Special School District  
Clarksburg, 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 South Carroll 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 December 5, 2013.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Carroll 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 South Carroll 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as Items 10-01 and 13-01, that we consider to be significant deficiencies.

## **Compliance and Other Matters**

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

## **South Carroll Special School District's Response to Findings**

The South Carroll Special School District's response to the findings identified in our audit is described in the accompanying schedule of findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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  
December 5, 2013

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS**

For the Fiscal Year Ended June 30, 2013

**13-01 Expenditures Over Budget**

Condition: For the year ended June 30, 2013, the District had expenditures that exceeded the budget in the Central Cafeteria Fund. The budget comparison statements reports expenditures of \$10,509 over budget; however, \$10,440 in expenditures represent USDA commodities used, which is a non-cash expenditure required to be reported in the financial statements under generally accepted accounting principles. Actual cash expenditures exceeded budget appropriations by \$69.

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

Effect: The District has made unauthorized expenditures.

Recommendation: The District should carefully monitor their budgets periodically and make amendments in order to include all expenditures. For budgets prepared using generally accepted accounting principles, all expenditures, including non-cash expenditures of commodities and on-behalf payments, should be budgeted. The District could also consider adopting their budgets on a cash basis, which requires a reconciliation between the budget comparison statements and the statements of revenues, expenditures and changes in fund balances.

Response: *In the future, we will make sure the USDA commodity amount will be budgeted properly.*

**10-01 Segregation of Duties**

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

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

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

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

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
For the Fiscal Year Ended June 30, 2013

- 12-01 Payroll Taxes Not Paid Timely – corrected
- 12-02 Cafeteria Accounts Receivable Not Reconciled – corrected
- 11-03 Cash Receipts Issued Out of Order – corrected
- 11-04 Failure to Follow Required Procedures for Cash Disbursements – corrected
- 10-01 Segregation of Duties – repeated