

HUNTINGDON SPECIAL SCHOOL DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2014

HUNTINGDON SPECIAL SCHOOL DISTRICT

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INTRODUCTORY SECTION

**HUNTINGDON SPECIAL SCHOOL DISTRICT
LIST OF PRINCIPAL OFFICIALS
June 30, 2014**

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

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 Huntingdon Special School District as of June 30, 2014, 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, 2014, 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 29 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 December 22, 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
December 22, 2014

BASIC FINANCIAL STATEMENTS

HUNTINGDON SPECIAL SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF NET POSITION
June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 336,398
Investments	3,997,507
Taxes receivable, net	1,402,844
Due from other governmental agencies - non-grant	187,884
Due from other governmental agencies - grants	408,398
Inventory	20,655
Capital assets not being depreciated:	
Land	206,287
Construction in process	177,076
Capital assets net of accumulated depreciation:	
Buildings and improvements	11,472,368
Other capital assets	376,995
Total assets	<u>18,586,412</u>
LIABILITIES	
Accounts payable	9,163
Other accrued expenses	282,185
Long-term liabilities:	
Bonds payable - due within one year	335,000
Bonds payable - noncurrent portion	5,395,995
Total liabilities	<u>6,022,343</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>1,402,844</u>
NET POSITION	
Net investment in capital assets	6,501,731
Restricted for	
Education - trophy	2,303
Education - band	4,986
Education - Career Ladder - Extended Contract	775
Debt service	529,124
Operation of non-instructional services	142,509
Unrestricted	3,979,797
Total net position	<u>\$ 11,161,225</u>

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities					
Instruction:					
Regular education	\$ 4,971,985	\$ 2,474	\$ 760,765	\$ -	\$ (4,208,746)
Alternate education	16,869	-	-	-	(16,869)
Special education	814,957	-	464,659	-	(350,298)
Vocational education	207,340	-	20,372	-	(186,968)
Student Body Education	9,878	-	-	-	(9,878)
Support Services:					
Student support	443,106	-	-	-	(443,106)
Instructional staff	469,294	-	-	-	(469,294)
General administration	263,106	-	-	-	(263,106)
School administration	564,775	-	-	-	(564,775)
Business administration	58,024	-	-	-	(58,024)
Operation and maintenance of plant	1,139,047	-	-	-	(1,139,047)
Student transportation	27,995	-	-	-	(27,995)
Noninstructional Services:					
Food service	638,174	174,628	444,016	-	(19,530)
Community services	90,036	-	-	-	(90,036)
Early Childhood Education	310,555	-	310,555	-	-
Capital outlay	149,176	-	-	-	(149,176)
Debt service	83,018	-	-	-	(83,018)
Total District	<u>\$ 10,257,335</u>	<u>\$ 177,102</u>	<u>\$ 2,000,367</u>	<u>\$ -</u>	<u>(8,079,866)</u>
General revenues:					
Local taxes					648,705
Property taxes					1,719,884
Intergovernmental:					
Basic Education Program					5,958,000
Other					4,105
Interest					15,823
Other local revenues					30,203
Total general revenues					<u>8,376,720</u>
Change in net position					296,854
Net position - July 1, 2013					<u>10,864,371</u>
Net position - June 30, 2014					<u>\$ 11,161,225</u>

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>MAJOR</u>		<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Debt Service</u>		
ASSETS				
Cash	\$ 60,346	\$ 175,090	\$ 100,962	\$ 336,398
Investments	3,617,988	349,519	30,000	3,997,507
Taxes receivable, net	957,691	445,153	-	1,402,844
Due from other governments	183,369	4,515	-	187,884
Grants receivable	255,104	-	153,294	408,398
Due from other funds	28,000	-	-	28,000
Inventory	-	-	20,655	20,655
Total assets	<u>\$5,102,498</u>	<u>\$974,277</u>	<u>\$ 304,911</u>	<u>\$ 6,381,686</u>
LIABILITIES				
Accounts payable	\$ 8,066	\$ -	\$ 1,097	\$ 9,163
Due to other funds	-	-	28,000	28,000
Other accrued expenses	282,185	-	-	282,185
Total liabilities	<u>290,251</u>	<u>-</u>	<u>29,097</u>	<u>319,348</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	957,691	445,153	-	1,402,844
FUND BALANCES				
Nonspendable - food service inventory	-	-	20,655	20,655
Restricted for:				
Education - trophy	2,303	-	-	2,303
Education - band	4,986	-	-	4,986
Education - Career Ladder - Extended Contract	775	-	-	775
Debt service	-	529,124	-	529,124
Operation of non-instructional services	-	-	142,509	142,509
Committed for federal projects	-	-	112,650	112,650
Unassigned	<u>3,846,492</u>	<u>-</u>	<u>-</u>	<u>3,846,492</u>
Total fund balances	<u>3,854,556</u>	<u>529,124</u>	<u>275,814</u>	<u>4,659,494</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$5,102,498</u>	<u>\$974,277</u>	<u>\$ 304,911</u>	<u>\$ 6,381,686</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, 2014

Total governmental fund balances	\$ 4,659,494
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.	12,232,726
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>(5,730,995)</u>
Net position of governmental activities	<u>\$ 11,161,225</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, 2014

	<u>MAJOR</u>		<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Debt Service</u>		
Revenues				
Taxes	\$ 1,848,932	\$ 519,657	\$ -	\$ 2,368,589
Intergovernmental	6,700,760	-	1,325,073	8,025,833
Charges for services	2,474	-	174,628	177,102
Interest earnings	14,572	938	313	15,823
Other local revenues	30,193	-	10	30,203
Total revenues	<u>8,596,931</u>	<u>520,595</u>	<u>1,500,024</u>	<u>10,617,550</u>
Expenditures				
Instruction	5,396,279	-	740,933	6,137,212
Support services	2,504,175	-	89,276	2,593,451
Food services	-	-	676,416	676,416
Non-instructional services	400,591	-	-	400,591
Debt service	-	456,556	-	456,556
Capital outlay:				
Instruction	298,535	-	-	298,535
Total expenditures	<u>8,599,580</u>	<u>456,556</u>	<u>1,506,625</u>	<u>10,562,761</u>
Net change in fund balance	(2,649)	64,039	(6,601)	54,789
Fund balance - July 1, 2013	3,857,205	465,085	282,253	4,604,543
Increase (decrease) in inventory	-	-	162	162
Fund balance - June 30, 2014	<u>\$ 3,854,556</u>	<u>\$ 529,124</u>	<u>\$ 275,814</u>	<u>\$ 4,659,494</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, 2014

Net change in fund balances - total governmental funds \$ 54,789

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 365,000

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.

Amortization of bond premiums 8,538

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.

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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 298,535
Depreciation (430,170)

Change in net position of governmental activities \$ 296,854

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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
REVENUES				
Taxes				
Local option sales tax	\$ 600,439	\$ 600,439	\$ 648,029	\$ 47,590
Interstate telecommunications tax	400	400	676	276
Special school district:				
Current property tax	957,691	957,691	969,080	11,389
Prior year's property tax	45,000	45,000	74,785	29,785
Interest and penalty	5,000	5,000	6,753	1,753
Payment in lieu of taxes	147,123	147,123	149,609	2,486
Total taxes	<u>1,755,653</u>	<u>1,755,653</u>	<u>1,848,932</u>	<u>93,279</u>
Intergovernmental				
Marriage licenses	400	400	405	5
State revenues				
State education funds:				
Basic Education Program	5,949,000	5,949,000	5,958,000	9,000
Early Childhood Education	-	310,555	310,555	-
Other state education funds	81,000	171,037	201,249	30,212
Career Ladder	56,208	56,208	44,494	(11,714)
Career Ladder - extended contract	24,000	24,000	18,970	(5,030)
Total state education funds	6,110,208	6,510,800	6,533,268	22,468
Other state revenues				
Mixed drink tax	-	-	700	700
Other state revenues	-	-	3,000	3,000
Total state revenues	6,110,208	6,510,800	6,536,968	26,168
Federal revenues				
Federal funds received through state:				
Special education grants to states	70,910	70,910	150,874	79,964
Total intergovernmental	<u>6,181,518</u>	<u>6,582,110</u>	<u>6,688,247</u>	<u>106,137</u>
Charges for services				
Tuition - regular day students	-	-	2,350	2,350
Lease/rentals	-	-	124	124
Total charges for services	<u>-</u>	<u>-</u>	<u>2,474</u>	<u>2,474</u>
Other local revenues				
Interest earned	20,000	20,000	14,572	(5,428)
Miscellaneous refunds	10,000	10,000	223	(9,777)
E-Rate funding	12,000	12,000	14,074	2,074
Insurance recovery	-	-	14,118	14,118
Contributions	1,500	1,500	1,600	100
Other local revenues	-	-	178	178
Total other local revenues	<u>43,500</u>	<u>43,500</u>	<u>44,765</u>	<u>1,265</u>
Total revenues	<u>7,980,671</u>	<u>8,381,263</u>	<u>8,584,418</u>	<u>203,155</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
EXPENDITURES				
Instruction				
Regular education				
Teachers	3,075,598	3,075,598	2,966,019	(109,579)
Career Ladder program	30,180	30,180	28,180	(2,000)
Career Ladder - extended contract	24,000	24,000	18,800	(5,200)
Homebound teachers	1,000	1,000	247	(753)
Teacher assistants	161,540	161,540	153,926	(7,614)
Other salaries and wages	500	500	90	(410)
Substitute teachers	25,000	25,000	22,367	(2,633)
Non-certified substitute teachers	29,700	29,700	25,757	(3,943)
Social security	210,132	210,132	182,478	(27,654)
State retirement	299,519	299,519	270,606	(28,913)
Medical insurance	250,000	250,000	221,992	(28,008)
Unemployment compensation	5,945	5,945	5,349	(596)
Medicare	49,144	49,144	44,452	(4,692)
Contracts with other schools	12,500	21,231	21,231	-
Operating lease payments	-	2,500	1,463	(1,037)
Maintenance and repair - equipment	17,000	19,500	18,590	(910)
Other contracted services	70,000	70,000	54,208	(15,792)
Instructional supplies/materials	110,000	110,000	101,152	(8,848)
Textbooks	80,000	81,000	79,864	(1,136)
Other supplies and materials	7,000	7,000	4,968	(2,032)
Fee waivers	700	1,000	999	(1)
Other charges	2,500	4,720	4,044	(676)
Equipment	<u>121,000</u>	<u>276,000</u>	<u>255,581</u>	<u>(20,419)</u>
Total regular education	<u>4,582,958</u>	<u>4,755,209</u>	<u>4,482,363</u>	<u>(272,846)</u>
Alternate instruction program				
Contracts with other schools	<u>17,000</u>	<u>17,000</u>	<u>16,869</u>	<u>(131)</u>
Special education				
Teachers	349,646	349,646	339,105	(10,541)
Career Ladder program	5,000	5,000	2,000	(3,000)
Homebound teachers	2,000	2,000	-	(2,000)
Aides	26,557	26,557	23,109	(3,448)
Substitute teachers	2,500	2,500	1,760	(740)
Non-certified substitute teachers	2,500	2,500	2,500	-
Social security	23,635	23,635	21,114	(2,521)
State retirement	34,420	34,420	31,213	(3,207)
Medical insurance	30,912	30,912	30,912	-
Medicare	5,528	5,528	5,528	-
Contracts with other school systems	86,000	86,000	72,419	(13,581)
Other contracted services	12,000	12,000	750	(11,250)
Instructional supplies/materials	<u>10,000</u>	<u>10,000</u>	<u>3,009</u>	<u>(6,991)</u>
Total special education	<u>590,698</u>	<u>590,698</u>	<u>533,419</u>	<u>(57,279)</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Vocational education				
Teachers	142,628	142,628	141,664	(964)
Career Ladder program	2,000	2,000	2,000	-
Substitute teachers	1,000	1,000	-	(1,000)
Non-certified substitute teachers	1,000	1,000	935	(65)
Social security	9,091	9,091	8,192	(899)
State retirement	12,842	12,842	12,757	(85)
Medical insurance	13,302	13,302	13,302	-
Medicare	2,126	2,126	1,916	(210)
Maintenance and repair - equipment	1,500	1,500	240	(1,260)
Other contracted services	1,000	1,000	-	(1,000)
Instructional supplies	5,000	5,000	1,193	(3,807)
Other supplies and materials	4,000	4,000	3,015	(985)
Other charges	5,000	6,600	6,600	-
Equipment	1,000	1,000	247	(753)
Total vocational education	<u>201,489</u>	<u>203,089</u>	<u>192,061</u>	<u>(11,028)</u>
Student body education				
Other contracted services	9,500	10,000	9,878	(122)
Other charges	200	200	-	(200)
Total student body education	<u>9,700</u>	<u>10,200</u>	<u>9,878</u>	<u>(322)</u>
Total instruction	<u>5,401,845</u>	<u>5,576,196</u>	<u>5,234,590</u>	<u>(341,606)</u>
Support services				
Student support				
Attendance:				
Director	28,442	28,442	28,442	-
Clerical personnel	12,685	12,685	11,684	(1,001)
Social security	2,550	2,550	2,050	(500)
State retirement	3,924	3,924	3,851	(73)
Medical insurance	4,471	4,471	3,971	(500)
Medicare	597	597	480	(117)
Travel	800	800	-	(800)
Other charges	500	500	48	(452)
Total attendance	<u>53,969</u>	<u>53,969</u>	<u>50,526</u>	<u>(3,443)</u>
Health services:				
Medical personnel	35,000	35,000	35,000	-
Social security	2,170	2,170	1,800	(370)
State retirement	3,857	3,857	3,857	-
Medical insurance	750	750	750	-
Medicare	508	508	421	(87)
Travel	1,250	1,250	572	(678)
Other supplies/materials	2,750	2,750	2,536	(214)
Health equipment	3,900	5,414	5,414	-
Total health services	<u>50,185</u>	<u>51,699</u>	<u>50,350</u>	<u>(1,349)</u>

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL PURPOSE FUND
For the Year Ended June 30, 2014

	<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	142,187	142,187	142,187	-
Social security	8,939	8,939	8,752	(187)
State retirement	12,804	12,804	12,804	-
Medical insurance	4,474	4,474	4,463	(11)
Medicare	2,091	2,091	2,047	(44)
Evaluation/testing	5,500	5,500	5,500	-
Travel	2,000	2,000	2,000	-
Other charges	440	440	75	(365)
Other equipment	1,500	1,500	-	(1,500)
Total other student support	<u>181,935</u>	<u>181,935</u>	<u>179,828</u>	<u>(2,107)</u>
Total student support	<u>286,089</u>	<u>287,603</u>	<u>280,704</u>	<u>(6,899)</u>
Instructional staff				
Regular education:				
Director	93,518	93,518	93,518	-
Career Ladder Program	5,000	5,000	5,000	-
Librarian(s)	139,442	139,442	139,012	(430)
Clerical personnel	27,498	30,878	30,875	(3)
In-service/staff development	1,000	1,000	-	(1,000)
Other salaries and wages	27,011	27,011	27,011	-
Social security	18,134	18,134	16,723	(1,411)
State retirement	27,138	27,138	27,138	-
Medical insurance	20,865	20,865	17,938	(2,927)
Medicare	4,240	4,240	3,911	(329)
Travel	8,000	8,000	4,828	(3,172)
Library books	10,500	10,500	10,454	(46)
Other supplies and materials	1,000	1,000	924	(76)
In-service/staff development	10,000	10,000	5,848	(4,152)
Other charges	300	300	47	(253)
Other equipment	1,500	1,500	1,080	(420)
Total regular education	<u>395,146</u>	<u>398,526</u>	<u>384,307</u>	<u>(14,219)</u>
Special education				
Supervisor/Director	7,141	7,141	7,140	(1)
Social security	443	443	403	(40)
State retirement	634	634	634	-
Medical insurance	728	728	704	(24)
Medicare	104	104	94	(10)
Other contracted services	95,000	95,000	74,859	(20,141)
Total special education	<u>104,050</u>	<u>104,050</u>	<u>83,834</u>	<u>(20,216)</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Vocational education:				
Travel	2,000	2,000	1,153	(847)
Total instructional staff	<u>501,196</u>	<u>504,576</u>	<u>469,294</u>	<u>(35,282)</u>
General administration				
Board of Education services:				
Secretary to Board	11,663	11,663	11,449	(214)
Social security	723	723	503	(220)
State retirement	1,286	1,286	1,152	(134)
Medical insurance	-	375	375	-
Medicare	170	170	170	-
Audit services	11,495	11,120	10,450	(670)
Dues and memberships	4,100	4,387	4,387	-
Legal services	10,000	10,000	4,147	(5,853)
Travel	1,000	1,000	654	(346)
Other contracted services	2,500	2,500	414	(2,086)
Liability insurance	31,094	31,094	31,094	-
Trustee commissions	27,500	29,500	28,737	(763)
Workmen's compensation insurance	34,000	34,000	31,731	(2,269)
Criminal investigation of applicant	1,000	1,000	930	(70)
Other charges	14,500	14,500	14,230	(270)
Total Board of Education services	<u>151,031</u>	<u>153,318</u>	<u>140,423</u>	<u>(12,895)</u>
Director of Schools				
County official/administrative officer	86,400	86,400	86,400	-
Career Ladder program	1,000	1,000	1,000	-
Social security	5,418	5,418	5,048	(370)
State retirement	7,761	7,761	7,761	-
Medical insurance	7,136	7,136	7,043	(93)
Medicare	1,267	1,267	1,181	(86)
Communication	6,500	7,500	7,131	(369)
Dues and memberships	1,800	1,800	1,095	(705)
Postal charges	3,500	5,000	4,305	(695)
Travel	1,050	1,050	588	(462)
Office supplies	1,000	1,000	131	(869)
Other charges	1,000	1,000	1,000	-
Total office of the superintendent	<u>123,832</u>	<u>126,332</u>	<u>122,683</u>	<u>(3,649)</u>
Total general administration	<u>274,863</u>	<u>279,650</u>	<u>263,106</u>	<u>(16,544)</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Office of the principal:				
Principals	222,716	222,716	221,273	(1,443)
Career ladder program	1,000	1,000	1,000	-
Assistant(s)	118,933	118,933	118,933	-
Secretary(s)	83,256	83,256	82,459	(797)
Social security	26,406	26,406	25,185	(1,221)
State retirement	39,602	39,602	39,386	(216)
Medical insurance	22,243	22,243	22,096	(147)
Medicare	6,175	6,175	5,890	(285)
Communication	14,000	21,000	20,549	(451)
Operating lease payments	-	2,500	1,980	(520)
Maintenance and repair	2,500	2,500	2,328	(172)
Postal charges	3,000	3,500	2,655	(845)
Travel	1,500	1,500	998	(502)
Other contracted services	3,000	3,411	3,411	-
Office supplies	3,600	3,600	3,595	(5)
Other charges	3,000	3,100	3,037	(63)
Equipment	10,000	10,000	10,000	-
Total office of the principal	<u>560,931</u>	<u>571,442</u>	<u>564,775</u>	<u>(6,667)</u>
Fiscal services				
Accountants/bookkeepers	43,908	43,908	43,908	-
Social security	2,722	2,722	1,927	(795)
State retirement	4,839	4,839	4,839	-
Medical insurance	750	750	750	-
Medicare	637	637	451	(186)
Maintenance and repair	500	500	-	(500)
Travel	500	500	-	(500)
Other contracted services	4,249	4,249	4,249	-
Data processing services	1,400	1,400	1,400	-
Office supplies	500	500	500	-
Administration equipment	500	500	-	(500)
Total fiscal services	<u>60,505</u>	<u>60,505</u>	<u>58,024</u>	<u>(2,481)</u>
Operation and maintenance of plant				
Operation of plant:				
Janitorial services	249,072	249,072	249,072	-
Other contracted services	11,200	11,200	9,350	(1,850)
Electricity	245,000	265,000	262,672	(2,328)
Natural gas	52,000	67,000	56,605	(10,395)
Water and sewer	25,000	19,000	18,313	(687)
Other supplies and materials	5,000	5,000	4,818	(182)
Building and contents insurance	51,500	51,500	51,499	(1)
Other charges	30,000	35,000	33,948	(1,052)
Plant operation equipment	8,000	3,000	920	(2,080)
Total operation of plant	<u>676,772</u>	<u>705,772</u>	<u>687,197</u>	<u>(18,575)</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, 2014

	<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	35,000	35,000	35,000	-
Other salaries and wages	20,000	20,000	14,799	(5,201)
Social security	5,314	5,314	3,937	(1,377)
State retirement	7,243	7,243	7,243	-
Medical insurance	750	750	750	-
Medicare	1,243	1,243	921	(322)
Maintenance and repair - building	16,000	16,000	14,770	(1,230)
Maintenance and repair - equipment	25,000	25,000	16,501	(8,499)
Travel	2,500	3,250	2,986	(264)
Other supplies and materials	5,000	5,000	4,988	(12)
Other charges	10,000	16,000	16,000	-
Maintenance equipment	4,000	1,000	213	(787)
Total maintenance of plant	<u>162,770</u>	<u>166,520</u>	<u>148,828</u>	<u>(17,692)</u>
Total operation and maintenance of plant	<u>839,542</u>	<u>872,292</u>	<u>836,025</u>	<u>(36,267)</u>
Transportation				
Contracts with parents	<u>38,000</u>	<u>38,000</u>	<u>27,995</u>	<u>(10,005)</u>
Central and other				
Operating lease payments	-	3,000	990	(2,010)
Maintenance and repair	1,200	1,200	645	(555)
Travel	500	500	-	(500)
Other contracted services	1,000	1,000	-	(1,000)
Data processing supplies	1,500	1,500	756	(744)
Office supplies	2,500	2,500	1,861	(639)
Other supplies and materials	500	500	-	(500)
Other equipment	<u>10,500</u>	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>
Total central and other	<u>17,700</u>	<u>12,700</u>	<u>4,252</u>	<u>(8,448)</u>
Total support services	<u>2,578,826</u>	<u>2,626,768</u>	<u>2,504,175</u>	<u>(122,593)</u>
Non-instructional services				
Community services				
Teachers	-	62,200	49,880	(12,320)
Social security	-	4,320	3,093	(1,227)
State retirement	-	5,951	4,684	(1,267)
Medicare	-	902	723	(179)
Postal charges	-	300	300	-
Travel	-	1,500	176	(1,324)
Other contracted services	-	2,800	2,800	-
Instructional supplies	<u>-</u>	<u>12,064</u>	<u>28,380</u>	<u>16,316</u>
Total community services	<u>-</u>	<u>90,037</u>	<u>90,036</u>	<u>(1)</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Early childhood education				
Teachers	-	153,842	153,842	-
Educational assistants	-	19,891	19,891	-
Other salaries and wages	-	20,431	20,431	-
Non-certified substitute teachers	-	2,500	2,500	-
Social security	-	10,937	10,937	-
State retirement	-	17,541	17,541	-
Medical insurance	-	19,375	19,375	-
Employer medicare	-	2,563	2,563	-
Travel	-	2,187	2,187	-
Other contracted services	-	25,134	25,134	-
Instructional supplies	-	23,603	23,603	-
Textbooks	-	10,000	10,000	-
In-service/staff development	-	30	30	-
Other charges	-	395	395	-
Other equipment	-	2,126	2,126	-
Total early childhood education	<u>-</u>	<u>310,555</u>	<u>310,555</u>	<u>-</u>
Capital outlay				
Architects	-	1,800	1,800	-
Land	-	4,966	4,965	(1)
Other capital outlay	-	570,000	440,946	(129,054)
Total capital outlay	<u>-</u>	<u>576,766</u>	<u>447,711</u>	<u>(129,055)</u>
Total non-instructional services	<u>-</u>	<u>977,358</u>	<u>848,302</u>	<u>(129,056)</u>
Total expenditures	<u>7,980,671</u>	<u>9,180,322</u>	<u>8,587,067</u>	<u>(593,255)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (799,059)</u>	<u>(2,649)</u>	<u>\$ 796,410</u>
Fund balance - July 1, 2013			<u>3,857,205</u>	
Fund balance - June 30, 2014			<u>\$3,854,556</u>	

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

	<u>Revenues</u>	<u>Expenditures</u>	<u>Net Change</u>
Budgetary basis (above)	\$ 8,584,418	\$ 8,587,067	\$ (2,649)
On-behalf payments for post-retirement benefits	<u>12,513</u>	<u>12,513</u>	<u>-</u>
GAAP basis - page 9	<u>\$ 8,596,931</u>	<u>\$ 8,599,580</u>	<u>\$ (2,649)</u>

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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, 2014

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 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 chose 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.

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*, and Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement 67, effective for fiscal years beginning after June 15, 2013, revises existing standards of financial reporting by state and local government pension plans and will be adopted by the pension plan itself. Statement 68 will affect the governments that participate as employers in these plans and is effective for fiscal years beginning after June 15, 2014. For governments to adopt Statement 68, the underlying pension plans must first adopt Statement 67. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations. Management is currently evaluating the impact that the adoption of Statement 68 will have on the District's financial statements.

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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, 2014, 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 and tax bills mailed on October 1, and are collected through the end of February without penalty. Uncollected taxes become delinquent on March 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 \$83,277 in the General Fund and \$13,768 in the Debt Service Fund as of June 30, 2014.

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

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

June 30, 2014

of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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, 2014.

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, 2014

- 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, with the same action required to reverse the commitment.
- 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 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.

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. 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, 2014

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, 2014, all bank deposits were fully collateralized or insured.

B. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 206,287	\$ -	\$ -	\$ 206,287
Construction in progress	-	177,076	-	177,076
Total	206,287	177,076	-	383,363
Capital assets being depreciated				
Buildings and improvements	17,576,943	102,493	-	17,679,436
Other capital assets	1,179,415	18,966	-	1,198,381
Total capital assets being depreciated	18,756,358	121,459	-	18,877,817
Less accumulated depreciation for:				
Buildings and improvements	5,852,342	354,725	-	6,207,067
Other capital assets	745,942	75,445	-	821,387
Total accumulated depreciation	6,598,284	430,170	-	7,028,454
Total being depreciated, net	12,158,074	(308,711)	-	11,849,363
Total capital assets, net	<u>\$ 12,364,361</u>	<u>\$ (131,635)</u>	<u>\$ -</u>	<u>\$ 12,232,726</u>

Depreciation was charged to governmental activities as follows:

Operation and maintenance of plant	\$298,770
Instruction	45,506
Student support	73,126
Food service	12,768
Total	<u>\$430,170</u>

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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, 2014, 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
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
2020-2024	1,885,000	393,951
2025-2029	2,010,000	169,918
Totals	<u>\$ 5,620,000</u>	<u>\$ 1,132,763</u>

The following is a summary of long-term debt transactions for the year ended June 30, 2014:

Governmental activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
2013 School bonds	\$ 5,985,000	\$ -	\$ 365,000	\$ 5,620,000	\$ 335,000
Bond premium, reduced by amortization	119,533	-	8,538	110,995	n/a
	<u>\$ 6,104,533</u>	<u>\$ -</u>	<u>\$ 373,538</u>	<u>\$ 5,730,995</u>	<u>\$ 335,000</u>

D. Interfund Activity

The General Fund advanced \$28,000 to the federal projects fund during the current year to provide cash prior to receiving grant reimbursements. This amount was set up in due to/due from accounts and repaid to the General Fund subsequent to year end.

**HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

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 rate; the rate for the fiscal year ending June 30, 2014, 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, 2014, Huntingdon Special School District's annual pension cost of \$65,915 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

**HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014**

period at July 1, 2011, was 1 year. An actuarial valuation was performed as of July 1, 2013, which established contribution rates effective July 1, 2014.

Trend Information

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$65,915	100%	\$0
June 30, 2013	\$64,599	100%	\$0
June 30, 2012	\$61,394	100%	\$0

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 91.07% funded. The actuarial accrued liability for benefits was \$2.44 million, and the actuarial value of assets was \$2.22 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.22 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.57 million, and the ratio of the UAAL to the covered payroll was 38.51%.

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
7/01/13	\$2,225	\$2,443	\$218	91.07%	\$566	38.51%

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

HUNTINGDON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Huntingdon City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2014, 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, 2014, 2013, and 2012 were \$432,227, \$425,897, and \$423,798 respectively, equal to the required contributions for each year.

B. Contingent Liabilities and Losses

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the District's management expects such amounts, if any, to be immaterial.

C. Risk Management

The District is exposed to various risks related to workers' compensation, general liability, automobile liability, and property. The District felt it was more economically feasible to join public entity risk pools as opposed to purchasing commercial insurance for these areas. The District is a member of the Tennessee School Boards Liability Trust (TSBLT) and the Tennessee School Boards Workers Compensation Trust (TSB-WCT), which are public entity risk pools, established by the Tennessee School Boards Association, an association of member school districts. The District pays an annual premium to these pools for coverage under the above areas. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The creation of the TSBLT and the TSB-WCT provides for it to be self-sustaining through member premiums. The TSBLT and the TSB-WCT reinsure through commercial insurance companies for claims in excess of a specified amount for each uninsured event.

The District continues to carry commercial insurance for all other risks of loss, including employee health and accident, business trip accidental death and dismemberment and public officials' bond. 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, 2014, the State made contributions to the Medicare Plan of approximately \$12,513.

**HUNTINGDON SPECIAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**
June 30, 2014

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
7/01/13	\$2,225	\$2,443	\$218	91.07%	\$566	38.51%
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%

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, 2014**

	Federal Projects Fund	Centralized Cafeteria Fund	Totals
ASSETS			
Cash	\$ 99	\$ 100,863	\$ 100,962
Investments	-	30,000	30,000
Due from other governmental agencies - grants	140,551	12,743	153,294
Inventory	-	20,655	20,655
Total assets	\$ 140,650	\$ 164,261	\$ 304,911
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ 1,097	\$ 1,097
Due to other funds	28,000	-	28,000
Total Liabilities	28,000	1,097	29,097
Fund Balances			
Nonspendable - inventory	-	20,655	20,655
Restricted - operation of non-instructional services		142,509	142,509
Committed for federal projects	112,650	-	112,650
Total fund balances	112,650	163,164	275,814
Total liabilities and fund balances	\$ 140,650	\$ 164,261	\$ 304,911

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**HUNTINGDON SPECIAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2014**

	Federal Projects Fund	Centralized Cafeteria Fund	Totals
REVENUES			
Charges for current services	\$ -	\$ 174,628	\$ 174,628
Other local revenues	-	323	323
State revenue	-	6,580	6,580
Commodities	-	50,848	50,848
Federal revenue	830,209	437,436	1,267,645
Total revenues	830,209	669,815	1,500,024
EXPENDITURES			
Instruction	740,933	-	740,933
Support services	89,276	-	89,276
Food services	-	676,416	676,416
Total expenditures	830,209	676,416	1,506,625
Net change in fund balances	-	(6,601)	(6,601)
Fund balances - July 1, 2013	112,650	169,603	282,253
Increase (decrease) in inventory	-	162	162
Fund balances - June 30, 2014	\$ 112,650	\$ 163,164	\$ 275,814

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, 2014

REVENUES	Original Budget	Final Budget	Actual	Variance Over (Under)
Federal through State				
Career and Technical Education	\$ 20,372	\$ 20,372	\$ 20,372	\$ -
Title I	384,759	384,759	332,155	(52,604)
Education of the Handicapped - IDEA	311,021	311,021	297,795	(13,226)
Education of the Handicapped - Preschool	15,400	15,990	15,990	-
Race to the Top	42,198	42,198	42,198	-
Rural Education	38,920	38,920	38,785	(135)
Education for Homeless Children	19,000	19,000	19,000	-
Eisenhower	67,576	67,576	63,914	(3,662)
Total revenues	899,246	899,836	830,209	(69,627)
EXPENDITURES				
Instruction				
Regular instruction				
Teachers	287,340	288,796	253,649	(35,147)
Educational assistants	6,208	6,208	6,208	-
Other salaries and wages	49,324	49,324	47,793	(1,531)
Social security	25,355	25,514	18,027	(7,487)
State retirement	29,698	27,188	24,984	(2,204)
Medical insurance	20,939	20,939	20,617	(322)
Medicare	5,958	6,011	4,216	(1,795)
Instructional supplies	56,510	38,233	38,232	(1)
Other supplies and materials	8,799	9,231	9,231	-
Other charges	254	254	254	-
Regular instruction equipment	-	20,905	20,905	-
Total regular instruction	490,385	492,603	444,116	(48,487)
Special education program				
Teachers	38,794	39,239	39,239	-
Aides	28,459	26,314	26,135	(179)
Other salaries and wages	20,470	20,470	18,574	(1,896)
Social security	5,314	5,175	5,083	(92)
State retirement	8,215	7,913	7,672	(241)
Medicare	563	530	530	-
Contracts with other schools	143,401	143,990	143,990	-
Other contracted services	26,365	20,965	18,582	(2,383)
Instructional supplies	16,502	24,579	17,937	(6,642)
Equipment	5,000	5,000	3,796	(1,204)
Total special education	293,083	294,175	281,538	(12,637)
Vocational education				
Instructional supplies and materials	2,512	2,512	2,512	-
Equipment	12,767	12,767	12,767	-
Total vocational education	15,279	15,279	15,279	-
Total instruction	798,747	802,057	740,933	(61,124)

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**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, 2014**

EXPENDITURES	Original Budget	Final Budget	Actual	Variance Over (Under)
Support services				
Other student support				
Other salaries and wages	-	9,000	9,000	-
Social security	558	558	391	(167)
State retirement	799	799	559	(240)
Employer medicare	131	131	91	(40)
Travel	4,774	4,774	4,774	-
Other contracted services	319	319	319	-
Other charges	15,385	6,385	5,533	(852)
Total other student support	<u>21,966</u>	<u>21,966</u>	<u>20,667</u>	<u>(1,299)</u>
Regular instruction				
Supervisor/director	23,180	23,180	19,286	(3,894)
Clerical personnel	5,081	5,081	5,008	(73)
Social security	1,790	1,790	1,411	(379)
State retirement	2,494	2,494	2,261	(233)
Medical insurance	2,261	2,261	2,261	-
Medicare	463	463	330	(133)
Travel	2,500	2,021	2,021	-
Inservice/staff development	6,584	3,640	3,443	(197)
Other charges	841	841	342	(499)
Total regular instruction	<u>45,194</u>	<u>41,771</u>	<u>36,363</u>	<u>(5,408)</u>
Special education program				
In-service training	3,000	4,540	3,798	(742)
Travel	3,000	3,000	2,650	(350)
Other contracted services	19,314	19,314	19,314	-
In-service-staff development	5,525	3,984	3,984	-
Total special education	<u>\$ 30,839</u>	<u>\$ 30,838</u>	<u>\$ 29,746</u>	<u>\$ (1,092)</u>
Transportation				
Contracts with other schools	400	400	400	-
Contracts with parents	1,000	1,000	1,000	-
Contracts with public carriers	1,100	1,100	1,100	-
Total transportation	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Total support services	<u>100,499</u>	<u>97,075</u>	<u>89,276</u>	<u>(7,799)</u>
Total expenditures	<u>899,246</u>	<u>899,132</u>	<u>830,209</u>	<u>(68,923)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 704</u>	<u>-</u>	<u>\$ (704)</u>
Fund balance - July 1, 2013			<u>112,650</u>	
Fund balance - June 30, 2014			<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, 2014**

	<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	\$ 120,000	\$ 120,000	\$ 113,300	\$ (6,700)
Lunch payments - adults	24,000	24,000	20,283	(3,717)
Income from breakfast	18,000	18,000	13,400	(4,600)
A la carte sales	22,000	22,000	27,645	5,645
Total charges for current services	<u>184,000</u>	<u>184,000</u>	<u>174,628</u>	<u>(9,372)</u>
Other local revenues				
Interest earned	400	400	313	(87)
Miscellaneous refunds	-	-	10	10
Total other local revenues	<u>400</u>	<u>400</u>	<u>323</u>	<u>(77)</u>
State education funds				
School food services	<u>8,000</u>	<u>8,000</u>	<u>6,580</u>	<u>(1,420)</u>
Federal through state				
USDA - lunch	303,000	303,000	309,202	6,202
USDA - snack	3,600	3,600	3,407	(193)
Breakfast reimbursement	129,000	129,000	124,827	(4,173)
Total federal through state	<u>435,600</u>	<u>435,600</u>	<u>437,436</u>	<u>1,836</u>
Total revenues	<u>628,000</u>	<u>628,000</u>	<u>618,967</u>	<u>(9,033)</u>
EXPENDITURES				
Director	48,000	48,000	47,501	(499)
Accountants/bookkeepers	12,000	12,000	11,969	(31)
Cafeteria personnel	204,000	186,600	186,590	(10)
Social Security	15,075	15,075	15,070	(5)
State retirement	16,000	16,600	16,582	(18)
Unemployment compensation	700	700	594	(106)
Medicare liability	2,900	2,900	2,757	(143)
Communication	1,800	2,075	2,056	(19)
Maintenance and repair services - equipment	5,000	5,650	5,633	(17)
Travel	1,800	1,800	1,470	(330)
Other contracted services	9,000	10,875	10,853	(22)
Food supplies	256,000	256,000	255,100	(900)
Clothing allowance	1,425	1,425	1,137	(288)
Utilities	15,000	15,000	15,000	-
Other supplies and materials	25,000	26,900	26,899	(1)
In service/staff development	1,800	3,625	3,612	(13)
Other charges	9,000	17,700	17,686	(14)
Equipment	3,500	5,075	5,059	(16)
Total expenditures	<u>628,000</u>	<u>628,000</u>	<u>625,568</u>	<u>(2,432)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,601)</u>	<u>\$ (6,601)</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, 2013	\$ 169,603
Increase (decrease) in inventory	162
Expenditures in excess of revenues for the year	<u>(6,601)</u>
Fund balance - June 30, 2014	<u>\$ 163,164</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	\$ 618,967	\$ 625,568
Commodities received/disbursed	<u>50,848</u>	<u>50,848</u>
GAAP basis	<u>\$ 669,815</u>	<u>\$ 676,416</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, 2014

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes				
Property taxes	\$ 463,950	\$ 463,950	\$ 519,657	\$ 55,707
Other local revenues				
Interest earned	500	500	938	438
Total revenues	464,450	464,450	520,595	56,145
EXPENDITURES				
Education debt service:				
Principal on bonds	365,000	365,000	365,000	-
Interest on bonds	81,850	81,850	81,847	(3)
Trustee's commission	17,000	17,000	9,689	(7,311)
Other charges	600	600	20	(580)
Total expenditures	464,450	464,450	456,556	(7,894)
 Net change in fund balance	\$ -	\$ -	64,039	\$ 64,039
 Fund balance - July 1, 2013			465,085	
Fund balance - June 30, 2014			\$ 529,124	

See independent auditor's report

HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST REQUIREMENTS
For the Year Ended June 30, 2014

<u>Year Ended June 30,</u>	<u>Bonds - Series 2013</u>	
	<u>Principal</u>	<u>Interest</u>
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>\$ 5,620,000</u>	<u>\$ 1,132,763</u>

See independent auditor's report

HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS
June 30, 2014

	<u>Salary</u>	<u>Bond</u>
Director of Schools	<u>\$ 86,400</u>	<u>\$ 280,000</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, 2014

	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF EDUCATION		
Pass-through Tennessee Department of Education		
Title I, Grants to Local Education Agencies	84.01	\$ 332,154
Special Education Grants to States		
IDEA Program	84.027	448,669
Preschool Program	84.173	15,990
Total Special Education Grants to States Cluster		464,659
Title X, Education for Homeless Children	84.196	19,000
Title II, Part A3, Eisenhower Professional Development State Grants	84.367A	63,914
Vocational Education - Carl D. Perkins	84.048	20,372
ARRA - Race-to-the-Top Incentive Grant	84.395A	42,198
Title VI, Rural Education Achievement Program	84.358A	38,785
State Stabilization Fiscal Funds		
ARRA - Government Services	84.397	7,800
ARRA - Government Services	84.397	7,200
ARRA - Government Services	84.397	3,321
Total State Stabilization Fiscal Funds		18,321
Total Department of Education		999,403
U.S. DEPARTMENT OF AGRICULTURE		
Pass-through Tennessee Department of Agriculture		
School Breakfast Program	10.553*	124,827
National School Lunch Program	10.555*	309,202
Snack Program	10.555*	3,407
		437,436
Food distribution - commodities	10.555	50,848
Total Department of Agriculture		488,284
Total federal awards		\$ 1,487,687

* major program

Note: The above schedule 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, 2014**

	<u>Expenditures/ Amount Earned/ Amount Issued</u>
Tennessee Department of Education	
Early Childhood	\$ 310,555
Connect Tennessee	3,543
Tech Fund	81,380
ACT Testing	2,967
Lottery for Education - After School Program (LEAPS)	<u>90,038</u>
Total state financial assistance	<u>\$ 488,483</u>

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

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
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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, 2014, 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 22, 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
December 22, 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, 2014. 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, 2014.

Members of the Board
Huntingdon Special School District

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
December 22, 2014

**HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

- material weakness(es) identified? yes no
- significant deficiency(ies) identified? yes none reported

Type of auditor’s report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

<u>Program Name</u>	<u>CFDA No.</u>
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? yes no

HUNTINGDON SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

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.