

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
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## **INTRODUCTORY SECTION**

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
DIRECTORY  
June 30, 2014**

**ELECTED OFFICIALS**

Jimmy Halford, Chairman  
Mike Foster, Vice Chairman  
Jim Pirtle, Treasurer  
Patrick Lindsey, Member  
Greg McClain, Member  
Kristie Moore, Member

**APPOINTED OFFICIALS**

Eric Williams, Director of Schools  
Shan DePriest, Bookkeeper - General Purpose, Federal Projects, Debt Service, and Endowment  
Janet Winchester, Bookkeeper - Food Service  
Lisa Newbill – Payroll and Capital Assets

**COUNSEL**

The King Law Office  
Huntingdon, Tennessee

**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Alexander Thompson Arnold PLLC  
Jackson, Tennessee

## **FINANCIAL SECTION**

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AICPA Center for Public Company Audit Firms  
AICPA Governmental Audit Quality Center  
AICPA Employee Benefit Plan Audit Quality Center  
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## **Independent Auditor's Report**

Board of Education  
West Carroll Special School District  
Atwood, 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 West Carroll Special School District (the 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 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 the West Carroll Special School District, as of June 30, 2014, and the respective changes in financial position thereof and the respective budgetary comparisons for the general purpose 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 management's discussion and analysis on pages 5 through 12 and the required supplementary information on pages 47 and 48 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Carroll Special School District's basic financial statements. The introductory section and supplementary and other information section, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary and other information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 supplementary and other information section is 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 January 9, 2015, on our consideration of the West 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 West Carroll Special School District's internal control over financial reporting and compliance.

*Alexander Thompson Arnold PLLC*

Jackson, Tennessee  
January 9, 2015

## Management's Discussion and Analysis

As management of the West Carroll Special School District (the District), we offer readers of the financial statements for the District this narrative overview and analysis of the financial activities for the year ended June 30, 2014. We encourage readers to consider the information here in conjunction with the Independent Auditor's Report and the District's financial statements. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A).

### Financial Highlights

- The assets and deferred inflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2014 by \$4,349,987. Of this amount, \$3,722,635 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the District reported combined ending fund balance of \$3,996,237. Approximately 89% of this total amount, \$3,547,626, is unassigned in the general purpose fund. Approximately 5% represents funds restricted in the centralized cafeteria fund and general purpose fund, and 6% represents funds that are nonspendable in the centralized cafeteria fund and the endowment fund.
- At the end of the current fiscal year, unassigned fund balance for the general purpose fund was \$3,547,626 or 53% of total general purpose fund expenditures.
- The District's total bonded debt decreased by \$255,000.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and supplementary and other information in addition to the basic financial statements themselves.

**District-wide financial statements** The *district-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents all the assets, liabilities and deferred outflows/inflows of resources for the District, with differences reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs. The District's governmental activities include general administration, finance and education. The District has no business-type activities to

report.

Please refer to the Table of Contents to locate the district-wide financial statements.

**Fund financial statements** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be grouped into one category: governmental funds.

**Governmental funds** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general purpose fund, and the debt service fund and the non-major funds. The general purpose and the debt service funds are considered major funds, and the federal projects, centralized cafeteria and the endowment funds are considered non-major funds.

The District adopts an annual appropriated budget for its general purpose, debt service, federal projects, and cafeteria funds. The District adopts a federal projects program, and the budgets for the federal projects fund are determined by the grantor of each grant. A budgetary comparison statement has been provided as basic financial statements for the general purpose fund to demonstrate compliance with this budget. A budgetary comparison is presented as other supplementary information for the debt service fund. In addition, a budgetary comparison is provided for the federal projects fund and centralized cafeteria fund as non-major funds.

Please refer to the Table of Contents to locate the basic governmental fund financial statements.

**Notes to the financial statements** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. Please refer to the Table of Contents to locate the notes to the financial statements.

**Other information** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This required supplementary information has been presented in the required supplementary information section of this report. The debt service fund's and non-major funds' statements of revenues, expenditures, and changes in fund balances are presented as other supplementary information as well as other additional information.

### **District-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial

position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,349,987 at the close of the fiscal year ended June 30, 2014.

A large portion of the District's net position reflects its investment in capital assets (e.g., buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### The District's Net Position

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<b>Assets</b>		
Current and other	\$ 5,353,110	\$ 5,160,412
Capital assets - net of accumulated depreciation	<u>5,305,906</u>	<u>5,634,505</u>
Total assets	<u>10,659,016</u>	<u>10,794,917</u>
<b>Deferred inflows of resources:</b>		
Loss on refunding of debt	<u>217,675</u>	<u>232,187</u>
<b>Liabilities</b>		
Long-term liabilities	5,181,832	5,422,612
Other liabilities	<u>103,639</u>	<u>102,070</u>
Total liabilities	<u>5,285,471</u>	<u>5,524,682</u>
<b>Deferred inflows of resources</b>		
Unavailable revenue - property taxes	<u>1,241,233</u>	<u>1,235,410</u>
<b>Net position</b>		
Net investment in capital asset	188,356	263,785
Restricted	438,996	394,560
Unrestricted	<u>3,722,635</u>	<u>3,608,667</u>
<b>Total net position</b>	<b><u>\$ 4,349,987</u></b>	<b><u>\$ 4,267,012</u></b>

The above provides a summary of the District's net position for 2014 and 2013.

An additional portion of the District's net position, \$438,996, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$3,722,635, may be used to meet the government's ongoing obligations to citizens and creditors.

During the current fiscal year, the District's total net position increased by \$82,975.

The following summary shows the changes in net position for fiscal years 2014 and 2013.

## The District's Changes in Net Position

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 167,010	\$ 174,412
Operating grants and contributions	1,534,002	1,581,330
General revenues		
Property taxes	1,252,764	1,230,504
Sales taxes	541,281	544,982
Alcoholic beverage tax	485	564
Grants and contributions not restricted to specific programs:		
Basic Education Program	5,032,000	4,853,597
Interest	14,788	14,588
Gain on sale of capital assets	1,020	1,500
Other miscellaneous revenues	80,154	84,970
Total revenues	<u>8,623,504</u>	<u>8,486,447</u>
<b>Expenses</b>		
Instruction	4,676,200	4,807,095
Support services	2,618,323	2,454,990
Non-instructional services	1,205,202	1,238,015
Total expense	<u>8,499,725</u>	<u>8,500,100</u>
<b>Change in net position</b>	<u>123,779</u>	<u>(13,653)</u>
<b>Net position, beginning</b>	<u>4,267,012</u>	<u>4,280,665</u>
<b>Prior period adjustment</b>	<u>(40,804)</u>	<u>-</u>
<b>Net position, beginning restated</b>	<u>4,226,208</u>	<u>4,280,665</u>
<b>Net position, ending</b>	<u>\$ 4,349,987</u>	<u>\$ 4,267,012</u>

**Governmental activities** Governmental activities increased the District's net position by \$123,779. The contributing factors of this increase were an increase in revenues and a decrease in expenses.

Total governmental activities' revenue for the fiscal year was \$8,623,504. The largest single revenue source was state revenues in the form of Basic Education Program payments.

### Expense and Program Revenues - Governmental Activities

Certain revenues are generated that are specific to governmental program activities.

Among major funds, the general purpose fund had \$7,059,355 in revenues and \$6,826,268 in expenditures (including a transfer out in the amount of \$184,801). The debt service fund had \$472,660 in revenues (including a transfer in in the amount of \$184,801) and \$472,660 in expenditures. Major funding for these funds was provided by federal and state funds. In the non-major funds, the federal projects fund had \$618,786 in revenues and \$624,183 in expenditures, the cafeteria fund had \$698,023 in revenues and \$642,926 in expenditures. The endowment fund had \$5,599 in revenues and \$7,500 in expenditures.

## Revenue by Source - Governmental Funds

Total governmental revenues allocated by each revenue type.

	June 30, 2014		June 30, 2013	
	Amount	Percent	Amount	Percent
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 167,010	2%	\$ 174,412	2%
Operating grants and contributions	1,534,002	18%	1,581,330	19%
General revenues				
Property taxes	1,252,764	15%	1,230,504	15%
Sales taxes	541,281	6%	544,982	6%
Alcoholic beverage tax	485	0%	564	0%
Grants and contributions not restricted to specific programs:				
Basic Education Program	5,032,000	58%	4,853,597	57%
Interest	14,788	0%	14,588	0%
Gain on sale of capital assets	1,020	0%	1,500	0%
Other miscellaneous revenues	80,154	1%	84,970	1%
Total revenues	<u>8,623,504</u>	<u>100%</u>	<u>8,486,447</u>	<u>100%</u>

## Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirement.

**Governmental funds** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's Board.

At June 30, 2014, the District's governmental funds reported combined fund balances of \$3,996,237, an increase of \$280,886 in comparison with the prior year. Approximately 89% of this amount \$3,542,229 constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form \$25,702, 2) legally required to be maintained intact \$200,000, 3) restricted for particular purposes \$213,294, 4) committed for particular purposes \$15,012, or 5) assigned for particular purposes \$0.

The general purpose fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance was \$3,547,626.

As a measure of the general purpose fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 53% of the total general purpose fund expenditures, while total fund balances represent 53% of that same amount.

The fund balance of the District's general purpose fund increased by \$233,087 during the current fiscal year. A key factor in this growth was the District's ability to remain within the budget adopted.

### General Purpose Fund Budgetary Highlights

Differences between the original budget and the final amended budget are briefly summarized as follows:

General Purpose Fund	June 30, 2014		
	Original	Final	Difference
<b>Revenues</b>			
Taxes	\$ 1,386,350	\$ 1,386,350	\$ -
Intergovernmental	5,344,120	5,447,259	103,139
Miscellaneous	25,787	32,787	7,000
Total revenues	<u>6,756,257</u>	<u>6,866,396</u>	<u>110,139</u>
<b>Expenses</b>			
Instruction	3,919,759	3,887,609	(32,150)
Support services	2,334,568	2,477,768	143,200
Non-instructional services	300,537	311,626	11,089
Total expenditures	<u>6,554,864</u>	<u>6,677,003</u>	<u>122,139</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ 201,393</u>	<u>\$ 189,393</u>	<u>\$ (12,000)</u>

In 2014, the District increased the budget revenue and expenses for a Technology grant from the State that was used to upgrade the District's technology.

General Purpose Fund	June 30, 2013		
	Original	Final	Difference
<b>Revenues</b>			
Taxes	\$ 1,379,905	\$ 1,379,905	\$ -
Intergovernmental	5,146,251	5,180,448	34,197
Miscellaneous	36,700	36,700	-
Total revenues	<u>6,562,856</u>	<u>6,597,053</u>	<u>34,197</u>
<b>Expenses</b>			
Instruction	3,866,074	3,894,900	28,826
Support services	2,260,610	2,277,362	16,752
Non-instructional services	247,037	265,656	18,619
Total expenditures	<u>6,373,721</u>	<u>6,437,918</u>	<u>64,197</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>\$ 189,135</u>	<u>\$ 159,135</u>	<u>\$ (30,000)</u>

In 2013, there were no major increases or decreases in the budgets.

### Capital Asset and Debt Administration

**Capital Assets.** The District's net investment in capital assets for its governmental funds as of June 30, 2014 amounts to \$188,356 (net of accumulated depreciation and related debt). This net investment in capital assets includes buildings and improvements and other capital assets (including equipment). The District started the construction of a parking lot in 2014 but only completed and paid for a portion of the

anticipated cost. This was added as work in progress. The other additions included a security system for the schools, floor maintenance machine, land for the parking lot, completion of the pavilion that was maintained in work in progress in 2013, and renovation of the floor at the elementary school.

	6/30/13	Additions	Reductions	Reclassification	6/30/14
<b>Capital assets not being depreciated:</b>					
Land	\$ 217,127	\$ 15,833	\$ -	\$ -	\$ 232,960
Work in progress	6,072	18,000	-	(6,072)	18,000
Total	<u>223,199</u>	<u>33,833</u>	<u>-</u>	<u>(6,072)</u>	<u>250,960</u>
<b>Capital assets being depreciated:</b>					
Buildings and improvements	11,919,303	29,286	-	6,072	11,954,661
Other capital assets	473,009	7,791	-	-	480,800
Total	<u>12,392,312</u>	<u>37,077</u>	<u>-</u>	<u>6,072</u>	<u>12,435,461</u>
Accumulated depreciation	<u>(6,981,006)</u>	<u>(399,509)</u>	<u>-</u>	<u>-</u>	<u>(7,380,515)</u>
Capital assets net of accumulated depreciation	5,634,505	(328,599)	-	-	5,305,906
Long-term debt related to capital assets (including bond premium)	<u>(5,370,720)</u>	<u>-</u>	<u>(253,170)</u>	<u>-</u>	<u>(5,117,550)</u>
Capital assets net of accumulated depreciation and related debt	<u>\$ 263,785</u>	<u>\$ (328,599)</u>	<u>\$ (253,170)</u>	<u>\$ -</u>	<u>\$ 188,356</u>

The District's investment in capital assets for its governmental funds as of June 30, 2013 amounts to \$263,785 (net of accumulated depreciation and related debt). This net investment in capital assets includes buildings and improvements and other capital assets (including equipment). The District started the construction of a sign and pavilion in 2013 but only completed and paid for half of the anticipated cost. This was added as work in progress. The other additions included a server and computer software.

	6/30/12	Additions	Reductions	6/30/13
<b>Capital assets not being depreciated:</b>				
Land	\$ 217,127	\$ -	\$ -	\$ 217,127
Work in progress	-	6,072	-	6,072
Total	<u>217,127</u>	<u>6,072</u>	<u>-</u>	<u>223,199</u>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	11,919,303	-	-	11,919,303
Other capital assets	472,828	13,081	12,900	473,009
Total	<u>12,392,131</u>	<u>13,081</u>	<u>12,900</u>	<u>12,392,312</u>
Accumulated depreciation	<u>(6,591,935)</u>	<u>(401,971)</u>	<u>(12,900)</u>	<u>(6,981,006)</u>
Capital assets net of accumulated depreciation	6,017,323	(382,818)	-	5,634,505
Long-term debt related to capital assets (including bond premium and discount)	<u>(5,618,890)</u>	<u>-</u>	<u>(248,170)</u>	<u>(5,370,720)</u>
Capital assets net of accumulated depreciation and related debt	<u>\$ 398,433</u>	<u>\$ (382,818)</u>	<u>\$ (248,170)</u>	<u>\$ 263,785</u>

**Long-term debt.** As of June 30, 2014, the District had total bonded debt outstanding of \$5,400,000. All debt is backed by the full faith and credit of the government.

As of June 30, 2013, the District had total bonded debt outstanding of \$5,400,000. All debt is backed by the full faith and credit of the government.

	<u>6/30/2014</u>	<u>6/30/2013</u>
School Bonds, Series 2005	<u>\$ 5,148,183</u>	<u>\$ 5,400,000</u>

During 2005, the School Bonds issued in 1999 for the construction, furnishings, fixtures, and equipping the West Carroll High School building was defeased. The remaining School Bonds, Series 1999 totaled \$660,000. The principal of the School Bonds, Series 2005 was \$6,535,000.

The District maintains an "Aaa" rating by Moody's Investors Service, Inc. (Moody's) for general obligation debt.

### **Economic Factors and Next year's Budget and Rates**

The unemployment rate for Carroll County is 9.3%. The state's average unemployment rate is 7.3%. The national average unemployment rate is 5.9%. All of the rates are from labor statistics released in September 2014.

Inflationary trends in the region are slightly high according to the national indices.

All of these factors were considered in preparing the District's budget for the 2014-2015 fiscal year.

The District's unassigned fund balance in the general purpose fund was \$3,547,626, for the fiscal year ending June 30, 2014. It is intended that this use of available fund balance will avoid the need to raise taxes during the 2014-2015 fiscal year.

### **Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the West Carroll Special School District, P.O. Box 279, Trezevant, TN 38258.

## **BASIC FINANCIAL STATEMENTS**

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
DISTRICT-WIDE STATEMENT OF NET POSITION  
June 30, 2014**

<b>Assets:</b>	
Cash and cash equivalents	\$ 3,597,377
Investments	200,000
Due from other governments - nongrant	1,360,495
Due from other governments - grants	135,301
Interest receivable	2,547
Inventory	25,702
Prepaid Insurance - bond	31,688
Capital assets, not being depreciated:	
Land	232,960
Work in progress	18,000
Capital assets, being depreciated (net of accumulated depreciation):	
Buildings and improvements	4,924,427
Other capital assets	130,519
<b>Total assets</b>	<u><b>10,659,016</b></u>
 <b>Deferred inflows of resources:</b>	
Loss on refunding of debt	<u><b>217,675</b></u>
 <b>Liabilities:</b>	
Accrued expenses	59,237
Accrued interest payable	44,402
Long-term liabilities:	
Portion due or payable within one year:	
Bonds payable	265,000
Portion due or payable after one year:	
Bonds payable	4,852,550
OPEB liability	64,282
<b>Total liabilities</b>	<u><b>5,285,471</b></u>
 <b>Deferred inflows of resources:</b>	
Unavailable revenue - property taxes	<u><b>1,241,233</b></u>
 <b>Net position:</b>	
Net investment in capital assets	188,356
Restricted for:	
Instruction	658
Operation of non-instructional services	238,338
Endowment Fund Principal	200,000
Unrestricted	3,722,635
<b>Total net position</b>	<u><b>\$ 4,349,987</b></u>

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**DISTRICT-WIDE STATEMENT OF ACTIVITIES**  
For The Year Then Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
<b>Instruction:</b>					
Regular education	\$ 3,869,118	\$ -	\$ 305,120	\$ -	\$ (3,563,998)
Alternate education	13,495	-	-	-	(13,495)
Special education	599,505	-	234,137	-	(365,368)
Vocational education	194,082	-	7,861	-	(186,221)
<b>Support Services:</b>					
Attendance	32,910	-	-	-	(32,910)
Health services	81,285	-	-	-	(81,285)
Other student support	219,157	-	95,235	-	(123,922)
Regular education	409,964	-	122,441	-	(287,523)
Special education	84,656	-	53,657	-	(30,999)
Vocational education	816	-	816	-	-
Board of Education	119,479	-	-	-	(119,479)
Office of Director of Schools	149,894	-	1,189	-	(148,705)
Office of Principals	453,898	-	3,568	-	(450,330)
Fiscal Services	78,343	-	-	-	(78,343)
Operation and maintenance of plant	634,059	-	-	-	(634,059)
Student transportation	26,933	-	7,250	-	(19,683)
Central and other	326,929	-	-	-	(326,929)
<b>Noninstructional Services</b>					
Food service	665,540	167,010	495,691	-	(2,839)
Early Childhood	207,037	-	207,037	-	-
Capital outlay	98,712	-	-	-	(98,712)
Debt service	233,913	-	-	-	(233,913)
	<b>\$ 8,499,725</b>	<b>\$ 167,010</b>	<b>\$ 1,534,002</b>	<b>\$ -</b>	<b>(6,798,713)</b>
<b>General Revenues:</b>					
					1,252,764
Property taxes including interest and penalties					541,281
Sales taxes					485
Alcoholic beverage tax					
Grants and contributions not restricted to specific programs					5,032,000
Basic Education Program					14,788
Interest					1,020
Gain on sale of capital assets					80,154
Other miscellaneous revenues					<u>6,922,492</u>
<b>Total general revenues</b>					<u>6,922,492</u>
<b>Change in net position</b>					<u>123,779</u>
<b>Net position, beginning</b>					<u>4,267,012</u>
<b>Prior period adjustment</b>					<u>(40,804)</u>
<b>Net position, beginning restated</b>					<u>\$ 4,226,208</u>
<b>Net position, ending</b>					<u>\$ 4,349,987</u>

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014**

	General Purpose Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 3,373,320	\$ 11,403	\$ 212,654	\$ 3,597,377
Investments	-	-	200,000	200,000
Due from other governments - nongrant	1,063,817	296,678	-	1,360,495
Due from other governments - grants	16,771	-	118,530	135,301
Due from other funds	118,548	-	-	118,548
Inventory	-	-	25,702	25,702
<b>Total assets</b>	<b><u>\$ 4,572,456</u></b>	<b><u>\$ 308,081</u></b>	<b><u>\$ 556,886</u></b>	<b><u>\$ 5,437,423</u></b>
<b>Liabilities, deferred inflows of resources and fund balances</b>				
<b>Liabilities:</b>				
Accrued expenses	\$ 59,237	\$ -	\$ -	\$ 59,237
Due to other funds	-	-	118,548	118,548
<b>Total liabilities</b>	<b><u>59,237</u></b>	<b><u>-</u></b>	<b><u>118,548</u></b>	<b><u>177,785</u></b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue - grants	16,771	-	5,397	22,168
Unavailable revenue - property taxes	948,164	293,069	-	1,241,233
<b>Total deferred inflows of resources</b>	<b><u>964,935</u></b>	<b><u>293,069</u></b>	<b><u>5,397</u></b>	<b><u>1,263,401</u></b>
<b>Fund balances:</b>				
<b>Nonspendable</b>				
Inventory	-	-	25,702	25,702
Endowment Fund Principal	-	-	200,000	200,000
<b>Restricted</b>				
Instruction	658	-	-	658
Operation of non-instructional services	-	-	212,636	212,636
<b>Committed</b>				
Debt Service	-	15,012	-	15,012
Unassigned	3,547,626	-	(5,397)	3,542,229
<b>Total fund balances</b>	<b><u>3,548,284</u></b>	<b><u>15,012</u></b>	<b><u>432,941</u></b>	<b><u>3,996,237</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 4,572,456</u></b>	<b><u>\$ 308,081</u></b>	<b><u>\$ 556,886</u></b>	<b><u>\$ 5,437,423</u></b>

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
June 30, 2014**

**Amounts reported for the governmental activities in the statement of net position (Page 13) are different because:**

<b>Fund balance - total governmental funds (Page 15)</b>	<b>\$</b>	<b>3,996,237</b>
Capital assets used in governmental funds are not financial resources and, therefore, are not reported as assets in governmental funds.		5,305,906
Asset reported in the statement of net position that do not provide current resources are not reported as assets in the funds. Accrued interest		2,547
Deferred inflows of resources are not available to pay for current period expenditures and, therefore, are unavailable in the funds: Loss on refunding of debt		249,363
Receivables not available to pay for current expenditures and, therefore, are reported as unavailable revenues - grants in the funds.		22,168
Other liabilities in governmental funds are not financial uses in the current period and, therefore, are not reported as liabilities in governmental funds. Accrued interest payable		(44,402)
Long-term liabilities, including bonds, bond premiums, notes payable, OPEB, and leases payable, are not due in the current period and, therefore, are not reported in the funds.		<u>(5,181,832)</u>
<b>Net position of governmental activities (Page 13)</b>	<b>\$</b>	<b><u>4,349,987</u></b>

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

For The Fiscal Year Then Ended June 30, 2014

	General Purpose Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 1,506,186	\$ 287,859	-	\$ 1,794,045
Federal revenue	-	-	1,143,186	1,143,186
Intergovernmental	5,493,271	-	-	5,493,271
Miscellaneous	51,059	-	-	51,059
Interest earned	8,839	-	5,950	14,789
Food services	-	-	173,272	173,272
<b>Total revenues</b>	<b><u>7,059,355</u></b>	<b><u>287,859</u></b>	<b><u>1,322,408</u></b>	<b><u>8,669,622</u></b>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction	3,890,025	-	442,634	4,332,659
Support services	2,440,059	-	181,549	2,621,608
Noninstructional	311,383	472,660	650,426	1,434,469
<b>Total expenditures</b>	<b><u>6,641,467</u></b>	<b><u>472,660</u></b>	<b><u>1,274,609</u></b>	<b><u>8,388,736</u></b>
<b>Other financing sources (uses)</b>				
Transfers in	-	184,801	-	184,801
Transfers (out)	(184,801)	-	-	(184,801)
	<u>(184,801)</u>	<u>184,801</u>	<u>-</u>	<u>-</u>
<b>Net changes in fund balance</b>	<b><u>233,087</u></b>	<b><u>-</u></b>	<b><u>47,799</u></b>	<b><u>280,886</u></b>
<b>Fund balance - beginning</b>	<b>3,315,197</b>	<b>15,012</b>	<b>393,890</b>	<b>3,724,099</b>
Inventory adjustment	-	-	(8,748)	(8,748)
<b>Fund balance - beginning - restated</b>	<b><u>3,315,197</u></b>	<b><u>15,012</u></b>	<b><u>385,142</u></b>	<b><u>3,715,351</u></b>
<b>Fund balance - ending</b>	<b><u>\$ 3,548,284</u></b>	<b><u>\$ 15,012</u></b>	<b><u>\$ 432,941</u></b>	<b><u>\$ 3,996,237</u></b>

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

**WEST 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 Year Ended June 30, 2014**

**Amounts reported for the governmental activities in the statement of activities (Page 14) are different because:**

<b>Net change in fund balance - total governmental funds (Page 17)</b>	<b>\$</b>	<b>280,886</b>
Expenses on the statement of activities that are not current financial uses are not reported as expenses in governmental funds:		
Accrued interest payable		2,201
Change in inventory		(8,748)
The change in OPEB is an expenditure in the governmental funds, but the change reduces or increases the liability on the statement of activities.		
		(12,390)
Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are unavailable in the funds and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Loss on refunding debt		(14,512)
Bond discount		(2,042)
Bond insurance premium		(2,112)
Bond premium		212
Revenues in the statement of activities that do not provide current financial resources are not reported as current revenues in the funds.		
Deferred revenue		(46,117)
The repayment of the principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities.		
		255,000
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		58,982
Work in progress		11,928
Depreciation		<u>(399,509)</u>
<b>Change in net position of governmental activities (Page 14)</b>	<b>\$</b>	<b><u>123,779</u></b>

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2014**

Revenues:	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
<b>Local Taxes:</b>				
County Taxes:				
Trustees collections - bankruptcy	\$ -	\$ -	\$ 54	\$ 54
Clerk and Master collections - prior year	10,000	10,000	25,923	15,923
Sales tax	450,000	450,000	514,711	64,711
Interstate telecommunications	300	300	593	293
	<u>460,300</u>	<u>460,300</u>	<u>541,281</u>	<u>80,981</u>
Special School District Taxes:				
Property taxes	877,631	877,631	889,632	12,001
Property taxes - prior year	27,919	27,919	51,221	23,302
Interest and penalty	5,500	5,500	9,012	3,512
In lieu of tax payments	15,000	15,000	15,040	40
	<u>926,050</u>	<u>926,050</u>	<u>964,905</u>	<u>38,855</u>
<b>Total local taxes</b>	<b><u>1,386,350</u></b>	<b><u>1,386,350</u></b>	<b><u>1,506,186</u></b>	<b><u>119,836</u></b>
<b>Intergovernmental Revenues:</b>				
State Education Funds:				
Basic Education Program	5,025,000	5,025,000	5,032,000	7,000
Early Childhood Education	207,037	207,037	223,948	16,911
Other state education funds	4,271	80,410	80,439	29
Career Ladder	64,412	64,412	61,848	(2,564)
Career Ladder extended contract	23,000	23,000	17,170	(5,830)
	<u>5,323,720</u>	<u>5,399,859</u>	<u>5,415,405</u>	<u>15,546</u>
Other State Funds:				
Mixed drink tax	400	400	485	85
Federal Through State:				
Special Education - grants to states	20,000	20,000	-	(20,000)
Special Education Preschool Grants	-	27,000	-	(27,000)
Education of handicapped	-	-	47,635	47,635
	<u>20,000</u>	<u>47,000</u>	<u>47,635</u>	<u>635</u>
<b>Total intergovernmental revenues</b>	<b><u>5,344,120</u></b>	<b><u>5,447,259</u></b>	<b><u>5,463,525</u></b>	<b><u>16,266</u></b>

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
<b>Miscellaneous Revenues:</b>				
Marriage licenses	\$ 200	\$ 200	\$ 336	\$ 136
Interest earned	7,587	7,587	8,839	1,252
Miscellaneous refunds	-	-	9,294	9,294
Insurance recovery	-	7,000	7,004	4
Sale of equipment	-	-	1,020	1,020
Other	18,000	18,000	33,405	15,405
<b>Total miscellaneous revenues</b>	<b>25,787</b>	<b>32,787</b>	<b>59,898</b>	<b>27,111</b>
<b>Total revenues</b>	<b>6,756,257</b>	<b>6,866,396</b>	<b>7,029,609</b>	<b>163,213</b>
<b>Expenditures</b>				
<b>Instruction:</b>				
Regular Instruction Program:				
Teachers	2,330,210	2,295,710	2,295,648	(62)
Career Ladder Program	36,000	32,500	32,500	-
Career Ladder extended contract	19,400	9,900	9,685	(215)
Homebound teachers	4,000	4,000	2,113	(1,887)
Aides	58,125	69,225	69,163	(62)
Substitute teachers	3,000	3,000	2,896	(104)
Noncertified substitute teachers	38,000	32,000	31,295	(705)
Social Security	141,000	141,000	136,304	(4,696)
State retirement	217,500	217,500	212,581	(4,919)
Medical insurance	227,205	227,205	229,459	2,254
Medicare	33,000	33,000	32,181	(819)
Maintenance and repair services	1,000	1,000	-	(1,000)
Tuition	5,000	5,000	-	(5,000)
Instructional materials and supplies	35,000	35,000	35,236	236
Textbooks	77,000	72,000	69,183	(2,817)
Other contracted services	-	25,000	24,325	(675)
Fee waivers	12,000	12,000	10,035	(1,965)
Capital outlay - equipment	33,457	26,957	30,332	3,375
	<u>3,270,897</u>	<u>3,241,997</u>	<u>3,222,936</u>	<u>(19,061)</u>
Alternate Instruction Program:				
Other contracted services	15,000	15,000	13,495	(1,505)

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Special Education Program:</b>				
Teachers	\$ 223,251	\$ 223,251	\$ 222,410	\$ (841)
Career Ladder	1,500	1,500	1,500	-
Career Ladder extended contract	-	3,000	2,600	(400)
Homebound teachers	1,700	1,700	1,160	(540)
Aides	28,965	31,465	30,516	(949)
Substitute teachers	1,000	1,000	-	(1,000)
Non-certified substitutes	2,000	2,750	2,173	(577)
Social Security	14,537	14,537	14,483	(54)
State retirement	22,589	22,589	22,691	102
Medical insurance	23,962	23,962	26,648	2,686
Medicare	3,400	3,400	3,398	(2)
Contracts with other schools	72,300	72,300	72,300	-
Other contracted services	13,000	13,000	15,305	2,305
Instructional supplies and materials	4,000	4,000	2,824	(1,176)
Capital outlay - equipment	5,000	5,000	4,258	(742)
	<u>417,204</u>	<u>423,454</u>	<u>422,266</u>	<u>(1,188)</u>
<b>Vocational Education Program:</b>				
Teachers	150,784	141,284	140,570	(714)
Career Ladder Program	1,000	1,000	1,000	-
Non-certified substitutes	3,000	3,000	1,953	(1,047)
Social Security	8,352	8,352	8,003	(349)
State retirement	13,479	13,479	12,591	(888)
Medical insurance	20,089	20,089	17,160	(2,929)
Medicare	1,954	1,954	1,872	(82)
Instructional supplies and materials	9,000	8,896	8,500	(396)
Other supplies and materials	-	104	2,433	2,329
Capital outlay - equipment	9,000	9,000	7,500	(1,500)
	<u>216,658</u>	<u>207,158</u>	<u>201,582</u>	<u>(5,576)</u>
<b>Total instruction</b>	<b><u>\$ 3,919,759</u></b>	<b><u>\$ 3,887,609</u></b>	<b><u>\$ 3,860,279</u></b>	<b><u>\$ (27,330)</u></b>

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
<b>Support Services:</b>				
Attendance:				
Medical personnel	\$ 25,705	\$ 25,705	\$ 24,923	\$ (782)
Social Security	1,478	1,478	1,485	7
State retirement	2,283	2,283	2,213	(70)
Medical insurance	1,867	1,867	1,192	(675)
Medicare	350	350	347	(3)
Postal charges	500	500	500	-
Travel	2,500	2,500	2,250	(250)
Attendance Equipment	1,000	500	-	(500)
	<u>35,683</u>	<u>35,183</u>	<u>32,910</u>	<u>(2,273)</u>
Health Services:				
Medical personnel	60,710	61,735	61,735	-
Social security	3,190	3,190	3,246	56
State retirement	5,200	5,200	5,284	84
Medical insurance	9,253	9,253	9,074	(179)
Medicare	750	750	759	9
Travel	1,000	1,000	891	(109)
Other charges	1,000	-	-	-
Health equipment	1,000	1,000	296	(704)
	<u>82,103</u>	<u>82,128</u>	<u>81,285</u>	<u>(843)</u>
Other Student Support:				
Career Ladder	4,000	4,000	4,000	-
Guidance personnel	144,850	145,050	145,025	(25)
Career Ladder extended contract	-	975	975	-
Clerical Personnel	11,000	9,800	9,626	(174)
Social Security	9,214	9,214	9,144	(70)
State retirement	14,298	14,298	13,320	(978)
Medical insurance	12,805	12,805	12,563	(242)
Medicare	2,155	2,155	2,138	(17)
Evaluation and testing	4,200	1,700	1,368	(332)
Travel	1,000	500	132	(368)
Other contracted services	11,000	11,000	11,000	-
Other supplies and materials	500	1,100	1,035	(65)
Other equipment	500	500	-	(500)
	<u>215,522</u>	<u>213,097</u>	<u>210,326</u>	<u>(2,771)</u>

*The accompanying notes are integral part of the financial statements.*

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Regular Education Program</b>				
Supervisor	\$ 57,350	\$ 57,600	\$ 57,530	\$ (70)
Career Ladder Program	9,000	9,000	9,000	-
Career Ladder extended contract	600	600	600	-
Librarians	139,569	139,569	138,987	(582)
Other salaries and wages	-	2,400	2,385	(15)
Non-certified substitute teachers	400	400	-	(400)
Social Security	11,858	11,858	12,081	223
State retirement	18,286	18,286	18,348	62
Medical insurance	14,656	14,656	14,350	(306)
Medicare	2,774	2,774	2,825	51
Maintenance and repair service - equipment	19,000	19,000	21,596	2,596
Travel	3,500	3,500	2,539	(961)
Other contracted services	3,000	9,500	9,131	(369)
Library books/media	9,000	9,000	9,000	-
In-service/staff development	2,500	2,500	596	(1,904)
Other equipment	1,000	400	-	(400)
	<u>292,493</u>	<u>301,043</u>	<u>298,968</u>	<u>(2,075)</u>
<b>Special Education Program:</b>				
Supervisor	10,018	10,018	9,980	(38)
Clerical personnel	9,104	9,404	9,381	(23)
Social Security	900	900	909	9
State retirement	1,670	1,670	1,689	19
Medical insurance	5,922	5,922	5,031	(891)
Medicare	225	225	213	(12)
Travel	1,500	1,500	1,667	167
In-service/staff development	2,500	2,500	2,130	(370)
Other equipment	1,000	700	-	(700)
	<u>32,839</u>	<u>32,839</u>	<u>31,000</u>	<u>(1,839)</u>

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Board of Education:</b>				
Unemployment compensation	\$ 11,000	\$ 11,000	\$ 9,145	\$ (1,855)
Audit services	25,000	25,000	24,300	(700)
Dues and memberships	6,500	6,500	6,073	(427)
Legal services	1,000	1,000	665	(335)
Travel	1,000	1,000	1,015	15
Liability insurance	3,000	3,000	2,798	(202)
Trustee commissions	30,000	30,000	30,585	585
Workmen's compensation	40,376	37,476	37,437	(39)
Refund to applicants	750	750	210	(540)
Other charges	4,500	4,500	7,251	2,751
	<u>123,126</u>	<u>120,226</u>	<u>119,479</u>	<u>(747)</u>
<b>Director of Schools:</b>				
County official/administrative officer	85,745	85,895	85,895	-
Career Ladder program	1,000	1,000	1,000	-
Clerical personnel	9,104	9,204	9,131	(73)
Social Security	4,939	4,939	5,368	429
State retirement	8,483	8,483	8,498	15
Medical insurance	11,562	11,562	10,549	(1,013)
Medicare	1,156	1,156	1,256	100
Communication	8,000	8,000	7,927	(73)
Dues and memberships	1,700	1,700	1,720	20
Maintenance and repair service - equipment	2,500	800	800	-
Postal charges	1,200	1,200	1,023	(177)
Travel	3,500	3,500	3,412	(88)
Office supplies	1,500	1,500	672	(828)
Capital outlay - equipment	1,000	1,000	949	(51)
	<u>141,389</u>	<u>139,939</u>	<u>138,200</u>	<u>(1,739)</u>

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
<b>Office of Principals:</b>				
Principals	\$ 207,142	\$ 207,142	\$ 202,887	\$ (4,255)
Career Ladder	3,000	3,000	3,000	-
Accountants/bookkeepers	8,776	8,776	8,250	(526)
Assistant principal(s)	54,777	55,277	54,927	(350)
Secretary(s)	58,265	59,265	59,015	(250)
Clerical personnel	18,318	18,818	18,568	(250)
In service / staff development	6,000	6,000	6,000	-
Social Security	20,122	20,122	19,711	(411)
State retirement	30,676	30,676	30,513	(163)
Medical insurance	23,961	23,961	27,452	3,491
Medicare	4,703	4,703	4,610	(93)
Communication	9,000	9,000	9,990	990
Dues and memberships	2,175	2,175	2,175	-
Postal charges	2,300	2,300	2,300	-
Other supplies and materials	4,500	4,500	4,500	-
	<u>453,715</u>	<u>455,715</u>	<u>453,898</u>	<u>(1,817)</u>
<b>Fiscal Services:</b>				
Accountants/bookkeepers	55,507	56,107	56,082	(25)
Social Security	3,221	3,221	3,040	(181)
State retirement	4,752	4,752	4,801	49
Medical insurance	9,100	7,100	5,871	(1,229)
Medicare	754	754	711	(43)
Travel	500	500	-	(500)
Other contracted services	7,600	7,600	7,623	23
Data processing supplies	500	500	-	(500)
Office supplies	1,500	150	105	(45)
Other charges	800	150	110	(40)
Capital outlay - equipment	1,000	1,000	1,000	-
	<u>85,234</u>	<u>81,834</u>	<u>79,343</u>	<u>(2,491)</u>

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u> <u>(Under)</u>
<b>Operation of Plant:</b>				
Custodial personnel	\$ 137,229	\$ 137,229	\$ 131,526	\$ (5,703)
Social Security	7,826	7,826	7,574	(252)
State retirement	11,750	11,750	10,905	(845)
Employee health insurance	11,014	11,014	7,490	(3,524)
Medicare	1,830	1,830	1,771	(59)
Maintenance and repair - equipment	11,000	11,000	11,034	34
Custodial supplies	29,000	29,000	29,367	367
Electricity	170,377	162,377	160,276	(2,101)
Gas	39,000	39,000	45,008	6,008
Water and sewer	23,000	23,000	23,082	82
Building and contents insurance	81,883	81,883	81,883	-
	<u>523,909</u>	<u>515,909</u>	<u>509,916</u>	<u>(5,993)</u>
<b>Maintenance of Plant:</b>				
Supervisor	36,540	36,840	36,790	(50)
Maintenance personnel	21,160	21,460	21,410	(50)
Other salaries and wages	3,500	3,500	2,560	(940)
Social Security	3,252	3,252	3,386	134
State retirement	5,300	5,300	5,209	(91)
Medical insurance	9,253	9,253	7,504	(1,749)
Medicare	761	761	792	31
Maintenance and repair - buildings	9,000	8,000	-	(8,000)
Maintenance and repair - equipment	17,000	17,000	16,725	(275)
Maintenance and repair - vehicles	3,000	4,000	3,240	(760)
Travel	1,000	1,000	1,061	61
Other contracted services	9,000	9,000	10,050	1,050
Gasoline	5,500	5,500	3,763	(1,737)
Other supplies and materials	17,500	17,500	17,841	341
Capital outlay - equipment	3,000	3,000	7,791	4,791
	<u>144,766</u>	<u>145,366</u>	<u>138,122</u>	<u>(7,244)</u>
<b>Transportation</b>				
Other contracted services	<u>21,000</u>	<u>22,000</u>	<u>19,683</u>	<u>(2,317)</u>

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Central and Other:</b>				
Supervisor	\$ 49,358	\$ 49,558	\$ 49,508	\$ (50)
Data processing personnel	15,858	17,358	17,276	(82)
Social Security	4,044	4,044	4,067	23
State retirement	5,583	5,583	5,875	292
Medicare	946	946	951	5
Data processing services	30,000	30,000	28,490	(1,510)
Maintenance and repair - equipment	3,000	3,000	3,000	-
Postal Charges	500	500	118	(382)
Travel	3,500	3,500	2,349	(1,151)
Other contracted services	30,000	30,000	26,813	(3,187)
Data processing equipment	40,000	50,000	50,900	900
Other equipment	-	138,000	137,582	(418)
	<u>182,789</u>	<u>332,489</u>	<u>326,929</u>	<u>(5,560)</u>
<b>Total support services</b>	<b><u>2,334,568</u></b>	<b><u>2,477,768</u></b>	<b><u>2,440,059</u></b>	<b><u>(37,709)</u></b>
<b>Non-Instructional Services:</b>				
Food service				
Cafeteria personnel	-	3,125	3,125	-
Social Security	-	194	194	-
State Retirement	-	225	225	-
Employer Medicare	-	45	45	-
	<u>-</u>	<u>3,589</u>	<u>3,589</u>	<u>-</u>
<b>Early Childhood Education:</b>				
Supervisor/ Director	6,300	6,300	6,106	(194)
Teachers	75,000	75,000	74,751	(249)
Aides	44,000	44,000	43,620	(380)
Non-certified substitute teachers	4,500	4,500	2,008	(2,492)
Social Security	7,300	7,300	7,162	(138)
State Retirement	10,000	10,000	10,914	914
Medical insurance	10,000	10,000	9,564	(436)
Unemployment Compensation	1,700	1,700	294	(1,406)
Employer Medicare	1,700	1,700	1,675	(25)
Travel	2,200	2,200	1,730	(470)
Instructional supplies	20,537	20,537	20,537	-

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
In-service/staff development	\$ 3,800	\$ 3,800	\$ 3,800	\$ -
Other equipment	20,000	20,000	24,876	4,876
	<u>207,037</u>	<u>207,037</u>	<u>207,037</u>	<u>-</u>
<b>Capital Outlay:</b>				
Building improvements	40,000	47,500	54,685	7,185
Other capital outlay	53,500	53,500	46,072	(7,428)
	<u>93,500</u>	<u>101,000</u>	<u>100,757</u>	<u>(243)</u>
<b>Total non-instructional services</b>	<u>300,537</u>	<u>311,626</u>	<u>311,383</u>	<u>(243)</u>
<b>Total expenditures</b>	<u>6,554,864</u>	<u>6,677,003</u>	<u>6,611,721</u>	<u>(65,282)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>201,393</u>	<u>189,393</u>	<u>417,888</u>	<u>228,495</u>
<b>Other financing sources (uses):</b>				
Transfers out	(201,393)	(189,393)	(184,801)	(4,592)
<b>Net changes in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>233,087</u>	<u>\$ 223,903</u>
<b>Fund balance - beginning</b>			<u>3,315,197</u>	
<b>Fund balance - ending</b>			<u>\$ 3,548,284</u>	

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2014**

**Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures**

**Inflows/revenues:**

Actual amounts (budgetary basis)	\$ 7,029,609
Differences - budget to GAAP:	
Fringe benefits - noncash	<u>29,746</u>
Total Revenues as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>7,059,355</u>

**Outflows/expenditures:**

Actual amounts (budgetary basis)	6,611,721
Differences - budget to GAAP:	
Fringe expense - noncash	<u>29,746</u>
Total Expenditures as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>6,641,467</u>

<b>Other financing sources (uses)</b>	<u>(184,801)</u>
<b>Net changes in fund balance</b>	<b><u>\$ 233,087</u></b>

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

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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

**A. Reporting Entity:**

The West Carroll Special School District (District) was created by an act to amend Chapter 504 of the Private Acts of 1945 as amended by Chapter 82 of the Private Acts of 1981. This act was passed by the General Assembly of the State of Tennessee on July 23, 1981. The purpose of the West Carroll Special School District is to operate and administer the area of West Carroll County's public schools.

The six-member school board, which is the governing authority, is elected by the public, approves its own budgets and controls surpluses and deficits, has the authority to issue debt and to levy taxes, and has control over hiring and firing employees.

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

The financial statements of the West Carroll Special School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the District are described below.

**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 nonfiduciary 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 the only activities of the District. The District does not maintain any 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, 2) operating grants and contributions restricted to meeting the operational requirements of a particular function or segment, and 3) capital grants and contributions that are restricted to meeting the 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

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

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 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 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 and claims and judgments, are recorded only when payment is due.

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

The District reports the following major governmental funds:

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

The debt service fund is the fund used to account for all financial resources and expenditures related to repayment of debt.

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.

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

**D. Assets, Liabilities, and Net Position or Equity**

***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.

***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

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

All other outstanding balances between funds are reported as "due to/from other funds".

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied and mailed on October 1. The payment due dates are October 1 through February 28 and 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 for which they were levied.

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 reported as unavailable in the governmental fund statements until they become current receivables.

For the purpose of operating and maintaining the District, the private act creating the District authorized an annual property tax on every one hundred (\$100) assessment of real and personal property located within the District. The current property tax is \$1.44 on every \$100 of real and personal property located within the District.

***Inventories***

The Cafeteria Fund maintains an inventory consisting of food supplies using the purchases method and expenses inventory when purchased throughout the year. At year-end, the actual cost of the items in inventory is used to capitalize the inventory, with a corresponding entry to nonspendable fund balance in the Cafeteria Fund. The costs of governmental fund type inventories are recorded as expenditures when purchased.

***Capital Assets***

Capital assets, which include buildings and improvements and other capital assets, are reported in the applicable district-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 (amount not rounded) or more and an estimated useful life in excess of two years.

The costs of normal maintenance and repairs that do not add to the value of the assets 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 are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	30 years
Machinery and equipment	5-15 years

***Compensated Absences***

All employees, except food service personnel, accumulate sick leave at the rate of one day per month of service. All professional employees and non-professional employees, except food service personnel, hired prior to July 1, 1980, may accumulate an unlimited amount of sick leave to build

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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retirement. Non-professional employees, except food service personnel, hired after July 1, 1980, may accumulate up to 120 days of sick leave to build retirement. Full time non-professional food service employees, effective September 1, 1983, accumulate sick leave at the rate of one day for every 20 days employed. Half-day food service personnel accumulate sick leave at the rate of one-half day for every 20 days employed. Full time and half-day food service personnel may accumulate up to 50 days of sick leave. Food service managers may accumulate a maximum of 120 days of sick leave. Sick leave is not vested; therefore, no accrual is recorded.

All employees of the District, except custodial employees, receive two weeks paid vacation per year, which is not accumulated. All employees, except custodial employees, also receive two days of personal or professional leave per year. Since balances may not be accumulated, no liability is recorded.

***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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District recognizes unavailable revenues – property taxes as deferred inflows of resources as of June 30, 2014 in the district wide statements and unavailable property taxes and grants in the fund statements.

***Impact of Recently Issued Accounting Pronouncements***

In March of 2012, the GASB issued Statement No. 65 – Items Previously Reported as Assets and Liabilities. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for financial periods beginning after December 15, 2012. The implementation of GASB Statement No. 65 has resulted in the classification of unavailable revenue – property taxes and unavailable revenue grants to deferred inflows of resources as

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

compared to previously being reported as a liability. It also requires bond issuance costs to be expensed in the year bonds are issued. This has resulted in a prior period adjustment in the current year to remove bond issuance cost from the assets.

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.

***Net position flow assumption***

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

***Fund Equity***

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

***Nonspendable fund balance***

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

***Restricted fund balance***

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Committed fund balance**

This classification includes amounts that can only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Education of the West Carroll Special School District. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally (for example: resolution).

**Assigned fund balance**

This classification includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board and its designees (of which there are none) have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

**Unassigned fund balance**

This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

**Fund balance flow assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**NOTE 2 - RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the District-wide Statement of Net Position**

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the district-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds, notes and capital leases payable, and OPEB are not due and payable in the current period and therefore, are not reported in the funds." The details of this (\$5,181,832) and (\$44,402) are as follows:

School Bonds Payable, Series 2005	\$ (5,145,000)
Bond premium related to the school bonds, series 2005	(3,183)
Bond discount related to the school bonds, series 2005	30,633
OPEB liability	<u>(64,282)</u>
	<u>\$ (5,181,832)</u>
Accrued interest payable	<u>\$ (44,402)</u>

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Another element of that reconciliation explains that "capital assets used in governmental funds are not financial resources and, therefore, are not reported as assets in the governmental funds." The details of this \$5,305,906 are as follows:

Land	\$	232,960
Work in progress		18,000
Buildings and improvements		11,954,661
Other capital assets		480,800
		12,686,421
Less accumulated depreciation		(7,380,515)
Total capital assets, net of accumulated depreciation	\$	5,305,906

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the District-wide Statement of Activities**

One element of that reconciliation states that "the repayment of the principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position." The details of this \$255,000 are as follows:

Principal repayments		
School Bonds Payable, Series 2005	\$	255,000

One element of that reconciliation states that there are "expenses on the statement of activities that are not current financial uses and are not reported as expenses in governmental funds." The details of \$2,158 and (\$8,748) are as follows:

Accrued interest payable	\$	2,201
Change in inventory	\$	(8,748)

One element of that reconciliation states that there are "revenues in the statement of activities that do not provide current financial resources are not reported as current revenues in the funds." The details of this (\$46,117) is as follows:

Previous year grant related unavailable revenue		
Early Childhood Education	\$	(33,682)
USDA - Breakfast		(11,740)
USDA - Lunch		(22,863)
Current year grant related unavailable revenue		
Early Childhood Education		16,771
Vocational Education - Basic Grants to States		5,397
	\$	(46,117)

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**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except for the on-behalf payments paid by the State of Tennessee. These include the general purpose, federal projects, cafeteria, and debt service funds. The Board of Education approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal year-end. Each budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

As an extension of the formal budgetary process, the Board of Education may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. The District's policy is to not allow expenditures to exceed budgetary amounts at the function level without obtaining additional appropriation approval from the Board of Education. Function level is defined as Regular Instruction Program which is the next level below the category level, Instruction. The District was in compliance with the policy as of June 30, 2014.

**NOTE 4 - DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of June 30, 2014, the District had the following investments:

Investments	Fair Value Cost	Maturity (Years)
Certificate of deposit	\$ 200,000	5

***Custodial Credit Risk***

The District's policies limit deposits and investments to those instruments allowed by applicable state laws and 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, by 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. State statutes also authorize the District to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. 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, the bank accounts were at risk of \$730,444 of under collateralized deposits.

GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, requires investments with a remaining maturity of one year or more to be reported at fair value. The District had investments of \$200,000 as of June 30, 2014. This investment consists of a certificate of deposit at a local financial institution.

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The following is a summary of cash and cash equivalents as of June 30, 2014:

Cash and cash equivalents:	
Cash in bank	\$ 3,579,374
Local Government Investment Pool	18,003
	<u>3,597,377</u>
Investments:	
Certificate of deposit	200,000
	<u>200,000</u>
Total deposits	<u>\$ 3,797,377</u>

**B. Receivables**

Receivables as of the year-end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts (\$0) are as follows:

	General Purpose Fund	Debt Service Fund	Other Governmental Funds	Total
Receivables:				
Due from other governments - nongrant	\$ 1,063,817	\$ 296,678	\$ -	\$ 1,360,495
Due from other governments - grants	16,771	-	118,530	135,301
Total receivables	<u>\$ 1,080,588</u>	<u>\$ 296,678</u>	<u>\$ 118,530</u>	<u>\$ 1,495,796</u>

Amounts in the general purpose fund called due from other governmental agencies represent the normal amounts due from state and county governments for shared revenues and tax allocations.

The following revenues are unavailable because they were not received within sixty days after year-end.

	Unavailable Grants	Unavailable Property Taxes
General Purpose Fund		
Early Childhood Education	\$ 16,771	\$ -
Property Taxes	-	948,164
Federal Projects Fund		
Vocational Education - Basic Grants to States	5,397	-
Debt Service Fund		
Property Taxes	-	<u>293,069</u>
	<u>\$ 22,168</u>	<u>\$ 1,241,233</u>

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**C. Capital Assets**

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

	6/30/13	Additions	Reductions	Reclassification	6/30/14
Capital assets not being depreciated:					
Land	\$ 217,127	\$ 15,833	\$ -	\$ -	\$ 232,960
Work in Progress	6,072	18,000	-	(6,072)	18,000
	<u>223,199</u>	<u>33,833</u>	<u>-</u>	<u>(6,072)</u>	<u>250,960</u>
Capital assets being depreciated:					
Buildings and improvements	11,919,303	29,286	-	6,072	11,954,661
Other capital assets	473,009	7,791	-	-	480,800
	<u>12,392,312</u>	<u>37,077</u>	<u>-</u>	<u>6,072</u>	<u>12,435,461</u>
Accumulated depreciation:					
Buildings and improvements	6,685,395	344,839	-	-	7,030,234
Other capital assets	295,611	54,670	-	-	350,281
	<u>6,981,006</u>	<u>399,509</u>	<u>-</u>	<u>-</u>	<u>7,380,515</u>
Capital assets net of accumulated depreciation	5,634,505	(328,599)	-	-	5,305,906
Long-term debt related to capital assets (including bond premium and discount)	<u>(5,370,720)</u>	<u>-</u>	<u>(253,170)</u>	<u>-</u>	<u>(5,117,550)</u>
Capital assets net of accumulated depreciation and related debt	<u>\$ 263,785</u>	<u>\$ (328,599)</u>	<u>\$ (253,170)</u>	<u>\$ -</u>	<u>\$ 188,356</u>

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

Instruction:	
Regular education	\$ 372,413
Support services:	
Office of the Director of Schools	12,643
Operation and maintenance of plant	1,603
Food Services	12,850
Total depreciation	<u>\$ 399,509</u>

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**D. Long-term Debt**

The annual requirements to amortize all long-term debt and obligations outstanding as of June 30, 2014, are as follows:

Years Ending June 30,	Bonds		Total
	Principal	Interest	
2015	\$ 265,000	\$ 208,735	\$ 473,735
2016	275,000	199,460	474,460
2017	285,000	189,560	474,560
2018	295,000	179,015	474,015
2019	305,000	167,953	472,953
2020-2024	1,685,000	651,760	2,336,760
2025-2029	2,035,000	274,755	2,309,755
	<u>\$ 5,145,000</u>	<u>\$ 1,871,238</u>	<u>\$ 7,016,238</u>

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

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds Payable:					
School Bonds, Series 2005, 3.5% to 4.10 % interest, payable serially through 2029	\$ 5,400,000	\$ -	\$ 255,000	\$ 5,145,000	\$ 265,000
Bond Discount	(32,675)	-	(2,042)	(30,633)	
Bond Premium	3,395	-	212	3,183	
Net Bonds Payable	<u>\$ 5,370,720</u>	<u>\$ -</u>	<u>\$ 253,170</u>	<u>\$ 5,117,550</u>	
OPEB	<u>\$ 51,892</u>	<u>\$ 12,390</u>	<u>\$ -</u>	<u>\$ 64,282</u>	

The District issued school bonds for the purpose of providing funds for the acquisition and construction of a new building. During the year ended June 30, 2005, additional school bonds were issued to refund a portion of the School Bonds, Series 1999. The principal not refunded totaled \$660,000.

During the year ended June 30, 2005, the District issued \$6,535,000 of school refunding bonds for the purpose of providing funds to refund a portion of the District's School Bonds, Series 1999, maturing June 1, 2010, through June 1, 2012, inclusive, June 1, 2014, June 1, 2015, June 1, 2019, June 1, 2024, and June 1, 2029, and to pay costs of issuance on the bonds. The refunded bonds are considered defeased and the liability has been removed from the statement of net position except for the portion not refunded. The reacquisition principal plus premiums and discounts exceeded the net carrying amount of the old debt by \$348,281. This amount is being netted against the new debt and being amortized along with the discounts and premiums over the life of the new debt, which is the same life as the refunded debt. The advance refunding was undertaken to reduce the total debt service payments over the next fifteen years by \$753,105 and resulted in an economic loss of \$348,281.

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**NOTES TO FINANCIAL STATEMENTS**  
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**E. Internal Balances**

The following is a summary of due to and due from other funds as of June 30, 2014:

	General Purpose Fund	Federal Projects Fund	Centralized Cafeteria Fund	Total
Due to other funds	\$ -	\$(118,530)	\$ (18)	\$ (118,548)
Due from other funds	118,548	-	-	118,548
	<u>\$ 118,548</u>	<u>\$(118,530)</u>	<u>\$ (18)</u>	<u>\$ -</u>

The above internal balance is the result of indirect costs and salaries that had not been paid as of the year-end.

The following is a summary of transfers during the year ended June 30, 2014:

Transfers From	Transfers To	Amount
General Purpose Fund	Debt Service Fund	<u>\$ 184,801</u>

Transfers are used to transfer debt payments.

**NOTE 5 -OTHER INFORMATION**

**A. Pensions**

Political Subdivision Pension Plan

***Plan Description***

Employees of the District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement District (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 district 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 the 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 the

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Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

***Funding Policy***

The District requires employees to contribute 5.0% of earnable compensation. The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014 was 8.56% 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, the District's annual pension cost of \$68,253 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% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% 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. The 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 6 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

***Trend Information***

Fiscal Year Ending	Annual Pension Cost (APC)	Trend Information	
		Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 68,253	100.00%	\$ -
June 30, 2013	68,649	100.00%	-
June 30, 2012	69,326	100.00%	-

***Funded Status and Funding Progress***

As of July 1, 2013, the most recent actuarial valuation date, the plan was 94.88% funded. The actuarial accrued liability for benefits was \$2.05 million, and the actuarial value of assets was \$1.94 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.10 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.78 million, and the ratio of the UAAL to the covered payroll was 13.44%.

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 to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan 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 )
July 1, 2013	\$ 1,943	\$ 2,048	\$ 105	94.88%	\$ 780	13.44%

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

***Plan Description***

The District contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at 3%.

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, 10<sup>th</sup> 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 the District 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 the District 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 \$339,550, \$346,356, and \$350,563, respectively, equal to the required contributions for each year.

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**B. Postemployment Healthcare Plan**

***Plan Description***

The District participates in the state-administered Teacher Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-302. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

***Funding Policy***

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The District pays all of its retiree's premiums.

ARC	\$ 37,000
Interest on NPO	2,335
Adjustment to the ARC	<u>(2,273)</u>
Annual OPEB cost	37,062
Amount of contribution	<u>(24,672)</u>
Increase/decrease in NPO	12,390
Net OPEB obligation - beginning of year	<u>51,892</u>
Net OPEB obligation - end of year	<u><u>\$ 64,282</u></u>

<u>Year End</u>	<u>Plan</u>	<u>Annual</u>	<u>% of</u>	<u>Net OPEB</u>
		<u>OPEB Cost</u>	<u>Annual</u>	<u>Obligation at</u>
			<u>OPEB Cost</u>	<u>Year End</u>
			<u>Contributed</u>	
6/30/2014	Teacher Group Plan	\$ 37,062	66.57%	\$ 64,282
6/30/2013	Teacher Group Plan	77,000	32.61%	51,892

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2014

***Funded Status and Funding Progress***

The funded status of the plan as of June 30, 2014, was as follows:

	<b>Teacher Group Plan</b>
Actuarial valuation date	7/1/2013
Actuarial accrued liability (AAL)	\$ 381,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	381,000
Actuarial Value of Assets as a % of the AAL	-
Covered payroll (active plan members)	\$ 4,621,118
UAAL as a percentage of covered payroll	8.24%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

***Actuarial Methods and Assumptions***

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2013, actuarial valuation for the Local Education plan, the Projected Unit Credit actuarial cost method was used and the actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent initially. The rate decreased to 8.75 percent in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5 percent by fiscal year 2021. The annual healthcare premium trend rate for the Medicare Supplement plan was 6.50 percent initially. The rate reduced to 6.25 percent for fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5 percent by fiscal year 2018. Both rates include a 2.5 percent inflation assumption, which also represent projected salary increase. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007.

**C. On-Behalf Payments for Fringe Benefits and Salaries**

The District recognizes as revenues and expenses contributions made by the State of Tennessee to the Teacher Group Plan and the Medicare Supplement Plan on behalf of the District's employees. In fiscal year 2013 the State made contributions allocated to the General Purpose fund for \$29,746.

**D. Contingent Liabilities and Losses**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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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.

**E. 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 Risk Management Trust (TNRMT), which is a public entity risk pool. 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. TNRMT 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' bond. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

**F. Endowment**

During the year ended June 30, 2005, a certificate of deposit in the amount of \$100,130 was contributed to the District. Another contribution was made during year ended June 30, 2008 in the amount of \$99,870 which brought the balance of the certificate of deposit to \$200,000. The revenue from the certificate of deposit is to be used for scholarships for deserving seniors. The revenue in the endowment fund for the year ended June 30, 2014 was \$5,599. Scholarships paid as of June 30, 2014 totaled \$7,500.

**G. Prior Period Adjustment**

As of June 30, 2014, a prior period adjustment was made in the District-Wide Statement of Activities, to close out bond issuance cost to net position in the amount of \$40,804. The adjustment was made to comply with GASB Statement No. 65, which states that all bond issuance cost must be recognized as an expense in the year incurred.

**REQUIRED SUPPLEMENTARY INFORMATION**

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**SCHEDULES OF FUNDING PROGRESS - EMPLOYEE RETIREMENT SYSTEM**  
 June 30, 2014

Actuarial Valuation Date	Actuarial Value of Plan 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 )
July 1, 2013	\$1,943	\$2,048	\$105	94.88%	\$780	13.44%
July 1, 2011	\$1,718	\$1,865	\$147	92.12%	\$835	17.60%
July 1, 2009	\$1,377	\$1,419	\$42	97.04%	\$696	6.03%

(Dollar amounts in thousands)

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method change was made during the year of the most recent actuarial valuation date, therefore only the most current year is presented.

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**SCHEDULES OF FUNDING PROGRESS - POST EMPLOYMENT HEALTHCARE PLAN**  
 June 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2013	Teacher Group	\$ -	\$ 381,000	\$ 381,000	0.00%	\$ 4,621,118	8.24%
7/1/2011	Teacher Group	-	641,000	641,000	0.00%	4,702,368	13.63%

The above schedule is designed to show the extent to which a post employment healthcare plan has been successful over time in setting aside assets sufficient to cover its actuarial accrued liability.

**SUPPLEMENTARY AND OTHER INFORMATION**

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL  
For The Fiscal Year Then Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
County Tax Revenues:				
Property Taxes	\$ 271,267	\$ 271,267	\$ 287,859	\$ 16,592
<b>Total revenues</b>	<b><u>271,267</u></b>	<b><u>271,267</u></b>	<b><u>287,859</u></b>	<b><u>16,592</u></b>
<b>Expenditures:</b>				
Debt Service				
Principal on bonds	255,000	255,000	255,000	-
Interest on bonds	217,660	217,660	217,660	-
<b>Total expenditures</b>	<b><u>472,660</u></b>	<b><u>472,660</u></b>	<b><u>472,660</u></b>	<b><u>-</u></b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b><u>\$ (201,393)</u></b>	<b><u>\$ (201,393)</u></b>	<b><u>(184,801)</u></b>	<b><u>\$ 16,592</u></b>
<b>Other financing sources (uses)</b>				
Transfers in	<u>201,393</u>	<u>201,393</u>	<u>184,801</u>	<u>(16,592)</u>
<b>Net changes in fund balance</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>-</u></b>	<b><u>\$ -</u></b>
<b>Fund balance - beginning</b>			<b><u>15,012</u></b>	
<b>Fund balance - ending</b>			<b><u>\$ 15,012</u></b>	

See independent auditor's report.

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
OTHER GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
For The Year Ended June 30, 2014**

	Special Revenue Funds		Permanent Fund	Total Other Governmental Funds
	Federal Projects Fund	Centralized Cafeteria Fund	Endowment Fund	
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ 206,421	\$ 6,233	\$ 212,654
Investments	-	-	200,000	200,000
Due from other governments - grants	118,530	-	-	118,530
Inventory	-	25,702	-	25,702
<b>Total assets</b>	<b>\$ 118,530</b>	<b>\$ 232,123</b>	<b>\$ 206,233</b>	<b>\$ 556,886</b>
<b>Liabilities, deferred inflows of resources and fund balances</b>				
<b>Liabilities:</b>				
Due to other funds	\$ 118,530	\$ 18	\$ -	\$ 118,548
<b>Deferred inflows of resources:</b>				
Unavailable revenues - grants	5,397	-	-	5,397
<b>Fund balances:</b>				
Nonspendable				
Inventory	-	25,702	-	25,702
Endowment Fund Principal	-	-	200,000	200,000
Restricted				
Non-instructional services	-	206,403	6,233	212,636
Unassigned	(5,397)	-	-	(5,397)
Total fund balances	(5,397)	232,105	206,233	432,941
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 118,530</b>	<b>\$ 232,123</b>	<b>\$ 206,233</b>	<b>\$ 556,886</b>

*See independent auditor's report.*

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
OTHER GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
For The Year Ended June 30, 2014**

	Special Revenue Funds		Permanent Fund	Total Other Governmental Funds
	Federal Projects Fund	Centralized Cafeteria Fund	Endowment Fund	
<b>Revenues:</b>				
Federal revenue	\$ 618,786	\$ 524,400	\$ -	\$ 1,143,186
Interest earned	-	351	5,599	5,950
Food service	-	173,272	-	173,272
Total revenues	<u>618,786</u>	<u>698,023</u>	<u>5,599</u>	<u>1,322,408</u>
<b>Expenditures:</b>				
Instruction	442,634	-	-	442,634
Support services	181,549	-	-	181,549
Noninstructional services	-	642,926	7,500	650,426
Total expenditures	<u>624,183</u>	<u>642,926</u>	<u>7,500</u>	<u>1,274,609</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(5,397)</u>	<u>55,097</u>	<u>(1,901)</u>	<u>47,799</u>
Fund balances - beginning	-	185,756	208,134	393,890
Inventory adjustment	-	(8,748)	-	(8,748)
Fund balances - beginning restated	<u>-</u>	<u>177,008</u>	<u>208,134</u>	<u>385,142</u>
Fund balances - ending	<u>\$ (5,397)</u>	<u>\$ 232,105</u>	<u>\$ 206,233</u>	<u>\$ 432,941</u>

*See independent auditor's report.*

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
FEDERAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
<b>Revenues:</b>				
Federal through the State:				
Vocational education - basic grants to states	\$ 16,327	\$ 16,327	\$ 10,923	\$ (5,404)
Title I	312,542	312,594	281,414	(31,180)
Special education - grants to states	241,982	242,028	233,827	(8,201)
Special education - preschool	8,140	8,577	8,577	-
Rural education	18,998	18,998	18,485	(513)
Eisenhower Professional Development	81,176	81,176	57,198	(23,978)
ARRA - First to the top	8,362	8,362	8,362	-
	<u>687,527</u>	<u>688,062</u>	<u>618,786</u>	<u>(69,276)</u>
<b>Total revenues</b>	<b><u>687,527</u></b>	<b><u>688,062</u></b>	<b><u>618,786</u></b>	<b><u>(69,276)</u></b>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular Instruction Program:				
Teachers	149,000	149,000	141,981	(7,019)
Educational assistants	15,000	15,000	14,324	(676)
Substitute teachers	1,000	1,000	-	(1,000)
Non certified substitute teachers	3,500	3,500	1,540	(1,960)
Social Security	9,570	9,570	8,717	(853)
State retirement	14,705	14,705	13,834	(871)
Medical insurance	11,000	11,000	12,892	1,892
Unemployment compensation	2,675	2,675	539	(2,136)
Medicare	2,215	2,215	2,043	(172)
Maintenance and repair - equipment	3,000	3,000	235	(2,765)
Other contracted services	23,500	23,500	22,585	(915)
Instructional supplies	25,192	27,244	21,831	(5,413)
Instructional Equipment	16,948	14,948	13,944	(1,004)
	<u>277,305</u>	<u>277,357</u>	<u>254,465</u>	<u>(22,892)</u>
Special Education Program:				
Teachers	37,375	37,375	36,821	(554)
Educational assistants	43,555	43,555	43,530	(25)
Speech pathologist	21,945	21,945	21,618	(327)
Social Security	5,030	5,030	3,950	(1,080)
State retirement	7,055	7,055	6,996	(59)
Medical insurance	18,384	18,384	18,741	357
Unemployment compensation	540	540	251	(289)

*See independent auditor's report.*

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
FEDERAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
<b>Special Education Program (Cont.):</b>				
Medicare	\$ 1,185	\$ 1,185	\$ 1,237	\$ 52
Contracts with other school systems	29,216	26,699	23,081	(3,618)
Instructional supplies	5,185	5,185	2,932	(2,253)
Special education equipment	22,263	22,263	22,340	77
	<u>191,733</u>	<u>189,216</u>	<u>181,497</u>	<u>(7,719)</u>
<b>Vocational Education Program:</b>				
Maintenance and repair	500	-	-	-
Capital outlay - equipment	6,672	6,672	6,672	-
	<u>7,172</u>	<u>6,672</u>	<u>6,672</u>	<u>-</u>
<b>Total Instruction</b>	<b><u>476,210</u></b>	<b><u>473,245</u></b>	<b><u>442,634</u></b>	<b><u>(30,611)</u></b>
<b>Support Services:</b>				
<b>Other Student Support:</b>				
Other salaries and wages	1,200	1,200	1,200	-
Social security	74	74	68	(6)
State retirement	109	109	107	(2)
Medical insurance	-	92	92	-
Employer medicare	18	18	16	(2)
Travel	6,159	6,567	6,569	2
Other contracted services	779	779	779	-
Other supplies and materials	2,000	2,000	-	(2,000)
Other charges	1,000	1,000	-	(1,000)
	<u>11,339</u>	<u>11,839</u>	<u>8,831</u>	<u>(3,008)</u>
<b>Regular Instruction Program:</b>				
Supervisor/director	31,500	31,500	30,530	(970)
Other salaries and wages	45,894	45,894	42,254	(3,640)
Social Security	4,584	4,584	4,133	(451)
State retirement	6,937	6,937	6,463	(474)
Medical insurance	10,676	10,676	7,411	(3,265)
Unemployment compensation	1,475	1,475	-	(1,475)
Employer Medicare	1,149	1,149	967	(182)
Travel	10,000	10,000	5,319	(4,681)
Other contracted services	7,556	7,556	7,556	-
Library books	1,000	1,000	-	(1,000)
Other supplies and materials	2,000	2,000	561	(1,439)
In-service/staff development	18,002	18,002	5,802	(12,200)
	<u>140,773</u>	<u>140,773</u>	<u>110,996</u>	<u>(29,777)</u>

*See independent auditor's report.*

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
FEDERAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For The Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
<b>Special Education Program:</b>				
Supervisor	\$ 4,340	\$ 4,340	\$ 4,277	\$ (63)
Social Security	270	270	237	(33)
State retirement	390	390	380	(10)
Medical insurance	564	564	538	(26)
Unemployment compensation	10	10	-	(10)
Medicare	65	65	55	(10)
Travel	2,000	2,000	1,494	(506)
Other contracted services	43,000	46,000	46,675	675
In-service/staff development	500	500	-	(500)
	<u>51,139</u>	<u>54,139</u>	<u>53,656</u>	<u>(483)</u>
<b>Vocational Education Program:</b>				
Travel	<u>816</u>	<u>816</u>	<u>816</u>	<u>-</u>
<b>Transportation:</b>				
Contracts with other school systems	<u>7,250</u>	<u>7,250</u>	<u>7,250</u>	<u>-</u>
<b>Total support services</b>	<u>211,317</u>	<u>214,817</u>	<u>181,549</u>	<u>(33,268)</u>
<b>Total expenditures</b>	<u>687,527</u>	<u>688,062</u>	<u>624,183</u>	<u>(63,879)</u>
<b>Net changes in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(5,397)</u>	<u>\$ (5,397)</u>
<b>Fund balance - beginning</b>			<u>-</u>	
<b>Fund balance - ending</b>			<u>\$ (5,397)</u>	

*See independent auditor's report.*

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
CENTRALIZED CAFETERIA FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For The Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance- Over (Under)
	Original	Final		
<b>Revenues:</b>				
Lunch payments - students	\$ 80,000	\$ 80,000	\$ 81,524	\$ 1,524
Lunch payments - adults	20,500	20,500	19,344	(1,156)
Breakfast - students	22,800	22,800	20,094	(2,706)
A-la-carte	48,000	48,000	43,892	(4,108)
USDA Breakfast Reimbursement	148,000	148,000	154,817	6,817
USDA commodities	-	40,000	39,549	(451)
USDA reimbursements	300,000	314,200	330,034	15,834
Interest earnings	450	450	351	(99)
Other local revenues	-	-	6,263	6,263
Other charges for services	5,900	5,900	2,155	(3,745)
<b>Total revenues</b>	<b>625,650</b>	<b>679,850</b>	<b>698,023</b>	<b>18,173</b>
<b>Expenditures:</b>				
<b>Food services:</b>				
Other salaries and wages	3,000	3,000	-	(3,000)
Supervisor	26,326	27,326	27,200	(126)
Accountants/bookkeepers	5,046	5,046	-	(5,046)
Clerical personnel	3,642	8,642	8,560	(82)
Cafeteria personnel	154,005	154,005	152,342	(1,663)
Social Security	10,880	10,880	10,448	(432)
State retirement	16,500	16,500	14,491	(2,009)
Medical insurance	17,588	17,588	18,018	430
Unemployment compensation	1,200	1,200	444	(756)
Medicare	2,563	2,563	2,443	(120)
Maintenance & repair service - buildings	-	100	5	(95)
Maintenance & repair service - equipment	12,000	20,000	19,528	(472)
Payments to schools - lunch	-	100	(5)	(105)
Travel	3,000	3,000	3,210	210
Other contracted services	7,000	7,000	7,780	780
Food preparation supplies	15,000	15,000	13,709	(1,291)
Food supplies	334,100	334,100	316,308	(17,792)
Uniforms	1,300	1,300	1,297	(3)
USDA - commodities	-	40,000	39,549	(451)
Other supplies and materials	3,000	3,000	3,804	804
In-service/staff development	3,000	3,000	837	(2,163)
Other charges	3,000	3,000	385	(2,615)
Capital outlay - equipment	3,500	3,500	2,573	(927)
<b>Total expenditures</b>	<b>625,650</b>	<b>679,850</b>	<b>642,926</b>	<b>(36,924)</b>

*See independent auditor's report.*

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
CENTRALIZED CAFETERIA FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For The Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Net changes in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 55,097</b>	<b>\$ 55,097</b>
<b>Fund balance - beginning</b>			<b>185,756</b>	
<b>Inventory adjustment</b>			<b>(8,748)</b>	
<b>Fund balance - beginning restated</b>			<b>177,008</b>	
<b>Fund balance - ending</b>			<b>\$ 232,105</b>	

*See independent auditor's report.*

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
ENDOWMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
For The Year Ended June 30, 2014**

<b>Revenues:</b>	
Interest earnings	\$ <u>5,599</u>
<b>Expenditures:</b>	
Tuition	<u>7,500</u>
<b>Net changes in fund balance</b>	(1,901)
<b>Fund balance - beginning</b>	<u>208,134</u>
<b>Fund balance - ending</b>	<u>\$ 206,233</u>

*See independent auditor's report.*

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS - LAST TEN YEARS**  
 June 30, 2014

<u>Year Ended</u> <u>June, 30</u>	<u>Tax Rates</u>	<u>Assessments</u>	<u>Tax Levy</u>
2014	\$ 1.44	\$ 85,792,420	\$ 1,235,411
2013	1.44	85,164,327	1,226,366
2012	1.44	83,725,089	1,205,641
2011	1.44	83,725,090	1,205,641
2010	1.56	76,152,032	1,187,972
2009	1.56	75,323,670	1,175,041
2008	1.56	71,830,909	1,120,554
2007	1.81	61,221,535	1,108,110
2006	1.81	60,686,035	1,098,417
2005	1.81	59,800,920	1,082,397

The following is the tax levied January 1, 2014:

2015	\$ 1.44	\$ 86,196,731	\$ 1,241,233
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*See independent auditor's report.*

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF LONG-TERM DEBT**  
June 30, 2014

Year Ending June 30,	School Bonds, Series 2005		
	Principal	Interest	Total
2015	265,000	208,735	473,735
2016	275,000	199,460	474,460
2017	285,000	189,560	474,560
2018	295,000	179,015	474,015
2019	305,000	167,953	472,953
2020	315,000	156,210	471,210
2021	325,000	143,925	468,925
2022	335,000	130,925	465,925
2023	350,000	117,525	467,525
2024	360,000	103,175	463,175
2025	375,000	88,415	463,415
2026	390,000	73,040	463,040
2027	405,000	55,880	460,880
2028	425,000	38,060	463,060
2029	440,000	19,360	459,360
	<u>\$ 5,145,000</u>	<u>\$ 1,871,238</u>	<u>\$ 7,016,238</u>

*See independent auditor's report.*

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF INTERFUND TRANSFERS**  
 June 30, 2014

	Transfer Out			Transfer In	
	Budget	Actual		Budget	Actual
General Fund	<u>\$ (189,393)</u>	<u>\$ (184,801)</u>	Debt Service Fund	<u>\$ 201,393</u>	<u>\$ 184,801</u>

*See independent auditor's report.*

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF SALARIES AND BONDS**  
June 30, 2014

	<u>Bond</u>	
Director of Schools	\$ 150,000	*
Secretary/Treasurer	250,000	

\*A fidelity bond of \$150,000 covers all employees including the Director of Schools for each occurrence.

*See independent auditor's report.*

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For The Year Ended June 30, 2014

<u>Federal Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Expenditures</u>
<b>U.S. Department of Education</b>			
Pass-through the State of Tennessee Department of Education			
Title I, Grants to Local Education Agencies	84.010	S010A130042	<u>281,414</u>
Special Education Grants to States			
IDEA Program	84.027	N/A	211,327
IDEA Program	84.027	N/A	22,500
IDEA Preschool	84.173	N/A	8,577
IDEA Preschool, Additional	84.173	N/A	<u>47,635</u>
			<u>290,039</u>
Vocational Education - Basic Grants to States	84.048	47131	<u>16,320</u>
Innovative Education Program Strategies - State Grants			
Title VI, CSR	84.358	S358B130042	<u>18,485</u>
Title II, A Training	84.367	S367A130040	<u>57,198</u>
ARRA - First to the Top	84.395	S395A100032	7,556
ARRA- First to the Top- Discretionary	85.395	S395A100032	<u>806</u>
			<u>8,362</u>
<b>Total U.S. Department of Education</b>			<b><u>671,818</u></b>
<b>U.S. Department of Agriculture</b>			
Pass-through the Tennessee Department of Agriculture			
School Breakfast Program	10.553*	N/A	143,077
National School Lunch Program	10.555*	N/A	307,171
Commodities	10.555*	N/A	<u>39,549</u>
			<u>489,797</u>
<b>Total Pass-through the U.S. Department of Agriculture</b>			<b><u>489,797</u></b>
<b>Total Federal Awards</b>			<b><u>1,161,615</u></b>

\* Major federal assistance programs

Basis of Presentation:

The accompanying Schedule of Federal Awards and State Financial Assistance summarizes the expenditures of the District under programs of the federal and state governments for the year ended June 30, 2014. The schedule is presented using the modified accrual basis of accounting.

*See independent auditor's report.*

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
For The Year Ended June 30, 2014**

State Grantor	Expenditures
<b>Tennessee Department of Education</b>	
Early Childhood Education - Expansion	\$ 207,037
Connect TN	2,830
Technology Fund	66,712
Safe Schools	6,999
SSMS	2,603
ACT/Explore Testing	1,295
<b>Total State Awards</b>	<b>287,476</b>
Total per Schedule of Expenditures of Federal Awards	1,161,615
<b>Total Grants</b>	<b>\$ 1,449,091</b>

**Basis of Presentation:**

The accompanying Schedule of Federal Awards and State Financial Assistance summarizes the expenditures of the District under programs of the federal and state governments for the year ended June 30, 2014. The schedule is presented using the modified accrual basis of accounting.

*See independent auditor's report.*

**INTERNAL CONTROL AND COMPLIANCE SECTION**

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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 of Education  
West Carroll Special School District  
Atwood, Tennessee

We have audited, in accordance with the 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 West Carroll 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 West Carroll Special School District's basic financial statements and have issued our report thereon dated January 9, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered West 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 West Carroll Special School District's internal control. Accordingly, we do not express an opinion on the effectiveness of West 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 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. We did identify a certain deficiency in internal control described as item 2014-001 in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether West Carroll Special School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned cost as item 2014-001.

In addition, we noted other matters involving the internal control and its operation that we reported to management of the District in a separate letter dated January 9, 2015.

## **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*

Jackson, Tennessee  
January 9, 2015

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**Independent Auditor's Report on Compliance for Each Major  
Federal Program and Report on Internal Control over  
Compliance Required by OMB Circular A-133**

Members of the Board of Education  
West Carroll Special School District  
Atwood, Tennessee

**Report on Compliance for Each Major Federal Program**

We have audited West Carroll Special School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of West Carroll Special School District's major federal programs for the year ended June 30, 2014. West Carroll Special School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**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 West Carroll 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 West Carroll Special School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, West Carroll 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.

## Report on Internal Control Over Compliance

Management of West Carroll 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 West Carroll Special School 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 West Carroll Special School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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*

Jackson, Tennessee  
January 9, 2015

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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?	<u>          </u> yes	<u>    X    </u> no
Significant deficiency(ies) identified?	<u>    X    </u> yes	<u>          </u> none reported
Noncompliance material to financial statements noted?	<u>    X    </u> yes	<u>          </u> no

**Federal Awards**

Internal Control over major programs:		
Material weakness(es) identified?	<u>          </u> yes	<u>    X    </u> no
Significant deficiency(ies) identified?	<u>          </u> yes	<u>    X    </u> none reported

Type of auditor's report issued on compliance for major programs:		Unmodified
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Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u>          </u> yes	<u>    X    </u> no
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**Identification of major programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs:	<u>          </u> \$ <u>          </u> 300,000
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Auditee qualified as low-risk auditee?	<u>    X    </u> yes	<u>          </u> no
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**SECTION II – Financial Statement Findings**

**2014-001 – Uncollateralized Deposits (Significant Deficiency and Noncompliance)**

Condition: During our audit, we noticed that the bank balance with Citizens Bank and Trust at June 30, 2014, exceeded the market value of collateral pledged by \$730,444.

Criteria: 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, by 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.

Effect: The District failed to comply with the State statute and were under collateralized and at risk in the amount of \$730,444.

**WEST CARROLL SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2014

Recommendation: We recommend that the District constantly monitor the bank balance verses the collateral pledged to ensure that the District is in compliance with the State.

Response: We will monitor the balances of the accounts closer to ensure that we have enough collateral pledged to cover the amounts in excess of the FDIC coverage.

**SECTION III – Federal Award Findings and Questioned Costs**

None reported.

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
June 30, 2014**

**SECTION II – Financial Statement Findings**

None reported.

**SECTION III – Federal Award Findings and Questioned Costs**

None reported.

**WEST CARROLL SPECIAL SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
June 30, 2014**

The West Carroll Special School District respectfully submits the following corrective action plan for the year ended June 30, 2014.

Name and address of independent public accounting firm:

Alexander Thompson Arnold PLLC  
227 Oil Well Road  
Jackson, TN 38305

Audit period:

June 30, 2014

The finding from the June 30, 2014, schedule of findings and questioned costs are discussed below. The finding is numbered consistently with the number assigned in the schedule.

Finding required to be reported in accordance with governmental auditing standards.

2014-001 – Uncollateralized Deposits (Significant Deficiency and Noncompliance)

Condition: During our audit, we noticed that the bank balance with Citizens Bank and Trust at June 30, 2014, exceeded the market value of collateral pledged by \$730,444.

Response: We will monitor the balances of the accounts closer to ensure that we have enough collateral pledged to cover the amounts in excess of the FDIC coverage.