BRADFORD SPECIAL SCHOOL DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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INTRODUCTORY SECTION

BRADFORD SPECIAL SCHOOL DISTRICT
LIST OF PRINCIPAL OFFICIALS
June 30, 2014

Board of Trustees

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

Director of Schools

Dan Black

FINANCIAL SECTION

Members of:
American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
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ALEXANDER THOMPSON ARNOLD PLLC
Certified Public Accountants
Offices in Tennessee & Kentucky

304 North Lindell
Martin, TN 38237

Phone 731.587.5145
Fax 731.587.1952
www.atacpa.net

Independent Auditor's Report

Board of Trustees
Bradford Special School District
Bradford, 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 the Bradford Special School District, as of June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Bradford Special School District as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparison for the general purpose fund and federal projects fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress on page 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Cafeteria Fund, Schedule of Principal and Interest Requirements, Schedule of Salaries and Bonds, Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Schedule of State Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Cafeteria Fund, Schedule of Principal and Interest Requirements, Schedule of Salaries and Bonds, Schedule of Expenditures of Federal Awards, and Schedule of State Financial Assistance are the responsibility of management and were derived from and relate 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 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Cafeteria Fund, Schedule of Principal and Interest Requirements, Schedule of Salaries and Bonds, Schedule of Expenditures of Federal Awards, and Schedule of State Financial Assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions, laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Martin, Tennessee
December 15, 2014

BASIC FINANCIAL STATEMENTS

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

ASSETS		
Cash	$	910,008
Taxes receivable, net		785,148
Due from other governmental agencies - grants		471,828
Accounts receivable		72,340
Inventory		11,423
Capital assets, not being depreciated:		
Land		112,750
Construction in process		3,367,045
Capital assets, net of accumulated depreciation:		
Buildings and improvements		1,086,323
Vehicles, equipment and other		529,904
Total assets		**7,346,769**
LIABILITIES		
Accounts payable		828,841
Unearned revenue - grants		20
Noncurrent liabilities:		
Bonds, notes, and/or capital leases payable		
Portion due or payable within one year		71,960
Portion due or payable after one year		1,676,138
Total liabilities		**2,576,959**
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes		**785,148**
NET POSITION		
Net investment in capital assets		3,347,924
Restricted for		
Capital projects		28,993
Career ladder program		149
Operation of noninstructional services		37,733
Unrestricted		569,863
Total net position	**$**	**3,984,662**

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

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

		Program Revenues			
Functions/Programs	**Expenses**	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position
Governmental activities					
Instruction	$ 2,572,051	$ -	$ 764,408	$ -	$ (1,807,643)
Support services	2,149,396	-	22,155	1,662,042	(465,199)
Non-instructional services	407,625	94,645	274,818	-	(38,162)
Food service	375,268	101,554	271,288	-	(2,426)
Debt service	45,972	-	-	-	(45,972)
Total	$ 5,550,312	$ 196,199	$ 1,332,669	$ 1,662,042	(2,359,402)

General revenues:	
Local option sales tax	318,381
Interstate telecommunications tax	290
Trustee's collections - bankruptcy	665
Property taxes	847,611
Intergovernmental:	
Basic Education Program	2,802,000
Other	69,480
Interest	2,542
Other miscellaneous revenues	23,739
Total general revenues	4,064,708
Change in net position	**1,705,306**
Net position - beginning	2,279,356
Net position - ending	$ 3,984,662

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

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

	Major Funds			Nonmajor	
	General Purpose Fund	Federal Projects Fund	Capital Projects Fund	Cafeteria Fund	**Total Governmental Funds**
ASSETS					
Cash	$ 703,223	$ -	$ 148,708	$ 58,077	$ 910,008
Taxes receivable, net	785,148	-	-	-	785,148
Due from other governmental agencies - grants	302,868	168,960	-	-	471,828
Due from other funds	153,471	-	-	633	154,104
Accounts receivable	72,340	-	-	-	72,340
Inventory	-	-	-	11,423	11,423
Total assets	**$ 2,017,050**	**$ 168,960**	**$ 148,708**	**$ 70,133**	**$ 2,404,851**
LIABILITIES					
Due to other funds	$ 633	$ 153,471	$ -	$ -	$ 154,104
Accounts payable	661,257	15,469	119,715	32,400	828,841
Unearned revenue - grants	-	20	-	-	20
Total liabilities	661,890	168,960	119,715	32,400	982,965
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	785,148	-	-	-	785,148
FUND BALANCES					
Nonspendable - food service inventory	-	-	-	11,423	11,423
Restricted for:					
Capital projects	-	-	28,993		28,993
Instruction - Career ladder program	149	-	-	-	149
Operation of noninstructional services	-	-	-	26,310	26,310
Unassigned	569,863	-	-	-	569,863
Total fund balances	570,012	-	28,993	37,733	636,738
Total liabilities, deferred inflows of resources, and fund balances	**$ 2,017,050**	**$ 168,960**	**$ 148,708**	**$ 70,133**	**$ 2,404,851**

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

BRADFORD SPECIAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30, 2014

Total governmental fund balances	$ 636,738
Amounts reported for governmental activities on the statement of net position are different because of the following:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,096,022
Long-term liabilities, including bonds, notes, and leases payable, are not due in the current period and, therefore, are not reported in the funds.	(1,748,098)
Net position of governmental activities	$ 3,984,662

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

BRADFORD SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

	Major Funds			Nonmajor	
	General Purpose Fund	Federal Projects Fund	Capital Projects Fund	Cafeteria Fund	**Total Governmental Funds**
REVENUES					
Taxes	$ 1,166,947	$ -	$ -	$ -	$ 1,166,947
Intergovernmental	4,676,330	697,024	192,794	271,288	5,837,436
Charges for services	94,645	-	-	101,554	196,199
Interest earnings	1,411	-	1,027	104	2,542
Miscellaneous	30,339	-	-	-	30,339
Total revenues	5,969,672	697,024	193,821	372,946	7,233,463
EXPENDITURES					
Current					
Instruction	2,088,956	479,357	-	-	2,568,313
Support services	1,861,119	146,667	-	-	2,007,786
Food services	-	-	-	378,719	378,719
Non-instructional services	336,435	71,000	-	-	407,435
Debt service					
Principal	102,872	-	13,524	-	116,396
Interest	43,533	-	2,400	-	45,933
Administration fees	653	-	-	-	653
Capital outlay	1,636,549	-	1,545,120	20,996	3,202,665
Total expenditures	6,070,117	697,024	1,561,044	399,715	8,727,900
Revenues over (under) expenditures	**(100,445)**	**-**	**(1,367,223)**	**(26,769)**	**(1,494,437)**
OTHER FINANCING SOURCES (USES)					
Insurance recovery	22,155	-	-	-	22,155
Net change in fund balance	**(78,290)**	**-**	**(1,367,223)**	**(26,769)**	**(1,472,282)**
Fund balance - beginning	648,302	-	1,396,216	59,006	2,103,524
Increase in inventory	-	-	-	5,496	5,496
Fund balance - ending	$ 570,012	$ -	$ 28,993	$ 37,733	$ 636,738

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

BRADFORD SPECIAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

Net change in fund balances - total governmental funds	$ (1,472,282)
Amounts reported for governmental activities on the statement of activities are different because of the following:	
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal payments on long-term debt	116,396
Also, governmental funds report the effect of bond premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	614
The increase or decrease in inventory is reported as a direct change to beginning fund balance in the governmental funds. However, in the statement of activities, this change is reported as an expense, based on the consumption method.	5,496
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	3,202,665
Depreciation	(147,583)
Change in net position of governmental activities	$ 1,705,306

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

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

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Taxes				
Local option sales tax	$ 310,000	$ 310,000	$ 318,381	$ 8,381
Interstate telecommunications tax	208	208	290	82
Trustee's collections - bankruptcy	145	145	665	520
Current property tax	772,000	772,000	785,148	13,148
Prior year's property tax	38,372	38,372	51,524	13,152
Payment in lieu of taxes	9,771	9,771	10,939	1,168
Total taxes	1,130,496	1,130,496	1,166,947	36,451
Intergovernmental				
Marriage licenses	150	150	195	45
State revenues				
State education funds				
Basic Education Program	2,798,000	2,798,000	2,802,000	4,000
Other state education funds	75,000	121,411	128,228	6,817
Career ladder	17,500	17,500	13,983	(3,517)
Career ladder - extended contract	22,410	22,410	19,645	(2,765)
Early Childhood Education	203,818	203,818	203,818	-
Other state revenues				
Mixed drink tax	56	56	70	14
Other state grants	1,679,260	1,679,260	1,469,248	(210,012)
Other state revenues	4,100	4,100	15,231	11,131
Total state revenues	4,800,144	4,846,555	4,652,223	(194,332)
Federal revenues				
Federal funds received through state				
Special Education Preschool Grant	-	3,556	3,556	-
Total Intergovernmental	4,800,294	4,850,261	4,655,974	(194,287)
Charges for current services				
Community service fees	95,000	95,000	94,645	(355)
Other local revenues				
Interest earned	2,000	2,000	1,411	(589)
Miscellaneous refunds	7,500	7,500	12,252	4,752
Sale of materials and supplies	300	300	227	(73)
Contributions	-	-	6,600	6,600
Other local revenues	8,800	8,800	11,260	2,460
Total other local revenues	18,600	18,600	31,750	13,150
Total revenues	**6,044,390**	**6,094,357**	**5,949,316**	**(145,041)**

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

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

	Original Budget	Final Budget	Actual	Variance Over (Under)
EXPENDITURES				
Instruction				
Regular education				
Teachers	1,300,000	1,316,105	1,316,105	-
Career ladder program	12,000	12,000	8,000	(4,000)
Career ladder - extended contract	20,000	20,000	19,645	(355)
Bonus	10,000	6,040	6,040	-
Teacher assistants	28,242	27,588	27,587	(1)
Other salaries and wages	2,750	2,750	2,750	-
Non-certified substitute teachers	30,000	23,725	23,725	-
Social security	86,815	77,592	77,506	(86)
State retirement	119,170	119,374	119,279	(95)
Medical insurance	161,000	157,574	157,574	-
Dental insurance	3,000	3,000	2,929	(71)
Medicare	21,003	18,303	18,247	(56)
Maintenance and repair - equipment	10,000	-	-	-
Other contracted services	32,100	40,887	40,886	(1)
Instructional supplies and materials	28,000	26,981	26,762	(219)
Textbooks	40,000	40,500	40,500	-
Fee waivers	100	100	-	(100)
Equipment	1,000	2,358	2,358	-
Total regular education	1,905,180	1,894,877	1,889,893	(4,984)
Special education				
Teachers	37,325	37,525	37,525	-
Speech pathologist	38,500	30,470	30,470	-
Aides	27,142	38,604	38,604	-
Social security	6,384	5,502	5,502	-
State retirement	3,314	3,314	3,314	-
Medical insurance	8,293	12,589	12,589	-
Dental insurance	196	232	232	-
Medicare	1,493	1,287	1,287	-
Other supplies and materials	-	1,157	1,036	(121)
Total special education	122,647	130,680	130,559	(121)
Vocational education				
Teachers	39,600	37,305	37,305	-
Social security	2,456	2,456	2,456	-
State retirement	3,517	3,517	3,517	-
Medicare	575	575	575	-
Instructional supplies and materials	1,000	1,000	1,000	-
Other supplies and materials	1,000	3,295	3,295	-
Total vocational education	48,148	48,148	48,148	-
Total instruction	2,075,975	2,073,705	2,068,600	(5,105)

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

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

	Original Budget	Final Budget	Actual	Variance Over (Under)
Support services				
Student support				
Health services				
Medical personnel	40,310	40,310	40,310	-
Other salaries and wages	55,906	56,056	56,056	-
Social security	5,966	5,652	5,651	(1)
Medical insurance	4,022	6,864	6,864	-
Medicare	1,396	1,191	1,191	-
Communication	800	800	800	-
Maintenance and repair services	500	-	-	-
Postal charges	138	138	138	-
Travel	3,500	4,685	4,685	-
Other contracted services	100	-	-	-
Drugs and medical supplies	2,000	2,000	3,450	1,450
Other supplies and materials	18,345	14,287	12,921	(1,366)
Other charges	500	500	500	-
Total health services	133,483	132,483	132,566	83
Other student support				
Guidance personnel	56,750	57,150	57,150	-
Social workers	18,000	18,256	18,256	-
Social security	4,636	4,360	4,360	-
State retirement	5,040	5,040	5,040	-
Medical insurance	8,600	8,600	8,595	(5)
Dental insurance	98	98	97	(1)
Medicare	1,084	1,084	1,020	(64)
Evaluation/testing	3,000	2,344	2,270	(74)
Other charges	500	500	500	-
Travel	3,000	3,000	3,000	-
Inservice/staff development	3,000	3,000	3,000	-
Total other student support	103,708	103,432	103,288	(144)
Total student support	237,191	235,915	235,854	(61)
Instructional staff				
Regular education				
Director	88,500	92,888	92,888	-
Career ladder program	4,000	4,000	4,000	-
Librarian(s)	98,570	98,570	98,570	-
Social security	7,855	6,877	6,876	(1)
State retirement	11,249	11,249	11,249	-
Medical insurance	15,217	15,217	15,217	-
Medicare	2,742	2,507	2,506	(1)
Travel	3,300	3,300	3,300	-

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

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

	Original Budget	Final Budget	Actual	Variance Over (Under)
Library books	7,000	5,756	5,755	(1)
Other supplies and materials	500	500	500	-
Periodicals	1,000	1,000	1,000	-
In-service training	4,000	10,875	10,874	(1)
Total regular education	243,933	252,739	252,735	(4)
Special education				
Director	34,000	34,000	34,000	-
Social security	2,108	1,783	1,783	-
State retirement	3,019	3,008	3,008	-
Medical insurance	4,146	4,293	4,293	-
Medicare	493	417	417	-
Travel	3,500	2,880	2,880	-
Other contracted services	3,000	267	267	-
Other supplies and materials	457	3,001	3,001	-
Inservice/staff development	2,500	787	787	-
Total special education	53,223	50,436	50,436	-
Total instructional staff	297,156	303,175	303,171	(4)
General administration				
Board of education services				
Unemployment compensation	5,000	11,000	10,962	(38)
Audit services	12,000	11,250	11,250	-
Dues and memberships	10,000	8,447	8,447	-
Legal services	500	88	-	(88)
Travel	12,000	12,000	11,970	(30)
Trustee commissions	20,000	20,000	19,887	(113)
Workmen's compensation insurance	26,784	25,763	25,763	-
In-service/staff development	1,000	1,000	931	(69)
Refund to applicant for criminal	250	250	168	(82)
Other charges	10,000	11,155	11,154	(1)
Total board of education services	97,534	100,953	100,532	(421)
Office of the superintendent				
County official/administrative officer	87,900	93,500	93,500	-
Career ladder program	1,000	1,000	1,000	-
Clerical personnel	22,475	22,475	22,475	-
Social security	1,394	1,394	1,266	(128)
Medical insurance	9,600	8,967	8,951	(16)
Dental insurance	195	195	170	(25)
Medicare	1,615	1,648	1,647	(1)
Communication	11,700	14,033	14,033	-
Dues and memberships	1,471	1,471	1,471	-

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

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

	Original Budget	Final Budget	Actual	Variance Over (Under)
Postal charges	900	900	900	-
Travel	3,500	3,500	3,500	-
Other charges	2,200	2,200	2,200	-
Total office of the superintendent	143,950	151,283	151,113	(170)
Total general administration	241,484	252,236	251,645	(591)
School Administration				
Office of the principal				
Principals	135,240	140,470	140,470	-
Assistant principals	49,875	49,275	49,275	-
Clerical personnel	47,000	46,000	45,930	(70)
Social security	14,391	11,895	11,895	-
State retirement	16,439	15,836	15,836	-
Medical insurance	6,672	6,672	6,672	-
Dental insurance	486	377	376	(1)
Medicare	3,366	2,838	2,837	(1)
Dues and memberships	900	900	936	36
Travel	3,500	3,500	3,302	(198)
Other contracted services	11,430	11,580	11,580	-
In-service/staff development	1,000	956	911	(45)
Other charges	500	500	497	(3)
Equipment	1,000	1,000	1,000	-
Total office of the principal	291,799	291,799	291,517	(282)
Fiscal services				
Accountants and bookkeepers	39,575	39,575	39,575	-
Social security	2,454	2,267	2,266	(1)
Medical insurance	3,960	3,960	3,959	(1)
Dental insurance	98	98	96	(2)
Medicare	574	517	517	-
Other contracted services	29,272	29,272	29,272	-
Data processing services	1,000	1,000	1,000	-
Office supplies	5,000	5,000	4,974	(26)
Other supplies and materials	2,000	2,000	2,000	-
Administration equipment	4,000	4,000	4,000	-
Total fiscal services	87,933	87,689	87,659	(30)
Operation of plant				
Director	15,375	15,375	15,375	-
Custodial personnel	96,000	84,299	84,174	(125)
Social security	6,905	5,405	5,404	(1)
Medical insurance	15,946	10,946	10,645	(301)
Dental insurance	388	388	155	(233)

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

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

	Original Budget	Final Budget	Actual	Variance Over (Under)
Medicare	1,615	1,615	1,509	(106)
Maintenance and repair	5,000	5,000	5,000	-
Rental	2,400	2,400	2,400	-
Travel	3,000	3,000	3,000	-
Disposal fees	3,180	3,180	3,180	-
Other contracted services	11,000	11,000	11,000	-
Custodial supplies	10,000	5,208	5,179	(29)
Electricity	100,000	92,300	92,283	(17)
Natural gas	15,000	22,119	22,118	(1)
Water and sewer	10,000	16,749	16,748	(1)
Other supplies and materials	10,000	10,000	9,918	(82)
Building and contents insurance	40,000	38,814	38,814	-
Other charges	500	10,164	10,164	-
Total operation of plant	346,309	337,962	337,066	(896)
Maintenance of plant				
Maintenance personnel	22,000	21,407	21,018	(389)
Social security	1,364	1,364	1,303	(61)
Medicare	319	319	305	(14)
Communication	750	750	750	-
Maintenance and repair	6,500	52,813	52,813	-
Travel	1,000	1,000	1,000	-
Other contracted services	2,000	2,000	1,871	(129)
Other supplies and materials	10,000	10,000	10,000	-
In-service/staff development	500	500	405	(95)
Other charges	3,000	2,280	2,280	-
Maintenance equipment	500	500	478	(22)
Total maintenance of plant	47,933	92,933	92,223	(710)
Student transportation				
Director	15,925	15,925	15,925	-
Bus drivers	89,100	86,500	86,435	(65)
Other salaries and wages	1,500	2,510	2,500	(10)
Social security	6,605	5,531	5,530	(1)
Dental insurance	292	292	191	(101)
Medicare	1,545	1,545	1,459	(86)
Contracts with other schools	43,700	34,813	34,812	(1)
Maintenance and repair	500	500	500	-
Medical and dental services	1,200	1,069	1,059	(10)
Travel	1,500	1,500	1,370	(130)
Gasoline	40,000	37,393	37,393	-
Vehicle and equipment insurance	8,733	8,733	8,733	-
Other charges	500	500	435	(65)
Equipment	-	11,660	11,660	-
Total student transportation	211,100	208,471	208,002	(469)

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

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

	Original Budget	Final Budget	Actual	Variance Over (Under)
Central and other				
Other salaries and wages	40,000	35,300	35,289	(11)
Social security	2,480	2,480	2,188	(292)
Medicare	580	580	512	(68)
Consultants	1,500	1,375	1,359	(16)
Maintenance and repair	1,200	100	69	(31)
Other contracted services	20,000	25,125	25,125	-
Total central and other	65,760	64,960	64,542	(418)
Total support services	1,826,665	1,875,140	1,871,679	(3,461)
Non-instructional services				
Community services				
Director	17,000	17,000	17,000	-
Part-time personnel	40,000	47,925	49,708	1,783
Social security	3,534	3,534	2,032	(1,502)
Dental insurance	98	98	87	(11)
Medicare	827	827	423	(404)
Travel	1,000	1,000	1,700	700
Other supplies and materials	32,000	32,000	30,790	(1,210)
Total community services	94,459	102,384	101,740	(644)
Early childhood education				
Director	9,124	9,124	9,124	-
Teachers	90,300	90,870	90,870	-
Clerical personnel	6,000	6,000	6,000	-
Educational assistants	56,484	56,205	56,205	-
Social security	10,038	8,547	8,547	-
State retirement	8,829	8,829	8,829	-
Medical insurance	20,506	20,000	20,000	-
Dental insurance	473	516	516	-
Medicare	2,348	1,987	1,987	-
Maintenance and repair services	1,600	1,600	1,600	-
Travel	10,000	8,683	8,683	-
Other contracted services	1,400	1,400	1,400	-
Instructional supplies and materials	10,678	13,670	13,670	-
Other supplies and materials	5,700	5,764	5,764	-
Other equipment	1,500	1,500	1,500	-
Total early childhood education	234,980	234,695	234,695	-

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

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

	Original Budget	Final Budget	Actual	Variance Over (Under)
Capital outlay				
Other contracted services	-	46,411	46,411	-
Building construction	1,679,260	1,679,260	1,579,578	(99,682)
Total capital outlay	1,679,260	1,725,671	1,625,989	(99,682)
Debt service				
Principal on bonds	121,753	80,000	80,000	-
Principal on notes	-	22,872	22,872	-
Interest on bonds	1,780	43,533	43,533	-
Other debt service	-	653	653	-
Total debt service	123,533	147,058	147,058	-
Total non-instructional services	2,132,232	2,209,808	2,109,482	(100,326)
Total expenditures	**6,034,872**	**6,158,653**	**6,049,761**	**(108,892)**
Revenues over (under) expenditures	**9,518**	**(64,296)**	**(100,445)**	**(36,149)**
OTHER FINANCING SOURCES (USES)				
Insurance recovery	-	19,321	22,155	2,834
Net change in fund balance	**$ 9,518**	**$ (44,975)**	**(78,290)**	**$ (33,315)**
Fund balance - beginning			648,302	
Fund balance - ending			$ 570,012	

Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance:

	Revenues	Expenditures	Other	Net Change
Budgetary basis	$5,949,316	$ 6,049,761	$ 22,155	$ (78,290)
On-behalf payments for postretirement benefits	20,356	20,356	-	-
Net change in fund balance - GAAP basis	$5,969,672	$ 6,070,117	$ 22,155	$ (78,290)

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

BRADFORD SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FEDERAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Career and Technical Education Grant	$ 7,296	$ 7,027	$ 7,296	$ 269
Title I grants	133,232	155,637	155,636	(1)
Race to the Top - ARRA	50,998	50,998	88,169	37,171
Special Education - IDEA	108,376	108,607	108,607	-
Special Education - Preschool	5,281	5,511	5,511	-
Improving Teacher Quality State Grants	22,356	22,209	22,209	-
Twenty-first Century Community Learning Centers	66,000	71,000	71,000	-
Direct federal - Rural Education	35,623	35,623	35,623	-
Other federal through state	354,096	302,396	202,973	(99,423)
Total revenues	**783,258**	**759,008**	**697,024**	**(61,984)**
EXPENDITURES				
Instruction				
Regular instruction				
Teachers	351,686	308,186	268,195	(39,991)
Non-certified substitute teachers	1,400	1,400	1,400	-
Social security	23,013	19,712	16,223	(3,489)
State retirement	29,868	25,787	22,463	(3,324)
Medical insurance	13,710	13,710	13,710	-
Dental insurance	258	258	258	-
Medicare	5,812	4,994	4,243	(751)
Maintenance and repair - equipment	3,182	4,460	4,460	-
Other contracted services	-	5,739	5,739	-
Instructional supplies	5,884	12,884	12,884	-
Equipment	25,305	23,971	23,971	-
Total regular instruction	460,118	421,101	373,546	(47,555)
Special education program				
Teachers	32,329	32,329	32,329	-
Aides	54,284	54,284	54,284	-
Social security	5,370	5,370	5,370	-
State retirement	2,871	2,871	2,871	-
Medical insurance	3,869	3,869	3,869	-
Dental insurance	196	196	196	-
Medicare	1,256	1,256	1,256	-
Instructional supplies	781	1,011	1,011	-
Other supplies and materials	201	432	432	-
Total special education program	101,157	101,618	101,618	-

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

BRADFORD SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FEDERAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Over (Under)
Instruction (continued)				
Vocational education				
Other supplies and materials	1,725	1,456	1,456	-
Equipment	2,737	2,737	2,737	-
Total vocational education	4,462	4,193	4,193	-
Total instruction	565,737	526,912	479,357	(47,555)
Support services				
Attendance				
Supervisor/director	2,800	2,800	2,800	-
Social security	130	130	130	-
State retirement	186	186	186	-
Medicare	40	40	40	-
Total attendance	3,156	3,156	3,156	-
Other student support				
Bus drivers	600	600	600	-
Social security	38	38	38	-
Medicare	9	9	9	-
Travel	1,823	1,823	1,823	-
Total other student support	2,470	2,470	2,470	-
Regular instruction				
Supervisor/director	9,400	9,400	9,400	-
Secretary	1,000	1,000	1,000	-
Clerical personnel	2,700	2,700	2,700	-
Social security	521	521	521	-
State retirement	418	418	418	-
Medicare	191	191	191	-
Maintenance and repair	1,000	1,000	1,000	-
Travel	7,331	7,331	4,682	(2,649)
Other contracted services	35,000	26,000	26,000	-
Other supplies and materials	3,000	3,000	3,000	-
In-service-staff development	49,000	67,595	57,605	(9,990)
Other charges	1,674	1,654	1,654	-
Other equipment	2,000	2,000	2,000	-
Total regular instruction	113,235	122,810	110,171	(12,639)
Special education program				
Other contracted services	12,500	12,500	12,500	-

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

BRADFORD SPECIAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FEDERAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Over (Under)
Support services (continued)				
Vocational education				
Other salaries and wages	17,901	17,901	16,348	(1,553)
Social security	1,110	1,110	997	(113)
State retirement	526	526	428	(98)
Medicare	259	259	233	(26)
Travel	364	364	364	-
Total vocational education	20,160	20,160	18,370	(1,790)
Total support services	151,521	161,096	146,667	(14,429)
Non-instructional services				
Community services				
Director	4,200	4,200	4,200	-
Teachers	25,000	29,294	29,294	-
Clerical personnel	5,400	5,400	5,400	-
Part-time personnel	19,983	19,983	19,983	-
Social security	3,477	3,787	3,787	-
State retirement	2,220	2,544	2,544	-
Medicare	806	878	878	-
Travel	2,500	2,500	2,500	-
Other supplies and materials	2,414	2,414	2,414	-
Total community services	66,000	71,000	71,000	-
Total expenditures	**783,258**	**759,008**	**697,024**	**(61,984)**
Revenues over expenditures	**$ -**	**$ -**	**-**	**$ -**
Fund balance - beginning			-	
Fund balance - ending			$ -	

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

BRADFORD SPECIAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	Private-Purpose Trust Funds					
	Class of 1951 Scholarship	Tom Endowment	School Endowment	Billy M. Pierce Endowment	Wave Young Scholarship	Total
ASSETS						
Cash	$ 313	$ 125	$ 5,238	$ 11,790	$ 9,190	$ 26,656
Receivables	1,000	-	536	-	-	1,536
Investments	13,209	16,065	47,619	-	62,369	139,262
Total assets	14,522	16,190	53,393	11,790	71,559	167,454
LIABILITIES	-	-	-	-	-	-
NET POSITION						
Held in trust for scholarships and other purposes	$ 14,522	$ 16,190	$ 53,393	$ 11,790	$ 71,559	$ 167,454

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

BRADFORD SPECIAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Private-Purpose Trust Funds					
	Class of 1951 Scholarship	Tom Endowment	School Endowment	Billy M. Pierce Endowment	Wave Young Scholarship	Total
ADDITIONS						
Contributions	$ 1,000	$ -	$ 650	$ -	$ -	$ 1,650
Investment earnings	75	64	340	35	16,186	16,700
Total additions	1,075	64	990	35	16,186	18,350
DEDUCTIONS						
Scholarship	-	-	-	-	1,000	1,000
Change in net position	**1,075**	**64**	**990**	**35**	**15,186**	**17,350**
Net position - beginning	13,447	16,126	52,403	11,755	56,373	150,104
Net position - ending	$ 14,522	$ 16,190	$ 53,393	$ 11,790	$ 71,559	$ 167,454

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. District-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Capital Projects fund was set up to account for the activity related to the capital asset additions currently being constructed.

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

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

D. Impact of Recently Issued Accounting Pronouncements

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows and inflows of resources, which are distinct from assets and liabilities, and also renames as net position, rather than net assets, the residual of all other elements presented in a statement of financial position. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. However, the District chose to implement this pronouncement for the year ended June 30, 2013. The early adoption of GASB 65 had no effect on beginning fund balance or net position.

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.

E. Assets, Liabilities, and Net Position/Fund Balance

Deposits and Investments

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

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

Receivables and Payables

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

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

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and become delinquent on March 1. The property taxes are collected by the Trustee of Gibson County and remitted to the District. District property tax revenues are recognized in the period in which the taxes are permitted to be used. Property taxes receivable are recognized when an enforceable legal claim to the taxable property arises; however, due to the timing of the receipts, the total receivable is reported as a deferred inflow. The receivable is reported net of a 5% allowance for delinquent taxes, which was $40,931 as of June 30, 2014.

Inventories

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

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

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

Buildings and improvements	15 – 50 years
Vehicles, equipment and other	7 – 15 years

The gross amount of capital assets recorded under capital leases as of June 30, 2014, was $314,932. The accumulated amortization thereon was $131,039. The corresponding amortization is included in depreciation expense.

Deferred Inflows/Outflows of Resources
In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applied to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District had no deferred outflows as of June 30, 2014.

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

Compensated Absences
No provision for compensated absences has been shown in the financial statements presented. District employees do not have a right to receive any unpaid vacation upon leaving employment or retirement. Employees can elect to take ten dollars a day for every sick leave day they have accrued upon retirement. The employee has to have worked with the school system for ten years to be able to take the payout upon retirement. As of June 30, 2014, this amount was immaterial to the financial statements.

Long-term Liabilities
In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In accordance with the adoption of GASB 65, bond issuance costs are reported as expenditures.

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, along with bond premiums, is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

On-Behalf Payments for Fringe Benefits
The State of Tennessee makes payments on behalf of the District for postemployment health insurance benefits for employees not yet eligible for Medicare. Such payments are recorded as intergovernmental revenue and instruction expenses/expenditures in the district-wide and General Purpose Fund financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for governmental funds, with the exception of noncash items such as commodities, on-behalf payments and capital leases. The Board of Trustees approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal yearend. A reconciliation detailing the noncash transactions reported in the GAAP basis statements appears at the end of each budgetary statement.

As an extension of the formal budgetary process, the Board of Trustees 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 Trustees. Line item transfers within major categories are made upon the recommendation of the Director of Schools and approval by the Board.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policies limit deposits and investments to those instruments allowed by applicable state laws as described in Note 1. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third-party agents. As of June 30, 2014, all bank deposits were fully collateralized or insured. The District does not have a policy for custodial credit risk.

B. Interfund Receivables, Payables, and Transfers

The General Purpose Fund advances money to the Federal Projects Fund on a short-term basis to meet temporary cash needs. The amount due to the General Purpose Fund as of June 30, 2014, was $153,471. There was also $633 due from the General Purpose Fund to the Cafeteria Fund to correct an overpayment for payroll reimbursement at the end of the year.

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	$ 112,750	$ -	$ -	$ 112,750
Construction in process	195,936	3,171,109	-	3,367,045
	308,686	3,171,109	-	3,479,795
Capital assets being depreciated				
Buildings and improvements	2,897,483	-	-	2,897,483
Vehicles, equipment and other	856,534	31,556	-	888,090
	3,754,017	31,556	-	3,785,573
Less accumulated depreciation for:				
Buildings and improvements	1,733,145	78,015	-	1,811,160
Vehicles, equipment and other	288,618	69,568	-	358,186
	2,021,763	147,583	-	2,169,346
Total capital assets being depreciated, net	1,732,254	(116,027)	-	1,616,227
Total capital assets, net	$ 2,040,940	$3,055,082	$ -	$ 5,096,022

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

Instruction	$ 3,738
Support Services:	
Operation and maintenance of plant	110,130
Student support	1,606
Non-instructional Services:	
Transportation	29,874
Food service	2,045
Community service	190
Total	$ 147,583

D. Long-Term Debt

The District issued Limited Tax School Bonds, Series 2013, on June 12, 2013, in the amount of $1,500,000 to finance capital asset construction. The bonds have interest rates ranging from 1.25% to 3.5%. Semiannual interest payments are due on June 1 and December 1, with principal due each June 1 beginning in 2015 and ending on June 1, 2039.

Long-term debt also included school refunding bonds, Series 1998, which matured in 2014. The final payment was made during the current year.

The District executed an interest-free loan payable to the Energy Efficient Schools Council in the amount of $228,742 in 2012. Monthly payments are $1,906 and the balance outstanding as of June 30, 2014, was $188,716. The District also has a capital lease with Central States Bus Sales with an annual payment of $15,924, including interest. The balance outstanding at June 30, 2014, was $44,051.

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

Years Ending	Bonds Payable		Capital Lease Payable		Loan Payable		
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Total
2015	$ 35,000	$ 43,069	$ 14,088	$ 1,836	$ 22,872	$ -	$ 116,865
2016	40,000	42,631	14,675	1,249	22,872	-	121,427
2017	40,000	42,131	15,288	637	22,872	-	120,928
2018	40,000	41,631			22,872	-	104,503
2019	40,000	40,831	-	-	22,872	-	103,703
2020-2024	235,000	189,680	-	-	74,356	-	499,036
2025-2029	290,000	156,058	-	-	-	-	446,058
2030-2034	355,000	108,375	-	-	-	-	463,375
2035-2039	425,000	45,375	-	-	-	-	470,375
	$ 1,500,000	$ 709,781	$ 44,051	$ 3,722	$ 188,716	$ -	$ 2,446,270

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
Governmental activities:					
1998 Bonds Payable	$ 80,000	$ -	$ 80,000	$ -	n/a
2013 Bonds Payable	1,500,000	-	-	1,500,000	35,000
Loan Payable	211,588	-	22,872	188,716	22,872
Lease Payable	57,575	-	13,524	44,051	14,088
	1,849,163	-	116,396	1,732,767	71,960
Bond premium	15,945	-	614	15,331	n/a
	$ 1,865,108	$ -	$ 117,010	$ 1,748,098	$ 71,960

NOTE 4 – OTHER INFORMATION

A. Pensions

Plan Description

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

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

Funding Policy

Bradford Special School District requires employees to contribute 5.0 percent of earnable compensation. The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014, was 0.00% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Bradford Special School District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2014, Bradford Special School District's annual pension cost of $0 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Bradford Special School District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was 7 years. An actuarial valuation was performed as of July 1, 2013, which established contribution rates effective July 1, 2014.

Trend Information

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	$0	100.00%	$0.00
June 30, 2013	$0	100.00%	$0.00
June 30, 2012	$0	100.00%	$0.00

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 100% funded. The actuarial accrued liability for benefits was $2.29 million, and the actuarial value of assets was $2.29 million, resulting in an unfunded actuarial accrued liability (UAAL) of $0. The covered payroll (annual payroll of active employees covered by the plan) was $0.65 million, and the ratio of the UAAL to the covered payroll was 0%.

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

dollar amounts in thousands

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2013	$2,290	$2,290	$0	100.00%	$648	0.00%

Teachers' Pension Plan

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

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

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Bradford Special Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2014, was 8.88% of annual covered payroll. The employer contribution requirement for Bradford Special Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2014, 2013, and 2012 were $199,601, $196,597, and $192,892 respectively, equal to the required contributions for each year.

B. Contingent Liabilities and Losses

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

C. Risk Management

The District is exposed to various risks related to workers' compensation, general liability, automobile liability, and property. The District felt it was more economically feasible to join public entity risk pools as opposed to purchasing commercial insurance for these areas. The District is a member of the Tennessee School Boards Liability Trust (TSBLT) and the Tennessee School Boards Workers Compensation Trust (TSB-WCT), which are public entity risk pools, established by the Tennessee School Boards Association, an association of member school districts. The District pays an annual

premium to these pools for coverage under the above areas. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The creation of the TSBLT and the TSB-WCT provides for it to be self-sustaining through member premiums. The TSBLT and the TSB-WCT reinsure through commercial insurance companies for claims in excess of a specified amount for each uninsured event.

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

D. On-Behalf Payments for Postretirement Insurance Benefits

The District recognizes as revenues and expenses contributions made by the State of Tennessee to the Teacher Group Plan and Medicare Plan on behalf of the District's employees. For the year ended June 30, 2014, the State made contributions of $19,731 and $625 respectively.

BRADFORD SPECIAL SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2014

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2013	$2,290	$2,290	$0	100.00%	$648	0.00%
7/1/2011	$2,163	$2,163	$0	100.00%	$599	0.00%
7/1/2009	$1,803	$1,803	$0	100.00%	$529	0.00%

See independent auditor's report

OTHER SUPPLEMENTARY INFORMATION

BRADFORD SPECIAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAFETERIA FUND
For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Charges for current services				
Lunch payments - children	$ 77,407	$ 77,407	$ 78,562	$ 1,155
Lunch payments - adults	41,854	41,854	18,108	(23,746)
Income from breakfast	3,088	3,088	4,884	1,796
Total charges for current services	122,349	122,349	101,554	(20,795)
Other local revenues				
Miscellaneous refunds	1,450	1,450	-	(1,450)
Interest earned	100	100	104	4
Total other local revenues	1,550	1,550	104	(1,446)
State education funds				
School food services	3,484	3,484	3,168	(316)
Federal through state				
USDA - Lunch	150,000	150,000	157,709	7,709
USDA - Breakfast	80,000	80,000	89,997	9,997
USDA - Other	5,900	5,900	6,224	324
Total federal through state	235,900	235,900	253,930	18,030
Total revenues	**363,283**	**363,283**	**358,756**	**(4,527)**
EXPENDITURES				
Food services				
Accountants and bookkeepers	4,600	4,600	4,557	(43)
Cafeteria personnel	110,000	105,170	105,169	(1)
In-service training	300	300	77	(223)
Social security	7,105	5,893	5,892	(1)
Medical insurance	14,700	19,209	19,209	-
Dental insurance	400	400	311	(89)
Medicare liability	1,662	1,662	1,378	(284)
Communication	500	500	500	-
Maintenance and repair - equipment	1,000	2,375	2,375	-
Utilities	10,000	10,000	10,000	-
Food supplies	167,000	175,515	175,203	(312)
Other supplies and materials	5,500	2,700	2,658	(42)

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BRADFORD SPECIAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAFETERIA FUND
For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Over (Under)
EXPENDITURES (continued)				
In service/staff development	300	300	64	(236)
Travel	4,000	4,000	3,857	(143)
Other contracted services	5,000	5,000	4,845	(155)
Food prep supplies	20,000	16,300	16,286	(14)
Other charges	3,500	1,643	1,144	(499)
Equipment	-	32,000	32,000	-
Total expenditures	**355,567**	**387,567**	**385,525**	**(2,042)**
Revenues over (under) expenditures	**$ 7,716**	**$ (24,284)**	**(26,769)**	**$ (2,485)**
Fund balance - beginning			59,006	
Increase in inventory			5,496	
Fund balance - ending			$ 37,733	

Reconciliation to governmental fund financial statements:	
Revenues per budget statement (page 36)	$ 358,756
Non-cash revenue not included in budget statement:	
Commodities received	14,190
Revenues per governmental statement of revenues, expenditures and change in fund balance (page 9)	$ 372,946
Expenditures per budget statement (above)	$ 385,525
Non-cash expenditure not included in budget statement:	
Commodities used	14,190
Expenditures per governmental statement of revenues, expenditures and change in fund balance (page 9)	$ 399,715

See independent auditor's report

BRADFORD SPECIAL SCHOOL DISTRICT
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
June 30, 2014

Year Ended	Bonds Payable Series 2013		Central States Bus Sales		Loan Payable - Energy Efficient Schools Council		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 35,000	$ 43,069	$ 14,088	$ 1,836	$ 22,872	$ -	$ 71,960	$ 44,905
2016	40,000	42,631	14,675	1,249	22,872	-	77,547	43,880
2017	40,000	42,131	15,288	637	22,872	-	78,160	42,768
2018	40,000	41,631	-	-	22,872	-	62,872	41,631
2019	40,000	40,831	-	-	22,872	-	62,872	40,831
2020	45,000	40,031	-	-	22,872	-	67,872	40,031
2021	45,000	39,131	-	-	22,872	-	67,872	39,131
2022	45,000	38,006	-	-	22,872	-	67,872	38,006
2023	50,000	36,881	-	-	5,740	-	55,740	36,881
2024	50,000	35,631	-	-	-	-	50,000	35,631
2025	55,000	34,381	-	-	-	-	55,000	34,381
2026	55,000	33,007	-	-	-	-	55,000	33,007
2027	60,000	31,357	-	-	-	-	60,000	31,357
2028	60,000	29,557	-	-	-	-	60,000	29,557
2029	60,000	27,756	-	-	-	-	60,000	27,756
2030	65,000	25,956	-	-	-	-	65,000	25,956
2031	70,000	23,925	-	-	-	-	70,000	23,925
2032	70,000	21,738	-	-	-	-	70,000	21,738
2033	75,000	19,550	-	-	-	-	75,000	19,550
2034	75,000	17,206	-	-	-	-	75,000	17,206
2035	80,000	14,675	-	-	-	-	80,000	14,675
2036	80,000	11,975	-	-	-	-	80,000	11,975
2037	85,000	9,275	-	-	-	-	85,000	9,275
2038	90,000	6,300	-	-	-	-	90,000	6,300
2039	90,000	3,150	-	-	-	-	90,000	3,150
	$1,500,000	$709,781	$ 44,051	$ 3,722	$ 188,716	$ -	$1,732,767	$ 713,503

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BRADFORD SPECIAL SCHOOL DISTRICT
SCHEDULE OF SALARIES AND BONDS
June 30, 2014

	Salary	Bond	
Director of Schools	$ 93,500	$ 177,600	*

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

BRADFORD SPECIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

	Federal CFDA Number		Expenditures
U.S. DEPARTMENT OF LABOR			
WIA Youth Activities	17.259		$ 17,737
U.S. DEPARTMENT OF EDUCATION			
Rural Education	84.358A		35,643
Pass-through the Tennessee Department of Education			
Title I, Grants to Local Education Agencies	84.010		155,636
Special Education Grants to States			
IDEA Program, Part B	84.027		108,607
IDEA Preschool Program	84.173		5,511
IDEA Preschool High Costs	84.027		3,556
Total Special Education Grants To States			117,674
Career and Technical Education - Basic Grants to States	84.048		7,296
Twenty-First Century Community Learning Centers	84.287C		71,000
Improving Teacher Quality State Grants	84.367		22,209
ARRA - Teacher Incentive Fund	84.374A		193,362
ARRA - Race to the Top	84.395		88,169
ARRA - State Stabilization Fiscal Funds			
Government Services	84.397		75,000
Government Services	84.397		1,384
Total State Stablization Fiscal Funds			76,384
Total U.S. Department of Education			767,373
U.S. DEPARTMENT OF HOMELAND SECURITY			
Pass-through Department of Military/Tennessee Emergency Mgmt. Agency			
Hazard Mitigation Grant Program	97.039	*	1,424,607
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through the Tennessee Department of Agriculture			
Snack Program	10.533		6,224
School Breakfast Program	10.553		89,997
National School Lunch Program	10.555		157,709
Food Distribution - Commodities	10.555		14,190
Total U.S. Department of Agriculture Cluster			268,120
Total federal awards			**$ 2,477,837**

** major program*

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

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BRADFORD SPECIAL SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2014

	Expenditures
Tennessee Emergency Management Agency	
Hazard Mitigation Grant Program	$ 237,435
Tennessee Department of Education	
Early Childhood	203,818
ACT Explore	552
Energy Efficient Schools	10,000
Technology Fund	46,411
Safe School Grant	3,400
Total state financial assistance	**$ 501,616**

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

See independent auditor's report

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:
American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

ALEXANDER THOMPSON ARNOLD PLLC
Certified Public Accountants
Offices in Tennessee & Kentucky

304 North Lindell
Martin, TN 38237

Phone 731.587.5145
Fax 731.587.1952
www.atacpa.net

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*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bradford Special School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2014.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered Bradford Special School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Item 2013-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bradford Special School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Bradford Special School District's Response to Findings

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

Purpose of this Report

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

Alexander Thompson Arnold PLLC

Martin, Tennessee
December 15, 2014

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ALEXANDER THOMPSON ARNOLD PLLC
Certified Public Accountants
Offices in Tennessee & Kentucky

304 North Lindell
Martin, TN 38237

Phone 731.587.5145
Fax 731.587.1952
www.atacpa.net

Independent Auditor's Reports on Compliance for Each Major Federal Program and on Internal Control over Compliance

Board of Trustees
Bradford Special School District
Bradford, Tennessee

Report on Compliance for Each Major Federal Program

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

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

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

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

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

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

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

Alexander Thompson Arnold PLLC

Martin, Tennessee
December 15, 2014

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

• material weakness(es) identified?	_____yes	___X__no
• significant deficiency(ies) identified?	___X__yes	_____none reported
• noncompliance material to financial statements noted?	_____yes	___X__no

Federal Awards

Internal control over major programs:

• material weakness(es) identified?	_____yes	___X__no
• significant deficiency(ies) identified?	_____yes	___X__none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____yes ___X__no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
97.039	Hazard Mitigation Grant Program

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

Auditee qualified as low-risk auditee? _____yes ___X__no

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

Section II – Financial Statement Findings

2013-002 Segregation of Duties

Condition: The District does not have controls in place to fully segregate the record-keeping, custodial and authorization functions of its cash and information technology systems.

Criteria: Management should design internal control to provide reasonable assurance that unauthorized acquisition, use, or disposition of assets will be prevented or timely detected and corrected. A fundamental concept in a good system of internal control is segregation of duties.

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

Recommendation: We recommend that management and the Board assess the District's current practices concerning the receipt of cash and the computer systems in use to ensure that accounting duties are being segregated to the extent possible and practicable. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets.

Response: *The Office Secretary will be opening all mail and logging any checks or payments received.*

Section III – Federal Award Findings and Questioned Costs

None reported.

BRADFORD SPECIAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2014

Financial Statement Findings

Finding No.	Finding Title	Status
2010-002	Failure to Follow Cash Disbursements Controls	Corrected
2013-001	No Contract or Approved Pay Rate for Office Manager and Assistant	Corrected
2013-002	Segregation of Duties	Repeated

Federal Award Findings and Questioned Costs

None reported.