

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**For the Fiscal Year Ended June 30, 2015**

# SOUTH CARROLL SPECIAL SCHOOL DISTRICT

## TABLE OF CONTENTS

### INTRODUCTORY SECTION

List of Principal Officials.....	1
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### FINANCIAL SECTION

Independent Auditor's Report .....	2
Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Position .....	5
Statement of Activities.....	6
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	7
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	10
Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Purpose Fund .....	11
Notes to the Financial Statements .....	21
Required Supplementary Information	
Pension Schedules .....	39

### SUPPLEMENTARY INFORMATION SECTION

Combining Balance Sheet – Nonmajor Governmental Funds .....	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	44
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Federal Projects Fund.....	45
Central Cafeteria Fund.....	47
Debt Service Fund .....	49
Schedule of Principal and Interest Requirements – General Obligation Debt .....	50
Schedule of Salaries and Bonds of Principal Officials .....	51
Schedule of Expenditures of Federal Awards.....	52
Schedule of State Financial Assistance.....	53

### INTERNAL CONTROL AND COMPLIANCE SECTION

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 <i>Government Auditing Standards</i> .....	54
Schedule of Findings .....	56
Summary Schedule of Prior Year Findings.....	57

## **INTRODUCTORY SECTION**

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**LIST OF PRINCIPAL OFFICIALS**  
June 30, 2015

Board Chairman	Philip Moore
Vice-Chairman	Kevin Hart
Treasurer	Christy Blount
Vice-Treasurer	Tom Miller
Secretary	Corey Bartholomew
Director of Schools	Dr. Tony Tucker

## **FINANCIAL SECTION**

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## Independent Auditor's Report

Board of Education  
South Carroll Special School District  
Clarksburg, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of South Carroll Special School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of South Carroll Special School District as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, in 2015, South Carroll Special School District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the schedules related to pensions on pages 39-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules contained in the supplementary information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet and combining schedule of revenues, expenditures and changes in fund balances for the nonmajor governmental funds, the schedules of

revenues, expenditures and changes in fund balance – budget and actual for the federal projects fund, centralized cafeteria fund and debt service fund, schedule of principal and interest requirements - general obligation debt, schedule of salaries and bonds of principal officials, schedule of expenditures of federal awards, and schedule of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2016 on our consideration of the South Carroll Special School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Alexander Thompson Arnold PLLC*

Martin, Tennessee  
March 15, 2016

## **BASIC FINANCIAL STATEMENTS**

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**DISTRICT-WIDE STATEMENT OF NET POSITION**  
June 30, 2015

**ASSETS**

Cash and cash equivalents	\$	1,647,592
Taxes receivable		533,762
Accounts receivable		193
Due from other governmental agencies		62,979
Inventory		1,949
Capital assets, not being depreciated		
Land		310,182
Capital assets, net of accumulated depreciation		
Buildings and improvements		4,536,092
Other capital assets		82,909
Net pension asset		97,724
<b>Total assets</b>		<b>7,273,382</b>

**DEFERRED OUTFLOW OF RESOURCES**

Deferred outflows related to pensions		158,994
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**LIABILITIES**

Other accrued expenses		37,572
Noncurrent liabilities:		
Bonds and notes payable, due within one year		79,666
Portion due or payable after one year		3,099,666
<b>Total liabilities</b>		<b>3,216,904</b>

**DEFERRED INFLOW OF RESOURCES**

Deferred revenue - property taxes		533,762
Deferred inflows related to pensions		560,254
<b>Total deferred inflows of resources</b>		<b>1,094,016</b>

**NET POSITION**

Net investment in capital assets		1,749,851
Restricted for:		
Net pension asset		6,372
Operation of noninstructional services		88,005
Committed		
Debt Service		50,335
Unrestricted		1,226,893
<b>Total net position</b>	<b>\$</b>	<b>3,121,456</b>

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**DISTRICT-WIDE STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
<b>Governmental activities</b>				
<b>Instruction</b>				
Regular education	\$ 1,297,861	\$ -	\$ 176,290	\$ (1,121,571)
Alternate education	5,466	-	-	(5,466)
Special education	218,085	-	93,403	(124,682)
Vocational education	155,913	-	17,997	(137,916)
Early Childhood Education	103,516	-	103,518	2
<b>Support Services</b>				
Student support	240,148	-	114,839	(125,309)
Instructional staff	106,560	-	-	(106,560)
General administration	165,580	-	-	(165,580)
School administration	152,303	-	-	(152,303)
Business administration	74,884	-	-	(74,884)
Operation and maintenance of plant	307,599	-	2,000	(305,599)
<b>Noninstructional Services</b>				
Food service	230,693	61,713	164,012	(4,968)
Community services	51,061	-	-	(51,061)
Debt service	116,068	-	-	(116,068)
<b>Total District</b>	<b>\$ 3,225,737</b>	<b>\$ 61,713</b>	<b>\$ 672,059</b>	<b>(2,491,965)</b>
<b>General Revenues:</b>				
Local taxes				227,364
Property taxes				518,545
Intergovernmental:				
Basic Education Program				1,942,000
Other				36,782
Interest				2,153
Pension income				7,626
Other miscellaneous revenues				85,857
Total general revenues				2,820,327
<b>Change in net position</b>				
Net position, beginning				3,247,782
Restatement for adoption of pension standards				(454,688)
Net position, beginning - as restated				2,793,094
Net position, ending				\$ 3,121,456

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015**

	<u>MAJOR</u>		<u>NONMAJOR</u>	<u>Total Governmental Funds</u>
	<u>General Purpose</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	
<b>Assets</b>				
Cash	\$ 1,502,993	\$ 48,042	\$ 96,557	\$ 1,647,592
Taxes receivable	410,835	122,927	-	533,762
Accounts receivable	-	-	193	193
Due from other governmental agencies	60,686	2,293	-	62,979
Inventory	-	-	1,949	1,949
<b>Total assets</b>	<b><u>\$ 1,974,514</u></b>	<b><u>\$ 173,262</u></b>	<b><u>\$ 98,699</u></b>	<b><u>\$ 2,246,475</u></b>
<b>Liabilities</b>				
Other accrued expenses	\$ 26,878	\$ -	10,694	\$ 37,572
Total liabilities	<u>26,878</u>	<u>-</u>	<u>10,694</u>	<u>37,572</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	<u>410,835</u>	<u>122,927</u>	<u>-</u>	<u>533,762</u>
<b>Fund balances</b>				
Nonspendable - inventory	-	-	1,949	1,949
Retricted for:				
Operation of noninstructional services	-	-	86,056	86,056
Committed				
Debt service	-	50,335	-	50,335
Unassigned	<u>1,536,801</u>	<u>-</u>	<u>-</u>	<u>1,536,801</u>
Total fund balances	<u>1,536,801</u>	<u>50,335</u>	<u>88,005</u>	<u>1,675,141</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 1,974,514</u></b>	<b><u>\$ 173,262</u></b>	<b><u>\$ 98,699</u></b>	<b><u>\$ 2,246,475</u></b>

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
June 30, 2015**

<b>Total governmental fund balances</b>	\$ 1,675,141
Amounts reported for governmental activities on the statement of net position are different because of the following:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in governmental funds.	4,929,183
Pension assets, liability, deferred inflows and deferred outflows of resources do not require the use of current financial resources and, therefore, are not reported in the funds.	(303,536)
Long-term liabilities, including bonds, notes, and leases payable, are not due in the current period and, therefore, are not reported in the funds.	<u>(3,179,332)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 3,121,456</u></b>

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended June 30, 2015

	<u>MAJOR</u>		<u>NONMAJOR</u>	<u>Total Governmental Funds</u>
	<u>General Purpose</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	
<b>REVENUES</b>				
Taxes	\$ 604,096	\$ 141,813	\$ -	\$ 745,909
Intergovernmental	2,223,424	-	427,417	2,650,841
Meal sales	-	-	61,713	61,713
Interest earnings	2,068	-	85	2,153
Miscellaneous	85,857	-	-	85,857
Total revenues	<u>2,915,445</u>	<u>141,813</u>	<u>489,215</u>	<u>3,546,473</u>
<b>EXPENDITURES</b>				
Instruction	1,529,188	-	196,786	1,725,974
Support services	965,220	-	66,619	1,031,839
Food services	-	-	220,069	220,069
Non-instructional services	163,516	-	-	163,516
Capital outlay	73,705	-	8,482	82,187
Debt service	50,252	140,628	-	190,880
Total expenditures	<u>2,781,881</u>	<u>140,628</u>	<u>491,956</u>	<u>3,414,465</u>
<b>Net change in fund balances</b>	<b>133,564</b>	<b>1,185</b>	<b>(2,741)</b>	<b>132,008</b>
Fund balances, beginning	1,403,237	49,150	89,819	1,542,206
Increase in inventory	-	-	927	927
Fund balances, ending	<u>\$ 1,536,801</u>	<u>\$ 50,335</u>	<u>\$ 88,005</u>	<u>\$ 1,675,141</u>

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2015

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 132,008</b>
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>	
<p>Pension contributions are reported as expenditures in the governmental funds. However, pension expense/income in the statement of activities is primarily the result of changes in the components of the net pension liability/asset over the current and future periods.</p>	
Pension contributions	143,526
Pension income	7,626
<p>Inventory is reported in the governmental funds using the purchases method. However, in the statement of activities, they are accounted for using the consumption method.</p>	
	927
<p>The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>	
Principal payments on long-term debt	74,811
<p>Capital outlay is reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
Capital outlay	82,187
Depreciation	<u>(112,723)</u>
<b>Change in net position of governmental activities</b>	<b><u>\$ 328,362</u></b>

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance- Over (Under)
<b>REVENUES</b>				
<b>Local Taxes</b>				
Local option sales tax	\$ 185,000	\$ 185,000	\$ 213,889	\$ 28,889
Interstate telecommunications tax	150	150	271	121
Trustee's collections - bankruptcy	-	-	116	116
Circuit clerk-master collections	-	-	13,088	13,088
City/Special School District Property Taxes:				
Current property tax	324,619	324,619	347,786	23,167
Prior year's property tax	5,000	5,000	16,878	11,878
Interest and penalty	2,000	2,000	3,519	1,519
Payment in lieu of taxes	7,000	7,000	8,549	1,549
Total local taxes	<u>523,769</u>	<u>523,769</u>	<u>604,096</u>	<u>80,327</u>
<b>Intergovernmental</b>				
Licenses and Permits				
Marriage licenses	100	100	155	55
State Revenues				
State Education Funds:				
Basic Education Program	1,938,000	1,938,000	1,942,000	4,000
Early Childhood Education	103,518	103,518	103,518	-
Energy Efficient Schools Initiative	-	2,000	2,000	-
Career Ladder	18,645	25,615	22,753	(2,862)
Career Ladder - Extended Contract	-	-	6,970	6,970
Other state education funds	55,500	75,500	89,304	13,804
Total state education funds	2,115,663	2,144,633	2,166,545	21,912
Other State Revenues:				
Mixed drink tax	125	125	165	40
Total state revenues	<u>2,115,788</u>	<u>2,144,758</u>	<u>2,166,710</u>	<u>21,952</u>
Federal Revenues				
Other direct federal revenue	28,000	28,000	26,550	(1,450)
Federal Funds Received Through State:				
Special Education Grants to States	-	10,770	10,770	-
Other federal through State	12,500	12,500	12,500	-
Total federal funds	<u>40,500</u>	<u>51,270</u>	<u>49,820</u>	<u>(1,450)</u>
Total intergovernmental	<u>2,156,388</u>	<u>2,196,128</u>	<u>2,216,685</u>	<u>20,557</u>

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
<b>Miscellaneous</b>				
Other Local Revenues				
Interest earned	4,000	4,000	2,068	(1,932)
E-rate funding	3,500	3,500	4,817	1,317
Contributions from local groups	-	1,342	11,910	10,568
Insurance recoveries	-	69,015	69,015	-
Damages recovered from individuals	-	100	115	15
Total other local revenues	<u>7,500</u>	<u>77,957</u>	<u>87,925</u>	<u>9,968</u>
 Total miscellaneous	<u>7,500</u>	<u>77,957</u>	<u>87,925</u>	<u>9,968</u>
 <b>Total revenues</b>	<b><u>2,687,657</u></b>	<b><u>2,797,854</u></b>	<b><u>2,908,706</u></b>	<b><u>110,852</u></b>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Regular Education				
Teachers	868,887	842,887	842,857	(30)
Career Ladder Program	8,000	8,500	8,500	-
Career Ladder - Extended Contract	-	2,900	2,900	-
Teacher assistants	52,999	49,899	49,881	(18)
Other salaries and wages	5,000	2,500	2,500	-
Certified substitute teachers	2,000	6,500	6,523	23
Non-certified substitute teachers	17,500	18,100	18,099	(1)
Social security	59,172	53,272	53,242	(30)
State retirement	78,888	75,688	75,679	(9)
Medical insurance	64,027	53,527	53,503	(24)
Medicare	13,839	12,489	12,452	(37)
Operating lease payments	6,064	7,414	7,414	-
Other contracted services	5,000	23,054	23,076	22
Instructional supplies/materials	20,000	34,303	31,349	(2,954)
Textbooks	26,000	17,000	16,911	(89)
Other supplies and materials	300	300	406	106
Other charges	100	100	71	(29)
Equipment	15,000	21,000	20,856	(144)
Total regular education	<u>1,242,776</u>	<u>1,229,433</u>	<u>1,226,219</u>	<u>(3,214)</u>

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Alternative Instruction Program				
Contracts with other schools	5,750	5,466	5,466	-
Special Education				
Teachers	73,591	73,591	73,728	137
Homebound teachers	227	227	131	(96)
Substitute teachers	-	55	55	-
Social security	4,577	4,577	4,471	(106)
State retirement	6,653	6,653	6,677	24
Medical insurance	986	986	493	(493)
Medicare	1,070	1,070	1,046	(24)
Contracts with other school systems	30,000	32,753	32,753	-
Evaluation and testing	300	300	-	(300)
Maintenance and repair - equipment	500	500	390	(110)
Other contracted services	3,000	5,000	5,270	270
Instrucional supplies and materials	500	1,000	1,015	15
Other charges	100	100	-	(100)
Total special education	<u>121,504</u>	<u>126,812</u>	<u>126,029</u>	<u>(783)</u>
Vocational Education				
Teachers	132,942	132,942	133,813	871
Certified substitute teachers	100	100	51	(49)
Non-certified substitute teachers	1,000	1,000	1,243	243
Social security	8,311	8,311	7,916	(395)
State retirement	12,018	12,018	12,097	79
Medical insurance	6,020	5,832	5,169	(663)
Medicare	1,944	1,944	1,851	(93)
Other contracted services	200	200	180	(20)
Instructional supplies	4,500	2,164	2,164	-
Other supplies and materials	125	125	-	(125)
Other charges	100	100	251	151
Equipment	1,500	-	-	-
Total vocational education	<u>168,760</u>	<u>164,736</u>	<u>164,735</u>	<u>(1)</u>
<b>Total instruction</b>	<b><u>1,538,790</u></b>	<b><u>1,526,447</u></b>	<b><u>1,522,449</u></b>	<b><u>(3,998)</u></b>

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
<b>Support Services</b>				
Student Support				
Attendance				
Travel	750	750	1,915	1,165
Other contracted services	35,860	35,860	35,860	-
In-service/staff development	1,000	1,000	450	(550)
Attendance equipment	1,000	1,000	76	(924)
Total attendance	<u>38,610</u>	<u>38,610</u>	<u>38,301</u>	<u>(309)</u>
Health Services				
Medical personnel	18,200	18,200	18,200	-
Social security	1,128	1,128	1,128	-
State retirement	564	564	564	-
Medical insurance	500	491	482	(9)
Medicare	264	264	264	-
Travel	125	-	-	-
Drugs and medical supplies	500	175	175	-
Other supplies/materials	250	128	128	-
Liability insurance	100	100	108	8
In-service/staff development	125	125	125	-
Total health services	<u>21,756</u>	<u>21,175</u>	<u>21,174</u>	<u>(1)</u>
Other Student Support				
Career Ladder Program	3,000	3,000	3,000	-
Guidance personnel	49,394	45,503	45,503	-
Other salaries and wages	4,000	4,000	4,000	-
Social security	3,496	2,947	2,947	-
State retirement	5,098	4,746	4,746	-
Medical insurance	5,694	3,601	3,601	-
Medicare	818	818	689	(129)
Evaluation/testing	1,000	1,000	1,674	674
Maintenance and repair	500	500	444	(56)
Travel	1,000	1,000	1,284	284
Other contracted services	400	400	370	(30)
Other supplies/materials	4,500	2,844	2,344	(500)
In-service/staff development	1,000	1,000	758	(242)
Total other student support	<u>79,900</u>	<u>71,359</u>	<u>71,360</u>	<u>1</u>
Total student support	<u>140,266</u>	<u>131,144</u>	<u>130,835</u>	<u>(309)</u>

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Instructional Staff:				
Regular Education				
Director	48,056	48,056	49,933	1,877
Career Ladder Program	-	2,000	2,000	-
Librarian(s)	-	-	-	-
Instructional computer personnel	10,561	10,561	10,588	27
Social security	3,634	3,634	3,009	(625)
State retirement	5,299	5,299	4,696	(603)
Medical insurance	3,854	3,854	1,922	(1,932)
Medicare	850	850	857	7
Travel	600	600	-	(600)
Other contracted services	9,000	9,000	8,950	(50)
Library books	5,000	1,745	1,745	-
Periodicals	400	400	88	(312)
Other supplies and materials	250	250	401	151
In-service/staff development	800	4,707	6,767	2,060
Total regular education	<u>88,304</u>	<u>90,956</u>	<u>90,956</u>	<u>-</u>
Special Education				
Director	6,222	6,222	6,222	-
Social security	386	386	386	-
State retirement	562	562	562	-
Medical insurance	482	482	482	-
Medicare	90	90	90	-
Total special education	<u>7,742</u>	<u>7,742</u>	<u>7,742</u>	<u>-</u>
Vocational Education				
Director	6,222	6,222	6,222	-
Social security	386	386	386	-
State retirement	562	562	562	-
Medical insurance	482	482	482	-
Medicare	90	90	90	-
Travel	1,000	-	-	-
In-service/staff development	500	120	120	-
Total vocational education	<u>9,242</u>	<u>7,862</u>	<u>7,862</u>	<u>-</u>
Total instructional staff	<u>105,288</u>	<u>106,560</u>	<u>106,560</u>	<u>-</u>

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
General Administration				
Board of Education Services				
Unemployment compensation	7,500	7,500	7,452	(48)
Audit services	12,679	12,679	12,250	(429)
Dues and memberships	2,000	2,000	3,220	1,220
Legal services	2,500	305	219	(86)
Postal charges	150	150	150	-
Travel	150	150	-	(150)
Maintenance and repair	2,000	2,000	2,000	-
Other contracted services	200	200	1,855	1,655
Other supplies and materials	200	200	101	(99)
Liability insurance	10,649	10,649	10,649	-
Premium on surety bond	550	550	508	(42)
Trustee commissions	12,000	12,000	13,051	1,051
Workmen's compensation insurance	10,092	10,092	10,092	-
In-service/staff development	900	900	220	(680)
Refund to applicant for criminal investigation	300	300	158	(142)
Other charges	4,500	4,500	3,003	(1,497)
Total board of education services	<u>66,370</u>	<u>64,175</u>	<u>64,928</u>	<u>753</u>
Office of the Superintendent				
County official/administrative officer	86,500	86,500	86,500	-
Career Ladder Program	1,000	1,000	1,000	-
Social security	5,425	5,425	4,433	(992)
State retirement	7,910	7,910	7,910	-
Medicare	1,269	1,269	1,037	(232)
Communication	3,000	2,538	2,538	-
Dues and memberships	1,200	-	-	-
Postal charges	500	500	479	(21)
Travel	1,500	902	902	-
Office supplies	300	300	11	(289)
In-service/staff development	750	194	140	(54)
Other charges	100	239	1,185	946
Administration equipment	750	750	1,257	507
Total office of the superintendent	<u>110,204</u>	<u>107,527</u>	<u>107,392</u>	<u>(135)</u>
Total general administration	<u>176,574</u>	<u>171,702</u>	<u>172,320</u>	<u>618</u>

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance- Over (Under)
School Administration				
Office of the Principal				
Principals	58,664	59,036	64,170	5,134
Career ladder program	4,000	4,000	4,000	-
Assistant(s)	29,776	29,776	31,516	1,740
Secretary(s)	30,704	30,704	29,048	(1,656)
Social security	7,635	7,635	7,054	(581)
State retirement	9,308	9,308	9,912	604
Medical insurance	9,869	9,869	10,539	670
Medicare	1,786	1,786	1,650	(136)
Communication	250	250	139	(111)
Dues and memberships	1,250	1,250	150	(1,100)
Maintenance and repair	250	250	-	(250)
Postal charges	600	600	432	(168)
Travel	500	500	235	(265)
Other supplies and materials	100	100	-	(100)
Office supplies	1,250	1,250	142	(1,108)
In-service/staff development	900	900	781	(119)
Other charges	5,000	5,000	2,447	(2,553)
Total school administration	<u>161,842</u>	<u>162,214</u>	<u>162,215</u>	<u>1</u>
Business Administration				
Fiscal Services:				
Accountants/bookkeepers	56,502	52,322	52,322	-
Social security	3,503	3,088	3,088	-
State retirement	1,752	1,752	1,622	(130)
Medical insurance	1,074	1,074	986	(88)
Medicare	819	819	722	(97)
Data processing services	14,600	14,600	15,248	648
Maintenance and repair	250	250	449	199
Postal charges	150	129	-	(129)
Travel	-	304	304	-
Data processing supplies	500	500	260	(240)
Office supplies	700	700	518	(182)
In-service/staff development	400	400	842	442
Other charges	50	50	-	(50)
Administration equipment	500	500	145	(355)
Total business administration	<u>80,800</u>	<u>76,488</u>	<u>76,506</u>	<u>18</u>

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Operation and Maintenance of Plant				
Operation of Plant				
Custodial personnel	27,400	27,400	27,669	269
Social security	1,699	1,699	1,711	12
State retirement	849	849	703	(146)
Medical insurance	537	537	471	(66)
Medicare	397	397	400	3
Janitorial services	-	1,875	1,875	-
Maintenance and repair	500	500	579	79
Travel	125	125	-	(125)
Disposal fees	7,100	7,100	6,610	(490)
Other contracted services	800	8,300	8,499	199
Custodial supplies	9,000	14,500	12,322	(2,178)
Electricity	78,000	73,879	73,879	-
Natural gas	16,000	16,000	16,408	408
Water and sewer	43,000	43,000	42,622	(378)
Other supplies and materials	100	100	2	(98)
Boiler insurance	934	934	934	-
Building and contents insurance	17,010	17,010	17,010	-
Other charges	100	100	-	(100)
Plant operation equipment	5,000	579	-	(579)
Total operation of plant	<u>208,551</u>	<u>214,884</u>	<u>211,694</u>	<u>(3,190)</u>
Maintenance of Plant				
Maintenance personnel	22,968	15,978	15,978	-
Social security	1,424	991	991	-
Medicare	333	232	232	-
Maintenance and repair - buildings	30,000	99,000	101,459	2,459
Maintenance and repair - equipment	8,000	29,115	23,859	(5,256)
Maintenance and repair - vehicles	-	-	-	-
Travel	400	400	311	(89)
Other contracted services	4,750	26,073	29,794	3,721
Gasoline	500	500	19	(481)
Other supplies and materials	8,000	8,000	5,296	(2,704)
Other charges	100	-	76	76
Maintenance equipment	5,000	780	780	-
Total maintenance of plant	<u>81,475</u>	<u>181,069</u>	<u>178,795</u>	<u>(2,274)</u>
Total operation and maintenance of plant	<u>290,026</u>	<u>395,953</u>	<u>390,489</u>	<u>(5,464)</u>

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Student Transportation				
Contracts with parents	-	-	-	-
Maintenance and repair	-	-	-	-
Diesel fuel	-	-	-	-
Total student transportation	-	-	-	-
<b>Total support services</b>	<b>954,796</b>	<b>1,044,061</b>	<b>1,038,925</b>	<b>(5,136)</b>
<b>Non-Instructional Services</b>				
Community services				
Other salaries and wages	25,655	48,000	49,293	1,293
Social security	1,616	2,976	3,056	80
State retirement	2,347	3,686	3,806	120
Medicare	397	696	715	19
Travel	4,600	45	45	-
Other contracted services	2,280	25	-	(25)
Other supplies and materials	3,105	4,572	3,085	(1,487)
Total community services	40,000	60,000	60,000	-
Early Childhood Education				
Supervisor/Director	3,500	3,500	3,500	-
Teachers	47,394	47,394	47,594	200
Clerical	1,200	1,200	1,200	-
Career Ladder Program	-	-	-	-
Educational assistants	15,392	15,392	15,392	-
Substitute teachers	500	500	220	(280)
Non-certified substitute teachers	400	153	152	(1)
Social security	4,171	3,529	3,529	-
State retirement	4,800	4,800	5,133	333
Medical insurance	7,620	7,620	7,592	(28)
Medicare	976	976	825	(151)
Communication	-	-	-	-
Contracts with private agents	-	-	-	-
Operating lease	3,000	2,496	2,495	(1)
Maintenance and repair - equipment	250	250	273	23
Travel	750	265	265	-
Other contracted services	3,000	6,000	6,280	280
Electricity	-	-	-	-
Food supplies	1,000	360	-	(360)
Instructional supplies	4,315	6,310	5,933	(377)
Textbooks	-	-	-	-
Water and sewer	-	-	-	-
Other supplies and materials	-	-	360	360
In-service/staff development	750	98	97	(1)
Other equipment	4,500	2,675	2,676	1
Total early childhood education	103,518	103,518	103,516	(2)
<b>Total non-instructional services</b>	<b>143,518</b>	<b>163,518</b>	<b>163,516</b>	<b>(2)</b>

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
<b>Debt Service</b>				
Principal on bonds	35,000	35,064	38,000	2,936
Interest on bonds	13,488	13,488	10,637	(2,851)
Other debt service	<u>1,700</u>	<u>1,700</u>	<u>1,615</u>	<u>(85)</u>
Total debt service	<u>50,188</u>	<u>50,252</u>	<u>50,252</u>	<u>-</u>
<b>Total expenditures</b>	<b><u>2,687,292</u></b>	<b><u>2,784,278</u></b>	<b><u>2,775,142</u></b>	<b><u>(9,136)</u></b>
<b>Net change in fund balance</b>	<b><u>\$ 365</u></b>	<b><u>\$ 13,576</u></b>	<b><u>133,564</u></b>	<b><u>\$ 119,988</u></b>
Fund balance, beginning			<u>1,403,237</u>	
Fund balance, ending			<u><u>\$ 1,536,801</u></u>	

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

	<u>Revenues</u>	<u>Expenditures</u>	<u>Net Change</u>
Budgetary basis (above)	\$ 2,908,706	\$ 2,775,142	\$ 133,564
On-behalf payments for post-retirement benefits	<u>6,739</u>	<u>6,739</u>	<u>-</u>
GAAP basis - page 9	<u><u>\$ 2,915,445</u></u>	<u><u>\$ 2,781,881</u></u>	<u><u>\$ 133,564</u></u>

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

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

**A. Reporting Entity**

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

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

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

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

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

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

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

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

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

For the year ended June 30, 2015, the District reported the following major governmental funds:

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

The debt service fund is used to record the approved portion of property tax revenues restricted for debt service (currently \$0.38 of the \$1.65 rate) and expenditures related to the construction debt issued in 2008.

The federal projects fund accounts for federal grant revenue and expenditures. The centralized cafeteria fund accounts for the operation of school cafeterias in a central location and includes substantially all of the administrative activities related to food service. These two funds were considered nonmajor funds for the year ended June 30, 2015.

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

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

**D. Impact of recently issued accounting pronouncements**

In June 2012, the GASB issued Statement 68, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*. This statement establishes 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 new pension include significant changes to how governmental employers will report liabilities related to pension obligations. Statement 68 was effective for fiscal years beginning after June 15, 2014. AS a result of adopting the new pension standards, the District had to restate certain beginning balances in the government-wide financial statements. Beginning net pension liability was increased by \$508,686 and beginning net position was decreased by the same amount.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Account and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

government's beginning net pension liability. This statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this statement are required to be applied simultaneously with the provisions of Statement No. 68. The implementation of this statement resulted in a restatement of beginning net position and deferred outflows related to pension contributions from the prior year.

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

**Deposits and Investments**

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

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

**Receivables and Payables**

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

For the purpose of operating and maintaining the District, the private act creating the District authorized an annual property tax. The current property tax rate is \$1.65 on every \$100 of real and personal property located within the District. Property taxes are collected by the Trustee of Carroll County and remitted to the District. Applicable dates are: January 1 – lien date; October 1 – levy date, tax bills mailed, and payments due through the last day of February; March 1 – delinquent date.

Property taxes receivable are recognized when an enforceable legal claim to the taxable property arises; however, revenue is not recognized until the year for which the taxes were levied. As a result, unavailable property tax revenue is deferred and reported as a deferred inflow of resources in the governmental funds balance sheet and statement of net position.

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

**Inventories**

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

**Capital Assets**

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

Buildings and improvements	20 – 50 years
Other capital assets	4 – 20 years

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applied to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has items related to pensions reported in this category. See Note 4A for details concerning these items.

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 various items that qualify 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 deferred/unavailable revenue in both the governmental funds balance sheet and the statement of net position. The District also has items related to pensions reported in this category. See Note 4A for details concerning these items.

**Compensated Absences**

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

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Retirement Plan, Teacher Retirement Plan, and Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

when due and payable in accordance with the benefit terms of the Plans. Investments are reported at fair value.

**Long-term Liabilities**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. When present, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance cost are expenses in the year incurred.

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

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

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

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

**Net Position Flow Assumption**

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

**On-Behalf Payments for Fringe Benefits**

The Board receives on-behalf payments from the State of Tennessee to be used for postemployment health insurance benefits for employees not yet eligible for Medicare. Such payments are recorded as intergovernmental revenue and instruction expenses/expenditures in the GAAP basis district-wide and general purpose fund financial statements.

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

**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 on-behalf payments, that are required by GAAP to be included in revenue and expense, but do not affect cash. The Board of Education approves and appropriates the budgets for these funds annually. As an extension of the formal budgetary process, the Board may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. The District's policy is to not allow expenditures to exceed budgetary amounts at the function level without obtaining additional appropriation approval from the Board of Education.

The following functions had expenditures that exceeded budgeted expenditures:

General Purpose Fund – General Administration – Board of Education Services - \$753  
General Purpose Fund – Business Administration – Fiscal Services - \$18  
Federal Projects Fund – Instruction - Regular Instruction - \$21,722  
Federal Projects Fund – Support Services – Other Student Support - \$25  
Centralized Cafeteria Fund – Food Services - \$11,879; however, \$13,099 in expenditures represent USDA commodities used, which is a non-cash expenditure required to be reported in the financial statements under generally accepted accounting principles. Actual cash expenditures were under budget by \$1,220.

Total General Purpose Fund and Federal Projects Fund expenditures did not exceed budgeted expenditures.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The District's policies limit deposits and investments to those instruments allowed by applicable state laws as described in Note 1. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third-party agents. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2015, all bank deposits were fully collateralized or insured.

**B. Interfund Balances and Transfers**

As of June 30, 2015, there were no interfund payables/receivables, and there were not transfers during the year.

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2015, was as follows:

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

Capital assets being depreciated				
Buildings and improvements	10,387,536	82,187	-	10,469,723
Other capital assets	<u>228,232</u>	<u>-</u>	<u>-</u>	<u>228,232</u>
Total	<u>10,615,768</u>	<u>82,187</u>	<u>-</u>	<u>10,697,955</u>
Less accumulated depreciation for:				
Buildings and improvements	5,832,854	100,777	-	5,933,631
Other capital assets	<u>133,377</u>	<u>11,946</u>	<u>-</u>	<u>145,323</u>
Total	<u>5,966,231</u>	<u>112,723</u>	<u>-</u>	<u>6,078,954</u>
Total being depreciated, net	<u>4,649,537</u>	<u>(30,536)</u>	<u>-</u>	<u>4,619,001</u>
Capital assets, net	<u>\$ 4,959,719</u>	<u>\$ (30,536)</u>	<u>\$ -</u>	<u>\$ 4,929,183</u>

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

Regular instruction	\$ 59,031
General administration	1,170
Student support	48,004
Food service	<u>4,518</u>
Total	<u>\$ 112,723</u>

**D. Long-term Debt**

The District has a capital outlay note, Series 2001, payable to Tennessee Municipal Bond Fund with monthly interest payments and annual principal payments through 2028. The interest rate was .27% as of June 30, 2015, and the balance outstanding was \$709,000.

The District has a note payable to USDA Rural Development that was used to finance construction. The note was in the principal amount of \$2,694,000 and requires monthly payments of \$11,719 due the 13<sup>th</sup> of each month. The balance outstanding as of June 30, 2014, was \$2,470,332 and the interest rate was 4.125%.

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

Years Ending June 30,	Principal	Interest	Total
2016	79,666	104,658	184,324
2017	83,333	102,782	186,115
2018	87,071	100,825	187,896
2019	90,882	98,785	189,667
2020	95,768	96,659	192,427
2021 – 2025	547,040	448,019	995,059
2026 – 2030	531,636	379,688	911,324
2031 – 2035	400,082	303,058	703,140
2036 – 2040	491,553	211,587	703,140
2041 – 2045	603,934	99,206	703,140

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

2046 – 2047	168,367	4,351	172,718
Total	\$ 3,179,332	\$1,949,618	\$ 5,128,950

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

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
Governmental activities					
Capital outlay note payable	\$ 747,000	\$ -	\$ 38,000	709,000	\$40,000
USDA note payable	2,507,144	-	36,812	2,470,332	39,666
	\$ 3,254,144	\$ -	\$ 74,812	\$ 3,179,332	\$79,666

**NOTE 4 – OTHER INFORMATION**

**A. Pensions**

*Plan description.* Employees of South Carroll Special School District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits provided.* Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Employees covered by benefit terms.* At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>17</u>
	<u>31</u>

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. South Carroll Special School District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for South Carroll Special School District were \$8,956 based on a rate of 3.10% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept South Carroll Special School District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

***Net Pension Liability (Asset)***

South Carroll Special School District's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected</u>	<u>Real Rate of Return Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from South Carroll Special School District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Changes in the Net Pension Liability (Asset)***

	<b>Total Pension Liability</b>	<b>Increase (Decrease) Plan Fiduciary Net Position</b>	<b>Net Pension Liability (Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) – (b)</b>
<b>Balance at 6/30/13</b>	\$ 394,297	\$ 436,453	\$ (42,156)
<b>Changes for the year:</b>			
Service cost	21,467	-	21,467
Interest	30,828	-	30,828
Differences between expected and actual experience	(3,747)	-	(3,747)
Contributions - employer	-	11,842	(11,842)

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

Contributions - employees	-	12,928	(12,928)
Net investment income	-	73,542	(73,542)
Benefit payments, including refunds of employee contributions	(9,450)	(9,450)	-
Administrative expense	-	(568)	568
<b>Net changes</b>	<u>39,098</u>	<u>88,294</u>	<u>(49,196)</u>
<b>Balance at 6/30/14</b>	<u>\$ 433,395</u>	<u>\$ 524,747</u>	<u>\$ (91,352)</u>

*Sensitivity of the net pension liability (asset) to changes in the discount rate.* The following presents the net pension liability (asset) of South Carroll Special School District calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1- percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
South Carroll Special School District's net pension liability (asset)	<u>\$ (17,072)</u>	<u>\$ (91,352)</u>	<u>\$ (150,731)</u>

***Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

*Pension income.* For the year ended June 30, 2015, South Carroll Special School District recognized pension income of \$2,152.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2015, South Carroll Special School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,998
Net difference between projected and actual earnings on pension plan investments	-	32,204
Contributions subsequent to the measurement date of June 30, 2014	<u>8,956</u>	<u>(not applicable)</u>
Total	<u>\$ 8,956</u>	<u>\$ 35,202</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

<b>Year Ended June 30:</b>	
2016	\$ (8,800)
2017	(8,800)
2018	(8,800)
2019	(8,800)
2020	-
Thereafter	-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**General Information about the Pension Plan**

*Plan description.* Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of South Carroll County Special School District are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate costsharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits provided.* Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by South Carroll County Special School District for the year ended June 30, 2015 to the Teacher Legacy Pension Plan were \$133,054 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension asset.* At June 30, 2014, the South Carroll County Special School District reported an asset of \$6,372 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. South Carroll County Special School District's proportion of the net pension liability was based on South Carroll County Special School District's employer contributions to the pension plan during the year ended June 30, 2014 relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014 measurement date, South Carroll County Special School District's proportion was 0.039212 percent. The proportion measured as of June 30, 2013 was 0.039216 percent.

*Pension income.* For the year ended June 30, 2015, South Carroll County Special School District recognized a pension income of \$5,474.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2015, South Carroll County Special School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 15,469	\$ -
Net difference between projected and actual earnings on pension plan investments	-	524,995
Changes in proportion of Net Position Liability (Asset)	-	57
LEA's contributions subsequent to the measurement date of June 30, 2014	<u>133,054</u>	<u>(not applicable)</u>
Total	<u>\$ 148,523</u>	<u>\$ 525,052</u>

South Carroll County Special School District employer contributions of \$133,054, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

<b>Year Ended June 30:</b>	
2016	\$ (128,680)
2017	(128,680)
2018	(128,680)
2019	(128,680)
2020	2,569
Thereafter	2,569

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

<u>Asset Class</u>	<u>Long-Term Expected</u>	<u>Real Rate of Return Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate.* The following presents South Carroll County Special School District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what South Carroll County Special School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
South Carroll Special School District's net pension liability (asset)	<u>\$1,074,674</u>	<u>\$ (6,372)</u>	<u>\$ (901,361)</u>

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

**General Information about the Pension Plan**

*Plan description.* Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of South Carroll County Special School District are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014 are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost sharing multiple employer pension plan

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits provided.* Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015 to the Teacher Retirement Plan were \$1,515, which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension liabilities.* Since the measurement date is June 30, 2014, which is prior to the July 1, 2014 inception of the Teacher Retirement Plan, there is not a net pension liability to report at June 30, 2015.

*Pension Expense.* Since the measurement date is June 30, 2014, South Carroll County Special School District did not recognize a pension expense at June 30, 2015.

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2015, South Carroll County Special School District reported deferred outflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
South Carroll County Special School District's contributions subsequent to the measurement date of June 30, 2014	\$ 1,515	(not applicable)

South Carroll County Special School District's employer contributions of \$(LEA to insert) reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2016.

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

**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, 2015, the State made contributions of \$3,289 and \$3,450 respectively.

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015

**E. Commitments**

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2015**

**Schedules of Required Supplementary Information  
Schedule of Changes in South Carroll Special School District's Net Pension  
Liability (Asset) and Related Ratios Based on Participation in the  
Public Employee Pension Plan of TCRS  
Last Fiscal Year ending June 30**

	2014
<b>Total pension liability</b>	
Service cost	\$ 21,467
Interest	30,828
Changes in benefit terms	-
Differences between actual & expected experience	(3,747)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(9,450)
<b>Net change in total pension liability</b>	39,098
<b>Total pension liability-beginning</b>	394,297
<b>Total pension liability-ending (a)</b>	\$ 433,395
<b>Plan fiduciary net position</b>	
Contributions-employer	\$ 11,842
Contributions-employee	12,928
Net investment income	73,542
Benefit payments, including refunds of employee contributions	(9,450)
Administrative expense	(568)
Net change in plan fiduciary net position	88,294
<b>Plan fiduciary net position-beginning</b>	436,453
<b>Plan fiduciary net position-ending (b)</b>	\$ 524,747
<b>Net Pension Liability (asset)-ending (a) – (b)</b>	\$ (91,352)
<b>Plan fiduciary net position as a percentage of total pension liability</b>	121.08%
<b>Covered-employee payroll</b>	\$ 258,560
<b>Net pension liability (asset) as a percentage of covered-employee payroll</b>	35.33%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2015**

**Schedule of South Carroll Special School District's Contributions  
Based on Participation in the Public Employee Pension Plan of TCRS  
Last Fiscal Year ending June 30**

	2014	2015
Actuarially determined contribution	\$ 11,842	\$ 8,956
Contributions in relation to the actuarially determined contribution	11,842	8,956
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	258,560	288,902
Contributions as a percentage of covered-employee payroll	4.58%	3.10%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

**Notes to Schedule**

Valuation date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	1 year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2015**

**Schedules of Required Supplementary Information  
Schedule of South Carroll County Special School District's  
Proportionate Share of the Net Pension Asset Teacher Legacy Pension Plan of TCRS  
Fiscal Year Ended June 30\***

	2014
South Carroll County Special School District's proportion of the net pension asset	0.039212%
South Carroll County Special School District's proportionate share of the net pension asset	\$ 6,372
South Carroll County Special School District's covered-employee payroll	1,539,066
South Carroll County Special School District's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.41%
Plan fiduciary net position as a percentage of the total pension liability	100.08%

\*The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

**Schedule of South Carroll County Special School District's Contributions  
Teacher Legacy Pension Plan of TCRS  
Fiscal Year Ended June 30**

	2014	2015
Actuarially Determined Contribution (ADC)	\$ 136,670	\$ 133,054
Contribution in relation to the actuarially determined contribution	136,670	\$ 133,054
Contribution deficiency (excess)	\$ -	\$ -
South Carroll County Special School District's covered-employee payroll	\$ 1,539,066	\$ 1,471,838
Contributions as a percentage of South Carroll County Special School District's covered- employee payroll	8.88%	9.04%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2015**

**Schedules of Required Supplementary Information  
Schedule of South Carroll County Special School District Contributions  
Teacher Retirement Plan of TCRS  
Fiscal Year ending June 30**

	2015
Actuarially Determined Contributions (ADC)	\$ 947
Contributions in relation to the actuarially determined contribution	\$ 1,515
Contribution deficiency (excess)	\$ (568)
South Carroll County Special School District's covered-employee payroll	\$ 37,869
Contributions as a percentage of South Carroll County Special School District's covered-employee payroll	4.00%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

## **SUPPLEMENTARY INFORMATION**

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015**

	<u>Special Revenue Funds</u>		
	<u>Federal Projects</u>	<u>Central Cafeteria</u>	<u>Totals</u>
<b>Assets</b>			
Cash	\$ 8,980	\$ 87,577	\$ 96,557
Accounts receivable	-	193	193
Inventory	-	1,949	1,949
<b>Total assets</b>	<b><u>\$ 8,980</u></b>	<b><u>\$ 89,719</u></b>	<b><u>\$ 98,699</u></b>
 <b>Liabilities</b>			
Accrued expenses	\$ 8,980	\$ 1,714	\$ 10,694
Total liabilities	<u>8,980</u>	<u>1,714</u>	<u>10,694</u>
 <b>Fund Balances</b>			
Nonspendable - inventory	-	1,949	1,949
Restricted for operation of noninstructional services	<u>-</u>	<u>86,056</u>	<u>86,056</u>
Total fund balances	<u>-</u>	<u>88,005</u>	<u>88,005</u>
 <b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 8,980</u></b>	<b><u>\$ 89,719</u></b>	<b><u>\$ 98,699</u></b>

*See independant auditor's report*

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Fiscal Year Ended June 30, 2015**

	<u>Special Revenue Funds</u>		
	<u>Federal Projects</u>	<u>Central Cafeteria</u>	<u>Total</u>
<b>REVENUES</b>			
Charges for current services	\$ -	\$ 61,713	\$ 61,713
Other local revenues	-	-	-
Interest income	-	85	85
State revenue	-	2,262	2,262
Federal revenue	<u>263,405</u>	<u>161,750</u>	<u>425,155</u>
Total revenues	<u>263,405</u>	<u>225,810</u>	<u>489,215</u>
<b>EXPENDITURES</b>			
Instruction	196,786	-	196,786
Support services	66,619	-	66,619
Food services	-	220,069	220,069
Capital outlay	<u>-</u>	<u>8,482</u>	<u>8,482</u>
Total expenditures	<u>263,405</u>	<u>228,551</u>	<u>491,956</u>
<b>Net change in fund balances</b>	<b>-</b>	<b>(2,741)</b>	<b>(2,741)</b>
Fund balances, beginning	-	89,819	89,819
Increase in inventory	<u>-</u>	<u>927</u>	<u>927</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ 88,005</u>	<u>\$ 88,005</u>

*See independent auditor's report*

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
FEDERAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
<b>REVENUES</b>				
Vocational program improvement - Carl D. Perkins	\$ 5,362	\$ 5,497	\$ 5,497	\$ -
Title I	73,184	89,614	78,762	(10,852)
Special Education - Grants to States	135,853	140,114	76,992	(63,122)
Special Education - Preschool Grants	5,070	5,641	5,641	-
Eisenhower	12,609	27,769	9,616	(18,153)
First to the Top	-	25,535	25,535	-
Other federal through State	-	10,446	61,362	50,916
<b>Total revenues</b>	<u>232,078</u>	<u>304,616</u>	<u>263,405</u>	<u>(41,211)</u>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Regular Instruction				
Educational assistants	13,416	13,416	12,604	(812)
Other salaries and wages	-	10,122	10,122	-
Social security	950	982	795	(187)
State retirement	1,200	1,212	403	(809)
Medical insurance	650	650	534	(116)
Unemployment compensation	17	17	-	(17)
Medicare	200	207	186	(21)
Other contracted services	-	-	26,723	26,723
Instructional supplies	15,126	25,315	22,277	(3,038)
Inservice/staff development	-	84	84	-
Equipment	8,812	15,245	15,244	(1)
Total regular instruction	<u>40,371</u>	<u>67,250</u>	<u>88,972</u>	<u>21,722</u>
Special Education Program				
Teachers	39,248	39,248	40,848	1,600
Aides	30,900	30,900	31,898	998
Non-certified substitute teachers	500	500	-	(500)
Social security	4,403	4,403	4,455	52
State retirement	5,788	5,788	4,682	(1,106)
Medical Insurance	1,618	1,802	1,858	56
Unemployment compensation	250	66	-	(66)
Medicare	930	930	1,042	112
Other contracted services	5,070	5,641	5,641	-
Contracts with other school systems	21,944	21,944	10,143	(11,801)
Instructional supplies	1,000	4,544	3,410	(1,134)
Total special education program	<u>111,651</u>	<u>115,766</u>	<u>103,977</u>	<u>(11,789)</u>
Vocational Education				
Instructional supplies and materials	1,319	468	468	-
Other charges	200	25	-	(25)
Equipment	1,643	3,369	3,369	-
Total vocational education	<u>3,162</u>	<u>3,862</u>	<u>3,837</u>	<u>(25)</u>
<b>Total instruction</b>	<u>155,184</u>	<u>186,878</u>	<u>196,786</u>	<u>9,908</u>

See independent auditor's report

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
FEDERAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
<b>Support Services</b>				
Other Student Support				
Travel	2,200	1,635	1,635	-
Other charges	-	-	25	25
Total other student support	<u>2,200</u>	<u>1,635</u>	<u>1,660</u>	<u>25</u>
Regular Instruction				
Other salaries and wages	32,443	54,256	47,335	(6,921)
Substitute teachers	500	500	-	(500)
Social security	1,765	2,812	2,624	(188)
State retirement	2,577	4,485	4,215	(270)
Medical insurance	2,768	3,200	3,188	(12)
Unemployment compensation	38	38	-	(38)
Medicare	427	743	613	(130)
Travel	2,219	7,238	1,976	(5,262)
Other supplies and materials	300	4,300	-	(4,300)
In-service/staff development	2,000	8,160	4,634	(3,526)
Other charges	385	382	348	(34)
Total regular instruction	<u>45,422</u>	<u>86,114</u>	<u>64,933</u>	<u>(21,181)</u>
Special Education				
Travel	700	26	26	-
Other contracted services	22,905	25,196	-	(25,196)
Other supplies and materials	4,667	4,667	-	(4,667)
In-service/staff development	1,000	100	-	(100)
Total special education	<u>29,272</u>	<u>29,989</u>	<u>26</u>	<u>(29,963)</u>
<b>Total support services</b>	<u>76,894</u>	<u>117,738</u>	<u>66,619</u>	<u>(51,119)</u>
<b>Total expenditures</b>	<u>232,078</u>	<u>304,616</u>	<u>263,405</u>	<u>(41,211)</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning			-	
Fund balance, ending			<u>\$ -</u>	

See independent auditor's report

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
CENTRALIZED CAFETERIA FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance- Over (Under)
<b>REVENUES</b>				
Charges for current services				
Lunch payments - children	\$ 35,000	\$ 35,000	\$ 34,587	\$ (413)
Lunch payments - adults	6,700	6,700	6,212	(488)
Income from breakfast	11,000	11,000	11,384	384
A La Carte sales	5,800	5,800	9,530	3,730
Total charges for current services	58,500	58,500	61,713	3,213
Other local revenues				
Interest earned	-	-	85	85
Total other local revenues	-	-	85	85
State education funds				
School Food Services	2,000	2,000	2,262	262
Federal through State				
USDA - lunch	105,000	105,000	96,987	(8,013)
USDA - breakfast	52,000	52,000	46,808	(5,192)
USDA - commodities received	-	-	17,955	17,955
Total federal through state	157,000	157,000	161,750	4,750
<b>Total revenues</b>	<b>217,500</b>	<b>217,500</b>	<b>225,810</b>	<b>8,310</b>
<b>EXPENDITURES</b>				
Food Services				
Director	17,919	17,919	19,419	1,500
Clerical personnel	5,750	5,750	5,750	-
Cafeteria personnel	53,434	53,434	52,967	(467)
Social security	4,780	4,780	4,760	(20)
State retirement	3,531	3,531	1,449	(2,082)
Medical insurance	3,000	3,000	1,945	(1,055)
Unemployment compensation	1,200	1,200	-	(1,200)
Medicare liability	1,118	1,118	1,113	(5)
Pest control	250	250	160	(90)
Maintenance and repair - equipment	6,500	6,500	5,971	(529)
Travel	500	500	879	379
Other contracted services	300	300	20	(280)
Food preparation supplies	7,000	7,000	5,724	(1,276)
Food supplies	91,000	91,000	94,281	3,281
USDA commodities used	-	-	13,099	13,099
Office supplies	250	250	159	(91)

*See independent auditor's report*

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
CENTRALIZED CAFETERIA FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
Uniforms	300	300	-	(300)
Utilities	6,000	6,000	-	(6,000)
Other supplies and materials	1,000	1,000	242	(758)
In-service/staff development	500	500	42	(458)
Other charges	200	200	89	(111)
Equipment	<u>10,000</u>	<u>12,140</u>	<u>20,482</u>	<u>8,342</u>
<b>Total expenditures</b>	<u>214,532</u>	<u>216,672</u>	<u>228,551</u>	<u>11,879</u>
 <b>Net change in fund balance</b>	 <b><u>\$ 2,968</u></b>	 <b><u>\$ 828</u></b>	 <b><u>(2,741)</u></b>	 <b><u>\$ (3,569)</u></b>
 Fund balance, beginning			89,819	
Increase (decrease) in inventory			<u>927</u>	
 Fund balance, ending			 <u><u>\$ 88,005</u></u>	

*See independent auditor's report*

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
<b>REVENUES</b>				
Current property tax	\$ 141,139	\$ 141,139	\$ 135,250	\$ (5,889)
Prior year's property tax	<u>-</u>	<u>-</u>	<u>6,563</u>	<u>6,563</u>
Total revenues	<u>141,139</u>	<u>141,139</u>	<u>141,813</u>	<u>674</u>
<b>EXPENDITURES</b>				
Principal on notes	36,812	36,812	36,812	-
Interest on notes and bonds	<u>103,816</u>	<u>103,816</u>	<u>103,816</u>	-
Total expenditures	<u>140,628</u>	<u>140,628</u>	<u>140,628</u>	-
<b>Net change in fund balance</b>	<b><u>\$ 511</u></b>	<b><u>\$ 511</u></b>	<b>1,185</b>	<b><u>\$ 674</u></b>
Fund balance, beginning			<u>49,150</u>	
Fund balance, ending			<u>\$ 50,335</u>	

*See independent auditor's report*

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**GENERAL OBLIGATION DEBT**  
June 30, 2015

Year Ended June 30,	Capital Outlay Note		USDA Note		Total
	Principal	Interest	Principal	Interest	
2016	40,000	3,696	39,666	100,962	184,324
2017	42,000	3,487	41,333	99,295	186,115
2018	44,000	3,268	43,071	97,557	187,896
2019	46,000	3,039	44,882	95,746	189,667
2020	49,000	2,799	46,768	93,860	192,427
2021	51,000	2,544	48,735	91,893	194,172
2022	54,000	2,278	50,783	89,845	196,906
2023	56,000	1,996	52,918	87,710	198,624
2024	59,000	1,704	55,143	85,485	201,332
2025	62,000	1,397	57,461	83,167	204,025
2026	65,000	1,074	59,877	80,751	206,702
2027	69,000	735	62,394	78,234	210,363
2028	72,000	375	65,017	75,611	213,003
2029	<u>\$ 709,000</u>	<u>\$ 28,392</u>	67,750	72,878	140,628
2030			70,598	70,030	140,628
2031			73,566	67,062	140,628
2032			76,658	63,970	140,628
2033			79,881	60,747	140,628
2034			83,239	57,389	140,628
2035			86,738	53,890	140,628
2036			90,385	50,243	140,628
2037			94,185	46,443	140,628
2038			98,144	42,484	140,628
2039			102,270	38,358	140,628
2040			106,569	34,059	140,628
2041			111,049	29,579	140,628
2042			115,718	24,910	140,628
2043			120,582	20,046	140,628
2044			125,651	14,977	140,628
2045			130,934	9,694	140,628
2046			136,438	4,190	140,628
2047			31,929	161	32,090
			<u>\$ 2,470,332</u>	<u>\$ 1,921,226</u>	<u>\$5,128,950</u>

*See independent auditor's report*

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS**  
June 30, 2015

	<u>Salary</u>	<u>Bond</u>
Director of Schools	<u>\$ 86,500</u>	<u>\$ 145,000</u>

*See independent auditor's report*

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2015

	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
Pass-through the Tennessee Department of Education		
Title I, Grants to Local Education Agencies	84.010	\$ <u>78,762</u>
Special Education Cluster (IDEA):		
Special Education Grants to States		
IDEA Program	84.027	76,992
IDEA Program, Part B	84.027	50,915
IDEA Program, Part B High Cost	84.027	10,770
Special Education Preschool Grants	84.173	<u>5,641</u>
Total Special Education Cluster (IDEA)		<u>144,318</u>
Vocational Education - Carl D. Perkins	84.048	<u>5,497</u>
Title II, Eisenhower Professional Development State Grants		
Title II, Eisenhower Professional Development State Grants, Part A3	84.318	<u>9,616</u>
Title II, Part B		
Math & Science Partnership	84.366B	<u>10,447</u>
Rural Education Achievement Program	84.358A	<u>26,550</u>
Workforce Investment Act	17.259	<u>12,500</u>
First to the Top	84.395	<u>25,535</u>
Total U.S. Department of Education		<u>302,778</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
Pass-through the Tennessee Department of Agriculture		
Child Nutrition Cluster:		
School Breakfast Program	10.553	46,808
National School Lunch Program	10.555	96,987
Snack Program	10.555	4,856
Food-Distribution - Commodities	10.555	<u>13,099</u>
Total U. S. Department of Agriculture		<u>161,750</u>
<b>Total</b>		<b><u>\$ 464,528</u></b>

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

*See independent auditor's report*

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
For the Fiscal Year Ended June 30, 2015**

	<u>Expenditures</u>
<b>Tennessee Department of Education</b>	
Energy Efficient Schools	\$ 2,000
Early Childhood	103,518
Career Ladder Program	22,753
Career Ladder Extended Contract	6,970
Child Nutrition - state matching	2,262
Safe Schools Grant	2,280
Lottery for Education - After School Programs (LEAPS)	70,525
BEP Salary Equity	15,123
Driver's Education	940
ACT/Explore Test	<u>436</u>
Total State Awards	<u>\$ 226,807</u>

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

*See independent auditor's report*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

**Members of:**

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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***

Board of Education  
South Carroll Special School District  
Clarksburg, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of South Carroll Special School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 15, 2016.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as Item 2015-001, that we consider to be significant deficiencies.

## **Compliance and Other Matters**

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

In addition, we noted other matters involving internal control and its operation that we have communicated to management of South Carroll Special School District in a separate letter dated March 15, 2016

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

The South Carroll 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

March 15, 2016

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS**  
For the Fiscal Year Ended June 30, 2015

**Financial Statement Findings**

**2015-001 Segregation of Duties**

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

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

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

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

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
For the Fiscal Year Ended June 30, 2015

**Financial Statement Findings**

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
2014-001	Segregation of Duties (original finding # 2010-001)	repeated