

SOUTH CARROLL SPECIAL SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Fiscal Year Ended June 30, 2014

SOUTH CARROLL SPECIAL SCHOOL DISTRICT

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INTRODUCTORY SECTION

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

June 30, 2014

Board Chairman	Philip Moore
Vice-Chairman	Kevin Hart
Treasurer	Christy Blount
Vice-Treasurer	Ricky Walker
Secretary	Corey Bartholomew

Director of Schools	Dr. Tony Tucker
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FINANCIAL SECTION

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Independent Auditor's Report

Board of Education
South Carroll Special School District
Clarksburg, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of South Carroll Special School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of funding progress on page 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and other 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 other supplementary information section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet and combining schedule of revenues, expenditures and changes in fund balances for the nonmajor governmental funds, the schedules of revenues, expenditures and changes in fund balance – budget and actual for the federal projects fund, centralized cafeteria fund and debt service fund, schedule of principal and interest requirements - general obligation debt, schedule of salaries and bonds of principal officials, schedule of expenditures of federal awards, and schedule of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2015 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
January 6, 2015

BASIC FINANCIAL STATEMENTS

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

ASSETS

Cash and cash equivalents	\$	1,474,859
Taxes receivable		485,839
Accounts receivable		43
Due from other governmental agencies		59,094
Due from grantor		48,296
Inventory		1,022
Capital assets, not being depreciated		
Land		310,182
Capital assets, net of accumulated depreciation		
Buildings and improvements		4,554,682
Other capital assets		94,855
Total assets		7,028,872

LIABILITIES

Other accrued expenses		41,108
Noncurrent liabilities:		
Bonds and notes payable, due within one year		76,066
Portion due or payable after one year		3,178,077
Total liabilities		3,295,251

DEFERRED INFLOW OF RESOURCES

Unavailable revenue - property taxes		485,839
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NET POSITION

Net investment in capital assets		1,705,576
Restricted for:		
Operation of noninstructional services		89,819
Debt service		49,150
Unrestricted		1,403,237
Total net position	\$	3,247,782

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, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for	Operating	Revenues and
		Services	Grants and	Changes in
			Contributions	Net Position
Governmental activities				
Instruction				
Regular education	\$ 1,385,192	\$ -	\$ 163,109	\$ (1,222,083)
Alternate education	5,398	-	-	(5,398)
Special education	247,294	-	122,077	(125,217)
Vocational education	152,254	-	18,161	(134,093)
Early Childhood Education	103,518	-	103,518	-
Support Services				
Student support	345,372	-	151,433	(193,939)
Instructional staff	145,932	-	-	(145,932)
General administration	173,557	-	-	(173,557)
School administration	155,738	-	-	(155,738)
Business administration	57,527	-	-	(57,527)
Operation and maintenance of plant	255,663	-	8,000	(247,663)
Noninstructional Services				
Food service	222,320	63,386	172,224	13,290
Community services	45,000	-	-	(45,000)
Debt service	118,387	-	-	(118,387)
Total District	<u>\$ 3,413,152</u>	<u>\$ 63,386</u>	<u>\$ 738,522</u>	<u>(2,611,244)</u>
General Revenues:				
Local taxes				225,987
Property taxes				506,172
Intergovernmental:				
Basic Education Program				1,907,000
Other				44,878
Interest				2,626
Other miscellaneous revenues				45,169
Total general revenues				<u>2,731,832</u>
Change in net position				120,588
Net position, beginning				<u>3,127,194</u>
Net position, ending				<u>\$ 3,247,782</u>

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

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

	MAJOR		NONMAJOR	Total Governmental Funds
	General Purpose	Debt Service	Other Governmental Funds	
Assets				
Cash	\$ 1,337,618	\$ 47,512	\$ 89,729	\$ 1,474,859
Taxes receivable	373,949	111,890	-	485,839
Accounts receivable	-	-	43	43
Due from other governmental agencies	57,456	1,638	-	59,094
Due from grantor	-	-	48,296	48,296
Due from other funds	47,539	-	-	47,539
Inventory	-	-	1,022	1,022
Total assets	<u>\$ 1,816,562</u>	<u>\$ 161,040</u>	<u>\$ 139,090</u>	<u>\$ 2,116,692</u>
Liabilities				
Other accrued expenses	\$ 39,376	\$ -	1,732	\$ 41,108
Due to other funds	-	-	47,539	47,539
Total liabilities	<u>39,376</u>	<u>-</u>	<u>49,271</u>	<u>88,647</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	<u>373,949</u>	<u>111,890</u>	<u>-</u>	<u>485,839</u>
Fund balances				
Nonspendable - inventory	-	-	1,022	1,022
Retricted for:				
Operation of noninstructional services	-	-	88,797	88,797
Debt service	-	49,150	-	49,150
Unassigned	<u>1,403,237</u>	<u>-</u>	<u>-</u>	<u>1,403,237</u>
Total fund balances	<u>1,403,237</u>	<u>49,150</u>	<u>89,819</u>	<u>1,542,206</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,816,562</u>	<u>\$ 161,040</u>	<u>\$ 139,090</u>	<u>\$ 2,116,692</u>

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, 2014

Total governmental fund balances	\$ 1,542,206
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.	4,959,719
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>(3,254,143)</u>
Net position of governmental activities	<u>\$ 3,247,782</u>

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, 2014

	<u>MAJOR</u>		<u>NONMAJOR</u>	<u>Total Governmental Funds</u>
	<u>General Purpose</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	
REVENUES				
Taxes	\$ 593,475	\$ 138,684	\$ -	\$ 732,159
Intergovernmental	2,196,022	-	488,000	2,684,022
Meal sales	-	-	63,386	63,386
Interest earnings	2,556	-	70	2,626
Miscellaneous	45,169	-	6,378	51,547
Total revenues	<u>2,837,222</u>	<u>138,684</u>	<u>557,834</u>	<u>3,533,740</u>
EXPENDITURES				
Instruction	1,579,805	-	155,798	1,735,603
Support services	922,427	-	162,188	1,084,615
Food services	-	-	211,087	211,087
Non-instructional services	148,518	-	-	148,518
Capital outlay	45,081	-	-	45,081
Debt service	50,086	140,628	-	190,714
Total expenditures	<u>2,745,917</u>	<u>140,628</u>	<u>529,073</u>	<u>3,415,618</u>
Net change in fund balances	91,305	(1,944)	28,761	118,122
Fund balances, beginning	1,311,932	51,094	68,112	1,431,138
Decrease in inventory	-	-	(7,054)	(7,054)
Fund balances, ending	<u>\$ 1,403,237</u>	<u>\$ 49,150</u>	<u>\$ 89,819</u>	<u>\$ 1,542,206</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, 2014

Net change in fund balances - total governmental funds	\$ 118,122
Amounts reported for governmental activities on the statement of activities are different because of the following:	
Inventory is reported in the governmental funds using the purchases method. However, in the statement of activities, they are accounted for using the consumption method.	(7,054)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	
Principal payments on long-term debt	72,327
Capital outlay is reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	45,081
Depreciation	<u>(107,888)</u>
Change in net position of governmental activities	<u>\$ 120,588</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, 2014

	Original Budget	Final Budget	Actual	Variance- Over (Under)
REVENUES				
Local Taxes				
Local option sales tax	\$ 185,000	\$ 185,000	\$ 212,308	\$ 27,308
Interstate telecommunications tax	150	150	242	92
Trustee's collections - bankruptcy	-	-	1,753	1,753
Circuit clerk-master collections	-	-	11,684	11,684
City/Special School District Property Taxes:				
Current property tax	336,461	349,063	346,274	(2,789)
Prior year's property tax	4,000	4,000	10,342	6,342
Interest and penalty	2,000	2,000	2,581	581
Payment in lieu of taxes	7,000	7,000	8,291	1,291
Total local taxes	<u>534,611</u>	<u>547,213</u>	<u>593,475</u>	<u>46,262</u>
Intergovernmental				
Licenses and Permits				
Marriage licenses	100	100	135	35
State Revenues				
State Education Funds:				
Basic Education Program	1,904,000	1,904,000	1,907,000	3,000
Early Childhood Education	103,518	103,518	103,518	-
Energy Efficient Schools Initiative	-	8,000	8,000	-
Career Ladder	22,141	29,111	24,471	(4,640)
Other state education funds	66,518	79,018	72,316	(6,702)
Total state education funds	2,096,177	2,123,647	2,115,305	(8,342)
Other State Revenues:				
Mixed drink tax	125	125	202	77
Total state revenues	<u>2,096,302</u>	<u>2,123,772</u>	<u>2,115,507</u>	<u>(8,265)</u>
Federal Revenues				
Other direct federal revenue	28,000	28,000	25,037	(2,963)
Federal Funds Received Through State:				
Career Ladder - Extended Contract	-	-	6,970	6,970
Special Education Grants to States	-	-	29,151	29,151
Other federal through State	-	-	12,500	12,500
Total federal funds	<u>28,000</u>	<u>28,000</u>	<u>73,658</u>	<u>45,658</u>
Total intergovernmental	<u>2,124,402</u>	<u>2,151,872</u>	<u>2,189,300</u>	<u>37,428</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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
Miscellaneous				
Charges for Current Services				
Receipts from individual schools	3,000	3,000	-	(3,000)
Other Local Revenues				
Interest earned	4,000	4,000	2,556	(1,444)
E-rate funding	3,500	3,500	3,752	252
Miscellaneous refunds	-	-	738	738
Miscellaneous revenue	-	10,000	10,000	-
Contributions from local groups	-	-	85	85
Total other local revenues	<u>7,500</u>	<u>17,500</u>	<u>17,131</u>	<u>(369)</u>
Total miscellaneous	<u>10,500</u>	<u>20,500</u>	<u>17,131</u>	<u>(3,369)</u>
Total revenues	<u>2,669,513</u>	<u>2,719,585</u>	<u>2,799,906</u>	<u>80,321</u>
EXPENDITURES				
Instruction				
Regular Education				
Teachers	838,640	837,740	839,639	1,899
Career Ladder Program	9,000	8,000	8,000	-
Career Ladder - Extended Contract	-	3,000	3,000	-
Teacher assistants	41,916	44,216	44,219	3
Certified substitute teachers	1,000	2,275	2,272	(3)
Non-certified substitute teachers	17,500	17,000	16,937	(63)
Social security	56,299	52,299	51,356	(943)
State retirement	77,190	77,440	77,426	(14)
Medical insurance	62,113	63,463	63,442	(21)
Medicare	13,167	12,167	11,960	(207)
Operating lease payments	6,064	7,089	7,065	(24)
Other contracted services	5,000	29,905	29,682	(223)
Instructional supplies/materials	20,000	20,000	20,108	108
Textbooks	26,000	24,250	23,613	(637)
Other supplies and materials	300	300	454	154
Other charges	100	100	106	6
Equipment	<u>41,518</u>	<u>52,168</u>	<u>52,133</u>	<u>(35)</u>
Total regular education	<u>1,215,807</u>	<u>1,251,412</u>	<u>1,251,412</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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
Alternative Instruction Program				
Contracts with other schools	5,750	5,750	5,398	(352)
Special Education				
Teachers	79,437	79,437	79,649	212
Homebound teachers	227	602	600	(2)
Career Ladder Program	1,000	1,000	1,000	-
Career Ladder - Extended Contract	-	350	350	-
Substitute teachers	-	500	495	(5)
Social security	5,001	4,801	4,789	(12)
State retirement	7,143	7,250	7,246	(4)
Medical insurance	3,597	2,987	2,987	-
Medicare	1,170	1,170	1,120	(50)
Contracts with other school systems	30,000	35,100	35,035	(65)
Evaluation and testing	300	-	-	-
Maintenance and repair - equipment	500	1,150	1,138	(12)
Other contracted services	3,000	1,400	1,350	(50)
Instrucional supplies and materials	500	1,250	1,238	(12)
Other charges	100	100	100	-
Total special education	<u>131,975</u>	<u>137,097</u>	<u>137,097</u>	<u>-</u>
Vocational Education				
Teachers	128,432	117,041	117,041	-
Career Ladder Program	1,000	1,000	1,000	-
Certified substitute teachers	100	100	228	128
Non-certified substitute teachers	2,000	837	837	-
Social security	8,155	6,693	6,693	-
State retirement	11,494	8,491	8,491	-
Medical insurance	20,306	6,881	6,881	-
Medicare	1,907	1,566	1,565	(1)
Other contracted services	200	200	126	(74)
Instructional supplies	4,500	5,050	5,174	124
Other supplies and materials	125	125	170	45
Other charges	100	100	49	(51)
Equipment	1,500	500	327	(173)
Total vocational education	<u>179,819</u>	<u>148,584</u>	<u>148,582</u>	<u>(2)</u>
Total instruction	<u>1,533,351</u>	<u>1,542,843</u>	<u>1,542,489</u>	<u>(354)</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
Support Services				
Student Support				
Attendance				
Travel	350	933	933	-
Other contracted services	34,556	34,894	34,894	-
In-service/staff development	500	1,318	1,316	(2)
Attendance equipment	1,000	75	76	1
Total attendance	<u>36,406</u>	<u>37,220</u>	<u>37,219</u>	<u>(1)</u>
Health Services				
Medical personnel	18,000	18,000	18,000	-
Social security	1,116	1,116	1,116	-
State retirement	824	824	824	-
Medical insurance	500	500	482	(18)
Medicare	261	261	261	-
Travel	125	87	11	(76)
Drugs and medical supplies	500	500	488	(12)
Other supplies/materials	250	140	137	(3)
Liability insurance	100	100	108	8
In-service/staff development	125	75	175	100
Total health services	<u>21,801</u>	<u>21,603</u>	<u>21,602</u>	<u>(1)</u>
Other Student Support				
Career Ladder Program	3,000	3,000	3,000	-
Guidance personnel	48,988	48,988	49,094	106
Other salaries and wages	4,000	4,000	4,000	-
Social security	3,471	3,011	3,012	1
State retirement	4,972	4,972	4,981	9
Medical insurance	5,715	6,055	6,052	(3)
Medicare	812	812	705	(107)
Evaluation/testing	1,000	1,615	1,611	(4)
Maintenance and repair	500	500	523	23
Travel	1,000	1,375	1,373	(2)
Other contracted services	400	400	414	14
Other supplies/materials	4,500	850	809	(41)
In-service/staff development	1,000	785	785	-
Total other student support	<u>79,358</u>	<u>76,363</u>	<u>76,359</u>	<u>(4)</u>
Total student support	<u>137,565</u>	<u>135,186</u>	<u>135,180</u>	<u>(6)</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, 2014

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Instructional Staff:				
Regular Education				
Director	49,778	49,778	50,113	335
Career Ladder Program	2,000	2,000	2,000	-
Librarian(s)	35,502	35,502	35,321	(181)
Instructional computer personnel	10,447	10,447	10,556	109
Social security	6,059	5,059	5,031	(28)
State retirement	8,678	7,979	7,764	(215)
Medical insurance	4,261	4,261	4,358	97
Medicare	1,417	1,417	1,325	(92)
Travel	600	-	-	-
Other contracted services	9,000	9,000	8,994	(6)
Library books	5,000	4,500	4,492	(8)
Periodicals	400	400	388	(12)
Other supplies and materials	250	-	-	-
In-service/staff development	800	-	-	-
Total regular education	<u>134,192</u>	<u>130,343</u>	<u>130,342</u>	<u>(1)</u>
Special Education				
Director	6,222	6,222	6,222	-
Social security	386	386	386	-
State retirement	553	553	553	-
Medical insurance	484	484	484	-
Medicare	90	90	90	-
Total special education	<u>7,735</u>	<u>7,735</u>	<u>7,735</u>	<u>-</u>
Vocational Education				
Director	6,222	6,222	6,222	-
Social security	386	386	386	-
State retirement	553	553	553	-
Medical insurance	484	484	484	-
Medicare	90	90	90	-
Travel	1,000	-	-	-
In-service/staff development	500	120	120	-
Total vocational education	<u>9,235</u>	<u>7,855</u>	<u>7,855</u>	<u>-</u>
Total instructional staff	<u>151,162</u>	<u>145,933</u>	<u>145,932</u>	<u>(1)</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, 2014

	Original Budget	Final Budget	Actual	Variance- Over (Under)
General Administration				
Board of Education Services				
Unemployment compensation	7,000	9,160	9,152	(8)
Audit services	12,075	11,500	11,500	-
Dues and memberships	2,000	1,899	1,899	-
Legal services	2,500	300	263	(37)
Postal charges	150	150	146	(4)
Travel	150	-	-	-
Maintenance and repair	2,000	2,000	2,000	-
Other contracted services	200	1,800	1,800	-
Other supplies and materials	200	50	52	2
Liability insurance	11,500	11,500	11,500	-
Premium on surety bond	550	550	508	(42)
Trustee commissions	12,000	12,316	12,433	117
Workmen's compensation insurance	9,750	9,750	9,803	53
In-service/staff development	900	1,560	1,556	(4)
Refund to applicant for criminal investigation	300	-	-	-
Other charges	1,000	4,700	4,624	(76)
Total board of education services	<u>62,275</u>	<u>67,235</u>	<u>67,236</u>	<u>1</u>
Office of the Superintendent				
County official/administrative officer	84,500	84,500	84,500	-
Career Ladder Program	1,000	1,000	1,000	-
Social security	5,301	4,401	4,405	4
State retirement	7,592	7,592	7,592	-
Medicare	1,240	1,030	1,030	-
Communication	3,000	2,774	2,773	(1)
Dues and memberships	1,100	1,305	1,305	-
Postal charges	500	250	243	(7)
Travel	1,500	1,150	1,146	(4)
Office supplies	300	100	100	-
In-service/staff development	750	932	932	-
Other charges	100	118	125	7
Administration equipment	750	-	-	-
Total office of the superintendent	<u>107,633</u>	<u>105,152</u>	<u>105,151</u>	<u>(1)</u>
Total general administration	<u>169,908</u>	<u>172,387</u>	<u>172,387</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
School Administration				
Office of the Principal				
Principals	65,065	58,840	58,839	(1)
Career ladder program	2,000	4,000	4,000	-
Assistant(s)	28,978	31,018	32,985	1,967
Secretary(s)	30,504	30,504	28,848	(1,656)
Social security	7,846	6,846	6,794	(52)
State retirement	9,926	9,926	9,830	(96)
Medical insurance	7,122	10,122	10,154	32
Medicare	1,835	1,835	1,589	(246)
Communication	250	250	153	(97)
Dues and memberships	1,250	150	150	-
Postal charges	600	350	360	10
Travel	500	300	-	(300)
Other contracted services	250	250	-	(250)
Other supplies and materials	1,250	1,250	538	(712)
Office supplies	100	100	1,498	1,398
In-service/staff development	900	-	-	-
Other charges	5,000	-	-	-
Total school administration	<u>163,376</u>	<u>155,741</u>	<u>155,738</u>	<u>(3)</u>
Business Administration				
Fiscal Services:				
Accountants/bookkeepers	42,730	42,205	42,204	(1)
Social security	2,649	2,649	2,506	(143)
State retirement	1,957	1,957	1,933	(24)
Medical insurance	1,074	1,074	986	(88)
Medicare	620	620	586	(34)
Data processing services	7,700	6,125	6,125	-
Maintenance and repair	250	250	225	(25)
Postal charges	150	150	20	(130)
Data processing supplies	500	500	362	(138)
Office supplies	700	700	859	159
In-service/staff development	400	400	300	(100)
Other charges	50	50	106	56
Administration equipment	500	846	1,315	469
Total business administration	<u>59,280</u>	<u>57,526</u>	<u>57,527</u>	<u>1</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, 2014

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Operation and Maintenance of Plant				
Operation of Plant				
Custodial personnel	26,491	26,491	26,646	155
Social security	1,642	1,642	1,642	-
State retirement	1,213	1,213	978	(235)
Medical insurance	537	537	471	(66)
Medicare	384	384	384	-
Maintenance and repair	500	500	624	124
Travel	125	-	-	-
Disposal fees	7,100	6,762	6,762	-
Other contracted services	800	3,199	3,199	-
Custodial supplies	9,000	7,950	7,933	(17)
Electricity	77,000	71,115	71,114	(1)
Natural gas	13,650	13,650	13,600	(50)
Water and sewer	45,000	44,300	44,299	(1)
Other supplies and materials	100	100	25	(75)
Boiler insurance	750	750	750	-
Building and contents insurance	15,000	15,355	15,520	165
Other charges	100	-	-	-
Plant operation equipment	5,000	-	-	-
Total operation of plant	<u>204,392</u>	<u>193,948</u>	<u>193,947</u>	<u>(1)</u>
Maintenance of Plant				
Maintenance personnel	21,400	14,850	14,849	(1)
Social security	1,327	927	921	(6)
State retirement	980	-	-	-
Medical insurance	537	-	-	-
Medicare	310	310	215	(95)
Maintenance and repair - buildings	20,000	44,000	43,977	(23)
Maintenance and repair - equipment	8,000	30,975	31,026	51
Travel	400	290	290	-
Other contracted services	4,750	7,250	7,340	90
Gasoline	500	350	350	-
Other supplies and materials	8,000	5,850	5,829	(21)
Other charges	100	-	-	-
Maintenance equipment	5,000	2,000	2,000	-
Total maintenance of plant	<u>71,304</u>	<u>106,802</u>	<u>106,797</u>	<u>(5)</u>
Total operation and maintenance of plant	<u>275,696</u>	<u>300,750</u>	<u>300,744</u>	<u>(6)</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, 2014**

	Original Budget	Final Budget	Actual	Variance- Over (Under)
Student Transportation				
Contracts with parents	1,200	-	-	-
Maintenance and repair	800	-	-	-
Diesel fuel	1,000	-	-	-
Total student transportation	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support services	<u>959,987</u>	<u>967,523</u>	<u>967,508</u>	<u>(15)</u>
Non-Instructional Services				
Community services				
Other salaries and wages	25,655	31,500	32,767	1,267
Social security	1,616	1,953	2,032	79
State retirement	2,347	2,650	2,722	72
Medicare	397	457	475	18
Travel	4,600	750	747	(3)
Other contracted services	2,280	750	750	-
Other supplies and materials	3,105	6,940	5,507	(1,433)
Total community services	<u>40,000</u>	<u>45,000</u>	<u>45,000</u>	<u>-</u>
Early Childhood Education				
Supervisor/Director	3,500	3,500	3,500	-
Teachers	46,988	46,938	47,094	156
Educational assistants	15,192	15,192	15,192	-
Substitute teachers	500	140	137	(3)
Non-certified substitute teachers	400	75	76	1
Social security	4,128	3,431	3,433	2
State retirement	5,179	5,308	5,189	(119)
Medical insurance	7,620	7,460	7,457	(3)
Medicare	965	960	803	(157)
Communication	-	560	558	(2)
Maintenance and repair - equipment	825	500	277	(223)
Travel	1,000	1,300	961	(339)
Other contracted services	3,000	4,300	4,312	12
Electricity	-	1,000	1,000	-
Instructional supplies	2,100	7,420	7,468	48
Textbooks	400	-	-	-
Water and sewer	-	1,000	1,000	-
Other supplies and materials	7,338	4,434	5,061	627
In-service/staff development	2,250	-	-	-
Other equipment	2,132	-	-	-
Total early childhood education	<u>103,517</u>	<u>103,518</u>	<u>103,518</u>	<u>-</u>
Total non-instructional services	<u>143,517</u>	<u>148,518</u>	<u>148,518</u>	<u>-</u>

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
Debt Service				
Principal on bonds	35,000	35,000	37,000	2,000
Interest on bonds	13,488	13,488	11,454	(2,034)
Other debt service	1,700	1,700	1,632	(68)
Total debt service	<u>50,188</u>	<u>50,188</u>	<u>50,086</u>	<u>(102)</u>
Total expenditures	<u>2,687,043</u>	<u>2,709,072</u>	<u>2,708,601</u>	<u>(471)</u>
Net change in fund balance	<u>\$ (17,530)</u>	<u>\$ 10,513</u>	<u>91,305</u>	<u>\$ 80,792</u>
Fund balance, beginning			<u>1,311,932</u>	
Fund balance, ending			<u>\$ 1,403,237</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)	\$ 2,799,906	\$ 2,708,601	\$ 91,305
On-behalf payments for post-retirement benefits	6,722	6,722	-
Contributions from parents for supplies	30,594	30,594	-
GAAP basis - page 9	<u>\$ 2,837,222</u>	<u>\$ 2,745,917</u>	<u>\$ 91,305</u>

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

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

June 30, 2014

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, 2014

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, 2014, 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, 2014.

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 March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. Management has implemented this pronouncement as of July 1, 2013. The implementation did not result in any restatement of prior period balances.

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

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

June 30, 2014

changes to how governmental employers will report liabilities related to pension obligations. Management is currently evaluating the impact that the adoption of Statement 68 will have on the District's financial statements.

E. Assets, Liabilities, and Net Position 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 Gibson 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.

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

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

June 30, 2014

excess of two years. Normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property and equipment of the District is depreciated using the straight line method over the following useful lives:

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

Deferred Outflows/Inflows of Resources

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

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

Compensated Absences

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

Long-term Liabilities

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

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

June 30, 2014

- 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.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The District's policies limit deposits and investments to those instruments allowed by applicable state laws as described in Note 1. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the District's agent in the District's name, or by the Federal Reserve Banks acting as third-party agents. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2014, all bank deposits were fully collateralized or insured.

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

June 30, 2014

B. Interfund Balances and Transfers

As of June 30, 2014, there was a payable to the general purpose fund from the federal projects fund in the amount of \$47,539 for money advanced for temporary cash needs.

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 310,182	\$ -	\$ -	\$ 310,182
Capital assets being depreciated				
Buildings and improvements	10,342,455	45,081	-	10,387,536
Other capital assets	228,232	-	-	228,232
Total	<u>10,570,687</u>	<u>45,081</u>	<u>-</u>	<u>10,615,768</u>
Less accumulated depreciation for:				
Buildings and improvements	5,735,827	97,027	-	5,832,854
Other capital assets	122,516	10,861	-	133,377
Total	<u>5,858,343</u>	<u>107,888</u>	<u>-</u>	<u>5,966,231</u>
Total being depreciated, net	<u>4,712,344</u>	<u>(62,807)</u>	<u>-</u>	<u>4,649,537</u>
Capital assets, net	<u>\$ 5,022,526</u>	<u>\$ (62,807)</u>	<u>\$ -</u>	<u>\$ 4,959,719</u>

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

Regular instruction	\$ 54,535
General administration	1,170
Student support	48,004
Food service	<u>4,179</u>
Total	<u>\$ 107,888</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, 2014, and the balance outstanding was \$747,000.

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 13th of each month. The balance outstanding as of June 30, 2014, was \$2,507,143 and the interest rate was 4.125%.

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

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

Years Ending June 30,	Principal	Interest	Total
2015	\$ 76,066	\$ 106,456	\$ 182,522
2016	79,666	104,658	184,324
2017	83,333	102,782	186,115
2018	87,071	100,825	187,896
2019	90,882	98,785	189,667
2020 – 2024	523,347	460,114	983,461
2025 – 2029	580,499	394,222	974,721
2030 – 2034	383,942	319,198	703,140
2035 – 2039	471,722	231,418	703,140
2040 – 2044	579,569	123,571	703,140
2045 – 2047	298,046	14,045	312,091
Total	<u>\$ 3,254,143</u>	<u>\$2,056,074</u>	<u>\$ 5,310,217</u>

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	\$ 784,000	\$ -	\$ 37,000	\$ 747,000	\$ 38,000
USDA note payable	2,542,470	-	35,327	2,507,143	38,066
	<u>\$ 3,326,470</u>	<u>\$ -</u>	<u>\$ 72,327</u>	<u>\$ 3,254,143</u>	<u>\$ 76,066</u>

NOTE 4 – OTHER INFORMATION

A. Political Subdivision Pension Plan

Plan Description

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

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

June 30, 2014

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

Funding Policy

South Carroll Special School District requires employees to contribute 5.0 percent of earnable compensation. The District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014, was 4.58 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for South Carroll Special School District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2014, South Carroll Special School District's annual pension cost of \$11,842 to TCRS was equal to the District's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. South Carroll Special School District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was 1 year. An actuarial valuation was performed as of July 1, 2013, which established contribution rates effective July 1, 2014.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2014	\$11,842	100.00%	\$0
6/30/2013	\$12,167	100.00%	\$0
6/30/2012	\$18,928	100.00%	\$0

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 100.00 percent funded. The actuarial accrued liability for benefits was \$0.42 million, and the actuarial value of assets was \$0.42 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0. The covered payroll (annual payroll of active employees covered by the plan) was \$0.25 million, and the ratio of the UAAL to the covered payroll was 0.00 percent.

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

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

June 30, 2014

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	\$415	\$415	\$0	100.00%	\$253	0.00%

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

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for South Carroll County Special School District is established at an actuarially determined rate. The rate for the fiscal year ending June 30, 2014, was 8.88% of annual covered payroll. The employer contribution requirement for South Carroll County Special School District is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2014, 2013, and 2012 were \$136,670, \$135,113 and \$142,180, respectively, equal to the required contributions for each year.

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

C. Contingent Liabilities and Losses

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

D. Risk Management

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

E. On-Behalf Payments for Postretirement Insurance Benefits

The District recognizes as revenues and expenses contributions made by the State of Tennessee to the Teacher Group Plan and Medicare Plan on behalf of the District's employees. For the year ended June 30, 2014, the State made contributions of \$3,289 and \$3,433 respectively.

F. Commitments

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

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

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2013	\$415	\$415	\$0	100.00%	\$253	0.00%
7/1/2011	\$320	\$321	\$0	99.93%	\$267	0.09%
7/1/2009	\$203	\$203	\$0	99.86%	\$212	0.13%

See independent auditor's report

OTHER SUPPLEMENTARY INFORMATION

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

**SOUTH CARROLL SPECIAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>Special Revenue Funds</u>		
	<u>Federal Projects</u>	<u>Central Cafeteria</u>	<u>Totals</u>
Assets			
Cash	\$ -	\$ 89,729	\$ 89,729
Accounts receivable	-	43	43
Due from grantor	48,296	-	48,296
Inventory	-	1,022	1,022
Total assets	<u>\$ 48,296</u>	<u>\$ 90,794</u>	<u>\$ 139,090</u>
 Liabilities			
Accrued expenses	\$ 757	\$ 975	\$ 1,732
Due to General Purpose Fund	47,539	-	47,539
Total liabilities	<u>48,296</u>	<u>975</u>	<u>49,271</u>
 Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
 Fund Balances			
Nonspendable - inventory	-	1,022	1,022
Restricted for operation of noninstructional services	-	88,797	88,797
Total fund balances	<u>-</u>	<u>89,819</u>	<u>89,819</u>
 Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 48,296</u>	<u>\$ 90,794</u>	<u>\$ 139,090</u>

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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, 2014

	<u>Special Revenue Funds</u>		
	<u>Federal</u>	<u>Central</u>	
	<u>Projects</u>	<u>Cafeteria</u>	<u>Total</u>
REVENUES			
Charges for current services	\$ -	\$ 63,386	\$ 63,386
Other local revenues	-	6,378	6,378
Interest income	-	70	70
State revenue	-	2,214	2,214
Federal revenue	<u>315,776</u>	<u>170,010</u>	<u>485,786</u>
Total revenues	<u>315,776</u>	<u>242,058</u>	<u>557,834</u>
EXPENDITURES			
Instruction	155,798	-	155,798
Support services	162,188	-	162,188
Food services	<u>-</u>	<u>211,087</u>	<u>211,087</u>
Total expenditures	<u>317,986</u>	<u>211,087</u>	<u>529,073</u>
Net change in fund balances	(2,210)	30,971	28,761
Fund balances, beginning	2,210	65,902	68,112
Decrease in inventory	<u>-</u>	<u>(7,054)</u>	<u>(7,054)</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ 89,819</u>	<u>\$ 89,819</u>

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**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, 2014

	Original Budget	Final Budget	Actual	Variance- Over (Under)
REVENUES				
Vocational program improvement - Carl D. Perkins	\$ 5,661	\$ 5,661	\$ 5,661	\$ -
Title I	67,551	76,965	60,769	(16,196)
Special Education - Grants to States	82,930	91,737	87,476	(4,261)
Special Education - Preschool Grants	5,302	5,450	5,450	-
Eisenhower	12,918	20,270	2,877	(17,393)
First to the Top	3,820	135,244	79,117	(56,127)
Other federal through State	74,426	74,426	74,426	-
Total revenues	<u>252,608</u>	<u>409,753</u>	<u>315,776</u>	<u>(93,977)</u>
EXPENDITURES				
Instruction				
Regular Instruction				
Educational assistants	13,416	13,416	12,404	(1,012)
Substitute teachers	-	-	51	51
Social security	950	950	772	(178)
State retirement	1,200	1,200	568	(632)
Medical insurance	650	650	452	(198)
Unemployment compensation	18	17	-	(17)
Medicare	200	200	181	(19)
Other contracted services	3,820	3,820	3,820	-
Instructional supplies	16,422	18,903	15,152	(3,751)
Other charges	200	-	-	-
Equipment	6,000	13,893	8,529	(5,364)
Total regular instruction	<u>42,876</u>	<u>53,049</u>	<u>41,929</u>	<u>(11,120)</u>
Special Education Program				
Teachers	41,900	41,900	42,100	200
Aides	30,900	30,900	31,505	605
Non-certified substitute teachers	500	500	381	(119)
Social security	4,568	4,568	4,566	(2)
State retirement	5,927	5,927	5,185	(742)
Medical Insurance	1,068	1,068	1,374	306
Unemployment compensation	555	450	-	(450)
Medicare	1,069	1,069	1,068	(1)
Contracts with other school systems	27,246	27,394	21,669	(5,725)
Instructional supplies	697	2,197	2,349	152
Total special education program	<u>114,430</u>	<u>115,973</u>	<u>110,197</u>	<u>(5,776)</u>
Vocational Education				
Instructional supplies and materials	1,839	1,839	1,913	74
Equipment	1,422	1,422	1,759	337
Total vocational education	<u>3,261</u>	<u>3,261</u>	<u>3,672</u>	<u>411</u>
Total instruction	<u>160,567</u>	<u>172,283</u>	<u>155,798</u>	<u>(16,485)</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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
Support Services				
Other Student Support				
Travel	2,200	2,200	1,812	(388)
Other supplies and materials	-	200	24	(176)
Other charges	200	200	177	(23)
Total other student support	<u>2,400</u>	<u>2,600</u>	<u>2,013</u>	<u>(587)</u>
Regular Instruction				
Other salaries and wages	28,743	137,312	82,846	(54,466)
Substitute teachers	500	500	-	(500)
Social security	300	8,484	2,979	(5,505)
State retirement	2,517	11,823	4,634	(7,189)
Medical insurance	150	2,768	2,866	98
Unemployment compensation	33	38	-	(38)
Medicare	416	1,998	989	(1,009)
Travel	5,000	6,752	5,172	(1,580)
Other supplies and materials	2,300	2,100	-	(2,100)
In-service/staff development	1,069	7,069	3,043	(4,026)
Other charges	385	385	491	106
Total regular instruction	<u>41,413</u>	<u>179,229</u>	<u>103,020</u>	<u>(76,209)</u>
Special Education				
Travel	2,300	2,058	1,366	(692)
Other contracted services	18,000	25,307	30,755	5,448
Other supplies and materials	9,500	12,862	12,620	(242)
In-service/staff development	3,500	3,060	2,060	(1,000)
Special education equipment	12,928	10,354	10,354	-
Total special education	<u>46,228</u>	<u>53,641</u>	<u>57,155</u>	<u>3,514</u>
Transportation				
Contracts with other school systems	2,000	2,000	-	(2,000)
Total support services	<u>92,041</u>	<u>237,470</u>	<u>162,188</u>	<u>(75,282)</u>
Total expenditures	<u>252,608</u>	<u>409,753</u>	<u>317,986</u>	<u>(91,767)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(2,210)</u>	<u>\$ (2,210)</u>
Fund balance, beginning			<u>2,210</u>	
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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
REVENUES				
Charges for current services				
Lunch payments - children	\$ 42,000	\$ 42,000	\$ 38,412	\$ (3,588)
Lunch payments - adults	6,500	6,500	7,169	669
Income from breakfast	11,000	11,000	11,976	976
A La Carte sales	<u>6,250</u>	<u>6,250</u>	<u>5,829</u>	<u>(421)</u>
Total charges for current services	<u>65,750</u>	<u>65,750</u>	<u>63,386</u>	<u>(2,364)</u>
Other local revenues				
Refunds	-	-	6,378	6,378
Interest earned	<u>-</u>	<u>-</u>	<u>70</u>	<u>70</u>
Total other local revenues	<u>-</u>	<u>-</u>	<u>6,448</u>	<u>6,448</u>
State education funds				
School Food Services	<u>2,000</u>	<u>2,000</u>	<u>2,214</u>	<u>214</u>
Federal through State				
USDA - lunch	95,000	95,000	103,268	8,268
USDA - breakfast	50,000	50,000	53,110	3,110
USDA - commodities received	<u>-</u>	<u>-</u>	<u>13,632</u>	<u>13,632</u>
Total federal through state	<u>145,000</u>	<u>145,000</u>	<u>170,010</u>	<u>25,010</u>
Total revenues	<u>212,750</u>	<u>212,750</u>	<u>242,058</u>	<u>29,308</u>
EXPENDITURES				
Food Services				
Director	17,719	17,719	17,719	-
Clerical personnel	5,750	5,750	5,750	-
Cafeteria personnel	52,306	52,306	50,085	(2,221)
Social security	4,698	4,698	4,489	(209)
State retirement	3,471	3,471	2,044	(1,427)
Medical insurance	3,000	3,000	1,945	(1,055)
Unemployment compensation	1,200	1,200	-	(1,200)
Medicare liability	1,099	1,099	1,050	(49)
Pest control	-	-	240	240
Maintenance and repair - equipment	6,500	6,500	6,793	293
Travel	500	500	645	145
Other contracted services	550	550	650	100
Food preparation supplies	7,000	7,000	6,367	(633)
Food supplies	91,000	91,000	91,008	8
USDA commodities used	-	-	13,632	13,632
Office supplies	250	250	130	(120)

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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance- Over (Under)
Uniforms	300	300	79	(221)
Utilities	6,000	6,000	6,000	-
Other supplies and materials	1,000	1,000	1,137	137
In-service/staff development	500	500	60	(440)
Other charges	200	200	217	17
Equipment	<u>10,000</u>	<u>10,000</u>	<u>1,047</u>	<u>(8,953)</u>
Total expenditures	<u>213,043</u>	<u>213,043</u>	<u>211,087</u>	<u>(1,956)</u>
 Net change in fund balance	 <u>\$ (293)</u>	 <u>\$ (293)</u>	 30,971	 <u>\$ 31,264</u>
 Fund balance, beginning			65,902	
Increase (decrease) in inventory			<u>(7,054)</u>	
 Fund balance, ending			 <u><u>\$ 89,819</u></u>	

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**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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Over (Under)</u>
REVENUES				
Current property tax	\$ 104,444	\$ 104,444	\$ 134,662	\$ 30,218
Prior year's property tax	<u>-</u>	<u>-</u>	<u>4,022</u>	<u>4,022</u>
Total revenues	<u>104,444</u>	<u>104,444</u>	<u>138,684</u>	<u>34,240</u>
EXPENDITURES				
Principal on notes	33,901	33,901	35,327	1,426
Interest on notes and bonds	<u>106,727</u>	<u>106,727</u>	<u>105,301</u>	<u>(1,426)</u>
Total expenditures	<u>140,628</u>	<u>140,628</u>	<u>140,628</u>	<u>-</u>
Net change in fund balance	<u>\$ (36,184)</u>	<u>\$ (36,184)</u>	<u>(1,944)</u>	<u>\$ 34,240</u>
Fund balance, beginning			<u>51,094</u>	
Fund balance, ending			<u>\$ 49,150</u>	

See independent auditor's report

SOUTH CARROLL SPECIAL SCHOOL DISTRICT
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT
June 30, 2014

Year Ended June 30,	Capital Outlay Note		USDA Note		Total
	Principal	Interest	Principal	Interest	
2015	\$ 38,000	\$ 3,894	\$ 38,066	\$ 102,562	182,522
2016	40,000	3,696	39,666	100,962	184,324
2017	42,000	3,487	41,333	99,295	186,115
2018	44,000	3,268	43,071	97,557	187,896
2019	46,000	3,039	44,882	95,746	189,667
2020	49,000	2,799	46,768	93,860	192,427
2021	51,000	2,544	48,735	91,893	194,172
2022	54,000	2,278	50,783	89,845	196,906
2023	56,000	1,996	52,918	87,710	198,624
2024	59,000	1,704	55,143	85,485	201,332
2025	62,000	1,397	57,461	83,167	204,025
2026	65,000	1,074	59,877	80,751	206,702
2027	69,000	735	62,394	78,234	210,363
2028	<u>72,000</u>	<u>375</u>	65,017	75,611	213,003
2029	<u>\$ 747,000</u>	<u>\$ 32,286</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			<u>30,674</u>	<u>161</u>	<u>30,835</u>
			<u>\$ 2,507,143</u>	<u>\$ 2,023,788</u>	<u>\$5,310,217</u>

See independent auditor's report

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

	<u>Salary</u>	<u>Bond</u>
Director of Schools	\$ 84,500	\$ 145,000

See independent auditor's report

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

	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF EDUCATION		
Pass-through the Tennessee Department of Education		
Title I, Grants to Local Education Agencies	84.010	\$ <u>60,769</u>
Special Education Cluster (IDEA):		
Special Education Grants to States		
IDEA Program	84.027	87,476
IDEA Program, Part B	84.027	74,426
IDEA Program, Part B High Cost	84.027	29,151
Special Education Preschool Grants	84.173	<u>5,450</u>
Total Special Education Cluster (IDEA)		* <u>196,503</u>
Vocational Education - Carl D. Perkins	84.048	<u>5,661</u>
Title II, Eisenhower Professional Development State Grants		
Title II, Eisenhower Professional Development State Grants, Part A3	84.367	<u>5,112</u>
Rural Education Achievement Program	84.358A	<u>25,037</u>
ARRA - First to the Top - Competitive	84.395	75,127
ARRA - First to the Top	84.395	<u>4,117</u>
		<u>79,244</u>
Total U.S. Department of Education		<u>372,326</u>
U.S. DEPARTMENT OF AGRICULTURE		
Pass-through the Tennessee Department of Agriculture		
Child Nutrition Cluster:		
School Breakfast Program	10.553	* 53,110
National School Lunch Program	10.555	* 103,268
Food-Distribution - Commodities	10.555	* <u>13,632</u>
Total U. S. Department of Agriculture		<u>170,010</u>
Total		\$ <u>542,336</u>

* major program

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, 2014

	<u>Expenditures</u>
Tennessee Department of Education	
Energy Efficient Schools	\$ 8,000
Early Childhood	103,518
Technology Grant	26,462
PARCC Grant (Technology)	5,000
Child Nutrition - state matching	2,214
Safe Schools Grant	4,400
Lottery for Education - After School Programs (LEAPS)	<u>35,443</u>
Total State Awards	<u>\$ 185,037</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:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
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Independent Auditor's Report

Board of Education
South Carroll Special School District
Clarksburg, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of South Carroll Special School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 6, 2015.

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 and questioned costs as Item 2010-001, 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*.

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
January 6, 2015

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AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
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Independent Auditor's Report

Members of the Board
South Carroll Special School District
Clarksburg, Tennessee

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of South Carroll Special School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the South Carroll Special School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

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

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

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

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

Alexander Thompson Arnold PLLC

Martin, Tennessee
January 6, 2015

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553	USDA School Breakfast Program
10.555	USDA National School Lunch Program
	Special Education Cluster (IDEA):
84.027	Special Education Grants to States
84.173	Special Education Preschool Grants

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

Auditee qualified as low-risk auditee? yes no

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

Section II – Financial Statement Findings

2010-001 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, 2014

Financial Statement Findings

Finding Number	Finding Title	Status
2013-001	Expenditures over Budget	corrected
2010-001	Segregation of Duties	repeated

Federal Award Findings and Questioned Costs

There were no prior year federal award findings or questioned costs.