

**TRENTON SPECIAL SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2011**

**TRENTON SPECIAL SCHOOL DISTRICT  
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**TRENTON SPECIAL SCHOOL DISTRICT  
DIRECTORY**  
June 30, 2011

**ELECTED OFFICIALS**

Dr. Mark Harper, Chairman  
Sherry Whitby, Vice Chairman  
Jim Overall, Treasurer/Fiscal Agent  
Sharon Petty, Board Liaison  
Dotty Jones, Board Secretary

**APPOINTED OFFICIALS**

Sandra Harper, Director of Schools  
Shannon Parra, General Accounting Finance Director  
Lisa Seiber, Bookkeeper - Public Law and Cafeteria

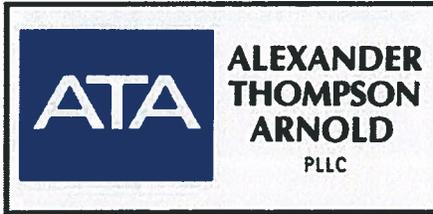
**COUNSEL**

J. Mark Johnson, Attorney

**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Alexander Thompson Arnold PLLC  
Jackson, Tennessee

## **FINANCIAL SECTION**



Certified Public Accountants

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Members of

American Institute of Certified Public Accountants  
AICPA Center for Public Company Audit Firms  
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Tennessee Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

## Independent Auditor's Report

To the Board of Education  
Trenton Special School District  
Trenton, Tennessee

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Trenton Special School District (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Trenton Special School District as of June 30, 2011, and the respective changes in financial position thereof, and the budgetary comparison for the general purpose school and the capital projects fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2011, on our consideration of the Trenton 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Dyersburg, TN  
Henderson, TN  
Jackson, TN  
Martin, TN  
McKenzie, TN

Milan, TN  
Murray, KY  
Paris, TN  
Trenton, TN  
Union City, TN

To the Board of Education  
Trenton Special School District

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of retirement funding progress on pages 4 through 9 and 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriated 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section and other supplementary information section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Managements and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also a required part of the financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Alexander Thompson Arnold PLLC*

Certified Public Accountants  
Jackson, Tennessee  
November 21, 2011

## Management's Discussion and Analysis

As management of the Trenton Special School District (the District), we offer readers of the financial statements for the District this narrative overview and analysis of the financial activities for the year ended June 30, 2011. We encourage the readers to consider the information here in conjunction with the Independent Auditor's Report and the District's financial statements. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A).

### Financial Highlights

- The assets of the District exceeded its liabilities at June 30, 2011 by \$20,271,431. Of this amount, \$6,143,806 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the District reported combined ending reserves and fund balance of \$6,725,148. Approximately 8.02% of this total amount, \$539,615, is unassigned in the general purpose fund.
- At the end of the current fiscal year, unassigned fund balance for the general purpose fund was \$539,615 or 5.16% of total general purpose fund expenditures.
- The District's total bonded debt increased by \$11,445,000. This large increase is due to several construction projects that began in fiscal year 2010; however, the bonds were not put in place until fiscal year 2011.

### Overview of the Financial Statements

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

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

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

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

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

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with

finance-related legal requirements. All of the funds of the District can be grouped into one category: governmental funds.

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

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

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general purpose fund, capital project fund and the non-major funds. The general purpose and capital project funds are considered major funds, while the public law, cafeteria, and bus garage are considered nonmajor funds.

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

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

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

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

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$20,271,431 at the close of the fiscal year ended June 30, 2011.

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

sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's Net Assets	Governmental Activities <u>June 30, 2011</u>	Governmental Activities <u>June 30, 2010</u>
<b>Assets</b>		
Current and other	\$ 10,498,416	\$ 5,467,661
Capital assets - net of accumulated depreciation	<u>32,437,291</u>	<u>25,468,816</u>
Total assets	<u>42,935,707</u>	<u>30,936,477</u>
<b>Liabilities</b>		
Long-term liabilities	19,470,000	8,025,000
Other liabilities	<u>3,194,276</u>	<u>2,950,379</u>
Total liabilities	<u>22,664,276</u>	<u>10,975,379</u>
<b>Net asset</b>		
Invested in capital assets, net of related debt	12,967,291	17,443,816
Restricted	1,160,334	1,477,044
Unrestricted	<u>6,143,806</u>	<u>1,040,238</u>
Total net assets	<u>\$ 20,271,431</u>	<u>\$ 19,961,098</u>

The above provides a summary of the District's net assets for 2011 and 2010.

During the current fiscal year, the District's total net assets increased by \$310,333. This increase was related in part to the interest received on the capital projects fund on which the new debt was acquired.

The following summary shows the changes in net assets for fiscal years 2011 and 2010.

The District's Changes in Net Assets	Governmental Activities <u>June 30, 2011</u>	Governmental Activities <u>June 30, 2010</u>
<b>Revenues</b>		
<b>Program revenues</b>		
Charges for services	\$ 262,311	\$ 598,775
Operating grants and contributions	2,574,014	2,599,923
Capital grants and contributions	296,904	-
<b>General revenues</b>		
Property taxes	2,387,667	2,096,692
Sales taxes	653,219	655,855
Other local taxes and licenses	1,188	1,251
Grants and contributions not restricted to specific programs:		
Basic Education Program	5,921,130	6,115,300
Basic Education Program - ARRA	690,870	-
Other	59,924	128,244
Interest	80,840	8,088
Other Local Revenue	<u>277,217</u>	<u>46,934</u>
Total Revenues	<u>13,205,284</u>	<u>12,251,062</u>

Expenses		
Instruction	6,156,020	7,153,249
Support Services	3,857,449	3,695,942
Non-instructional services	2,881,482	1,189,211
Total expenses	<u>12,894,951</u>	<u>12,038,402</u>
Increase (decrease) in net assets	310,333	212,660
Net assets, beginning	<u>19,961,098</u>	<u>19,368,662</u>
Net assets, ending	<u>\$ 20,271,431</u>	<u>\$ 19,961,098</u>

**Governmental activities.** Governmental activities increased the District's net assets by \$310,333. Part of this increase is the interest received that was previously mentioned.

Total governmental activities' revenue for the fiscal year was \$13,205,284. The largest single revenue source was state revenues in the form of Basic Education Program payments.

### Expense and Program Revenues - Governmental Activities

Certain revenues are generated that are specific to governmental program activities. Among major funds, the general purpose had \$10,832,605 in revenues and \$10,448,968 in expenditures, and the capital projects fund had \$105,580 in revenues and \$7,477,202 in expenditures. In the non-major funds, the public law fund had \$1,196,799 in revenues and \$1,174,634 in expenditures. The cafeteria fund had \$801,441 in revenues and \$796,978 in expenditures. The bus garage fund had \$286,578 in revenues and \$286,047 in expenditures.

### Revenue by Source - Governmental Funds

Total governmental revenues allocated by each revenue type.

	June 30, 2011		June 30, 2010	
	Amount	Percent	Amount	Percent
Program revenues				
Charges for services	\$ 262,311	1.99%	\$ 598,775	4.89%
Operating grants and contributions	2,574,014	19.49%	2,599,923	21.22%
Capital grants and contributions	296,904	2.25%	-	0.00%
General revenues				
Property taxes	2,387,667	18.08%	2,096,692	17.11%
Sales taxes	653,219	4.95%	655,855	5.35%
Other local taxes and licenses	1,188	0.02%	1,251	0.02%
Grants and contributions not restricted to specific programs	6,671,924	50.52%	6,243,544	50.96%
Interest	80,840	0.61%	8,088	0.07%
Other Local Revenue	<u>277,217</u>	<u>2.10%</u>	<u>46,934</u>	<u>0.38%</u>
Total revenues	<u>\$ 13,205,284</u>	<u>100.00%</u>	<u>\$ 12,251,062</u>	<u>100.00%</u>

### Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the District's *governmental funds* is to provide information on near-term inflow, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$6,725,148. Of this amount, \$539,615 constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder is not available for new spending and has been classified as nonspendable, restricted, committed or assigned.

The general purpose fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance was \$539,615.

As a measure of the general purpose fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 5.16% of the total general purpose fund expenditures, while total fund balances represents 31.52% of that same amount.

**General Purpose Fund Budgetary Highlights**

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

General Purpose Fund	Governmental Activities		
	June 30, 2011		
	Original	Final	Difference
<b>Revenues</b>			
Taxes	\$ 2,929,810	\$ 2,929,810	\$ -
Intergovernmental	7,400,568	7,455,769	55,201
Miscellaneous	66,450	86,450	20,000
<b>Total revenues</b>	<u>10,396,828</u>	<u>10,472,029</u>	<u>75,201</u>
<b>Expenses</b>			
Instruction	5,523,855	5,485,275	(38,580)
Support Services	3,186,580	3,243,650	57,070
Non-instructional services	1,965,790	2,022,501	56,711
<b>Total expenditures</b>	<u>10,676,225</u>	<u>10,751,426</u>	<u>75,201</u>
Deficiency of revenues under expenditures	<u>\$ (279,397)</u>	<u>\$ (279,397)</u>	<u>\$ -</u>

In 2011, there were no major increases in budget.

**Long-term debt.** As of June 30, 2011, the District had total bonded debt outstanding of \$19,470,000. All debt is backed by the full faith and credit of the government.

	June 30, 2011	June 30, 2010
School Bonds, Series 2003	\$ 1,200,000	\$ 1,615,000
1998 Refunding Bonds	-	6,410,000
School Bonds, Series 2010A	6,670,000	-
School Bonds, Series 2010B	11,100,000	-
Energy Efficiency Loan	500,000	-
	<u>\$ 19,470,000</u>	<u>\$ 8,025,000</u>

The specifics on these bonds are located in the notes to the financial statements. Please refer to the Table of Contents to locate the notes to the financial statements.

**Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Trenton Special School District, 201 West Tenth Street, Trenton, TN 38382.

**TRENTON SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
June 30, 2011

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash	\$ 6,810,199
Receivables	
Accounts	5,160
Property taxes	2,263,456
Due from other governments	73,316
Due from grantor	571,690
Inventories	73,883
Bond issuance costs	700,712
Capital assets, not being depreciated	
Construction in progress	8,102,312
Land	266,057
Capital assets, net of accumulated depreciation	
Buildings and improvements	23,793,051
Other capital assets	275,871
<b>Total assets</b>	<b>42,935,707</b>
<b>Liabilities</b>	
Accounts payable	375,436
Salaries payable	261,229
Other payroll deductions	228
Insurance payable	89,269
Accrued interest payable	121,720
Deferred revenue - federal and state	82,938
Deferred property taxes	2,263,456
Noncurrent liabilities:	
Due within one year	290,472
Due in more than one year	19,179,528
<b>Total liabilities</b>	<b>22,664,276</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	12,967,291
Restricted for:	
Other local education reserves	1,086,451
Inventory	73,883
Unrestricted	6,143,806
<b>Total net assets</b>	<b>\$ 20,271,431</b>

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

**TRENTON SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Governmental activities:</b>					
<b>Instruction</b>					
Regular education	\$ 5,095,015	\$ 66,450	\$ 146,601	\$ -	\$ (4,881,964)
Alternate education	62,363	-	-	-	(62,363)
Special education	632,193	-	379,045	-	(253,148)
Vocational education	256,816	-	29,680	-	(227,136)
Student body education	16,329	-	-	-	(16,329)
Adult education	93,304	-	78,342	-	(14,962)
<b>Support services</b>					
Attendance	110,892	-	-	-	(110,892)
Health services	146,352	-	105,000	-	(41,352)
Other student support	191,602	-	20,947	-	(170,655)
Regular instruction	686,018	-	253,875	-	(432,143)
Special education	157,297	-	69,668	-	(87,629)
Vocational education	22,920	-	5,569	-	(17,351)
Adult programs	63,577	-	63,576	-	(1)
Board of Education	139,041	-	-	-	(139,041)
Office of Superintendent	155,442	-	1,145	-	(154,297)
Office of Principal	501,354	-	9,330	-	(492,024)
Fiscal services	48,046	-	-	-	(48,046)
Human Services	72,004	-	-	-	(72,004)
Operation and maintenance of plant	969,932	-	-	-	(969,932)
Student transportation	567,944	-	308,013	-	(259,931)
Central and Other	25,028	-	-	-	(25,028)
<b>Non-instructional services</b>					
Food service	766,990	180,573	582,062	-	(4,355)
Community services	115,042	15,288	98,500	-	(1,254)
Early Childhood Education	392,286	-	392,286	-	-
Education capital outlay	963,054	-	30,375	-	(932,679)
Education debt service	644,110	-	-	296,904	(347,206)
	<u>\$ 12,894,951</u>	<u>\$ 262,311</u>	<u>\$ 2,574,014</u>	<u>\$ 296,904</u>	<u>\$ (9,761,722)</u>

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

**TRENTON SPECIAL SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
	<b>General revenues</b>				
	Property taxes				2,387,667
	Sales taxes				653,219
	Other local taxes and licenses				1,188
	Grants and contributions not restricted to certain programs				
	Basic Education Program				5,921,130
	Basic Education Program - ARRA				690,870
	Other				59,924
	Interest				80,840
	Other miscellaneous revenues				<u>277,217</u>
	Total general revenues				<u>10,072,055</u>
	<b>Change in net assets</b>				<b>310,333</b>
	Net assets, beginning				<u>19,961,098</u>
	Net assets, ending				<u>\$ 20,271,431</u>

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

**TRENTON SPECIAL SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011**

	<u>General Purpose School Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash	\$ 3,489,338	\$ 3,116,415	\$ 204,446	\$ 6,810,199
Accounts receivable	5,160	-	-	5,160
Property taxes receivable	2,263,456	-	-	2,263,456
Due from other funds	194,730	-	-	194,730
Due from other governments	65,771	-	7,545	73,316
Due from grantor	321,770	-	249,920	571,690
Inventories	-	-	73,883	73,883
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b><u>\$ 6,340,225</u></b>	<b><u>\$ 3,116,415</u></b>	<b><u>\$ 535,794</u></b>	<b><u>\$ 9,992,434</u></b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 349,511	\$ -	\$ 25,925	\$ 375,436
Salaries payable	261,229	-	-	261,229
Other payroll deductions	193	-	35	228
Insurance payable	89,269	-	-	89,269
Due to other funds	-	-	194,730	194,730
Deferred revenue - federal and state grants	82,938	-	-	82,938
Deferred property taxes	2,263,456	-	-	2,263,456
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	<b><u>3,046,596</u></b>	<b><u>-</u></b>	<b><u>220,690</u></b>	<b><u>3,267,286</u></b>
<b>Fund balance</b>				
<b>Nonspendable</b>				
Inventory	-	-	73,883	73,883
<b>Restricted</b>				
Education	266,715	-	2,118	268,833
Instruction	6,601	-	-	6,601
Other local reserves	-	-	1,000	1,000
Operation of non-instructional services	-	-	83	83
<b>Assigned</b>				
Instruction	100,000	-	-	100,000
Support services	7,500	-	-	7,500
Capital outlay	1,479,803	-	-	1,479,803
Debt service	30,700	-	-	30,700
Future budgets	434,950	3,116,415	226,955	3,778,320
Other purposes	427,745	-	11,065	438,810
Unassigned	539,615	-	-	539,615
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Fund Balance</b>	<b><u>3,293,629</u></b>	<b><u>3,116,415</u></b>	<b><u>315,104</u></b>	<b><u>6,725,148</u></b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 6,340,225</u></b>	<b><u>\$ 3,116,415</u></b>	<b><u>\$ 535,794</u></b>	<b><u>\$ 9,992,434</u></b>

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

**TRENTON SPECIAL SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**

June 30, 2011

Amounts reported for the governmental activities in the statement of net assets (Page 10) are different because:

<b>Fund Balance - Total Governmental Funds (Page 13)</b>	<b>\$ 6,725,148</b>
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in funds.	32,437,291
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds: Bond issuance costs	700,712
Some payables are not due and payable in the current period and, therefore, are not reported in the funds: Accrued interest	(121,720)
Long-term liabilities, including notes and bonds payable, are not due in the current period and, therefore, are not reported in the funds.	<u>(19,470,000)</u>
<b>Net Assets - Governmental Activities (Page 10)</b>	<b><u>\$ 20,271,431</u></b>

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

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

For the Year Ended June 30, 2011

	<u>General Purpose School Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Local taxes	\$ 3,041,467	\$ -	\$ -	\$ 3,041,467
Current charges for education services	99,951	-	-	99,951
Licenses and permits	528	-	-	528
Charges for services	-	-	180,573	180,573
Other local revenues	349,581	-	286,578	636,159
Federal and state funds	7,335,630	-	1,778,860	9,114,490
Commodities	-	-	38,620	38,620
Energy efficient school initiative	-	30,375	-	30,375
Interest	5,448	75,205	187	80,840
<b>Total Revenues</b>	<u>10,832,605</u>	<u>105,580</u>	<u>2,284,818</u>	<u>13,223,003</u>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	5,364,909	-	770,165	6,135,074
Support services	3,115,567	-	690,516	3,806,083
Non-instructional services	717,556	-	796,978	1,514,534
Architects	-	63,810	-	63,810
Other contracted services	-	2,515	-	2,515
Building construction	-	7,410,877	-	7,410,877
Education capital outlay	296,904	-	-	296,904
Education debt service				
Principal	415,000	-	-	415,000
Interest	539,032	-	-	539,032
<b>Total expenditures</b>	<u>10,448,968</u>	<u>7,477,202</u>	<u>2,257,659</u>	<u>20,183,829</u>
Excess Revenues over Expenditures	383,637	(7,371,622)	27,159	(6,960,826)
<b>Other Financing Sources (Uses)</b>				
Bonds issued	627,736	9,988,037	-	10,615,773
Other loans issued	-	500,000	-	500,000
Transfers In	18,277	-	-	18,277
Transfers Out	-	-	(18,277)	(18,277)
	<u>646,013</u>	<u>10,488,037</u>	<u>(18,277)</u>	<u>11,115,773</u>
<b>Net Change in Fund Balance</b>	<b>1,029,650</b>	<b>3,116,415</b>	<b>8,882</b>	<b>4,154,947</b>
Fund Balance - July 1, 2010	2,263,979	-	316,085	2,580,064
Increase (Decrease) in Reserves	-	-	(9,863)	(9,863)
Fund Balance - June 30, 2011	<u>\$ 3,293,629</u>	<u>\$ 3,116,415</u>	<u>\$ 315,104</u>	<u>\$ 6,725,148</u>

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

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

June 30, 2011

Amounts reported for the governmental activities in the statement of activities are different because:

<b>Net Change in Fund Balances - Total Governmental Funds (Page 15)</b>	<b>\$ 4,154,947</b>
<p>Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:</p>	
Capital outlays	296,904
Construction work in process	7,493,774
Depreciation	(806,501)
<p>The repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, these repayments have no effect on net assets.</p>	
	415,000
<p>Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.</p>	
	(58,937)
<p>Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amount is the net effect of these differences in the treatment.</p>	
	(46,141)
<p>Loss on disposal of asset</p>	
	(15,703)
<p>The issuance of long-term debt provides current financial resources to governmental funds; however, the issuance increases the liability on the statement of activities.</p>	
	(11,113,147)
<p>The increase (decrease) in inventory is reported as a direct change to beginning fund balance. However, in the statement of activities this increase is reported as an expense based on the consumption method.</p>	
	<u>(9,863)</u>
<b>Change in Net Assets of Governmental Activities (Page 12)</b>	<b><u>\$ 310,333</u></b>

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

**TRENTON SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
<b>Local taxes</b>				
Property tax - current	\$ 2,185,210	\$ 2,185,210	\$ 2,247,413	\$ 62,203
Property tax - prior	75,000	75,000	115,486	40,486
Interest and penalty on delinquent tax	12,000	12,000	21,955	9,955
Payment in lieu of taxes	2,000	2,000	2,813	813
County sales tax	655,000	655,000	653,219	(1,781)
Interstate telecommunications tax	600	600	581	(19)
Total local taxes	<u>2,929,810</u>	<u>2,929,810</u>	<u>3,041,467</u>	<u>111,657</u>
<b>Current charges for education services</b>				
Receipts from individual schools	15,000	15,000	23,752	8,752
Tuition	1,575	1,575	1,275	(300)
Community service fees	41,475	61,475	65,201	3,726
Transportation	5,000	5,000	5,778	778
Other charges for services	3,400	3,400	3,945	545
Total current charges for education services	<u>66,450</u>	<u>86,450</u>	<u>99,951</u>	<u>13,501</u>
Licenses and permits	<u>600</u>	<u>600</u>	<u>528</u>	<u>(72)</u>
<b>Other local revenues</b>				
Interest on temporary investments	7,200	7,200	5,448	(1,752)
Rent for use of school facilities	36,000	16,000	15,288	(712)
E-Rate funding	20,000	20,000	30,639	10,639
Insurance recovery	-	60,441	182,379	121,938
Reimbursement	18,188	18,188	13,708	(4,480)
Miscellaneous	-	-	47,865	47,865
Total other local revenues	<u>81,388</u>	<u>121,829</u>	<u>295,327</u>	<u>173,498</u>
<b>State funds and federal passed through state</b>				
Basic education program	6,608,000	5,917,130	5,921,130	4,000
Basic revenue program - ARRA	-	690,870	690,870	-
Driver education funds	3,000	3,000	4,666	1,666
Early childhood education funds	392,287	392,287	392,286	(1)
Career ladder program	72,000	72,000	66,517	(5,483)
Career ladder program - extended ARRA	30,622	30,622	32,991	2,369
School food service	6,900	6,900	6,871	(29)
Other state education funds	-	-	771	771
Mixed drink tax	-	-	79	79
Coordinated school health ARRA	105,000	105,000	105,000	-
Internet connectivity ARRA	6,445	6,445	4,204	(2,241)
Family resource centers ARRA	33,300	33,300	33,300	-
SSMS ARRA	3,526	3,526	3,631	105
Other state grants	56,000	57,370	57,370	-
Safe schools ARRA	-	8,200	8,200	-
Special education preschool grants	-	2,490	2,490	-
Child handicapped	-	2,700	2,700	-
Total state funds and federal passed through state	<u>7,317,080</u>	<u>7,331,840</u>	<u>7,333,076</u>	<u>1,236</u>
<b>Federal funds received directly</b>				
P.L. 81-874 Entitlement	<u>1,500</u>	<u>1,500</u>	<u>2,554</u>	<u>1,054</u>
Total revenues	<u>10,396,828</u>	<u>10,472,029</u>	<u>10,772,903</u>	<u>300,874</u>

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

**TRENTON SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011**

	<u>Budget</u>		<u>Actual</u>	<b>Variance Over</b>
	<u>Original</u>	<u>Final</u>		<b>(Under)</b>
<b>Expenditures</b>				
<b>Instruction</b>				
Regular Education Program				
Teachers	3,173,428	3,126,216	3,122,427	(3,789)
Career ladder program	43,600	43,600	41,554	(2,046)
Career ladder program - extended	16,760	16,760	14,610	(2,150)
Homebound teachers	5,500	4,806	600	(4,206)
Educational assistants	35,896	42,326	42,326	-
Other salaries and wages	27,303	28,755	28,030	(725)
Substitute teachers	19,000	22,145	22,145	-
Non-certified substitute teachers	45,000	45,686	44,346	(1,340)
Social security taxes	208,722	195,404	186,178	(9,226)
State retirement	296,056	291,744	290,578	(1,166)
Medical insurance	334,750	401,098	353,183	(47,915)
Unemployment	15,000	16,673	16,673	-
Medicare taxes	48,814	48,050	43,699	(4,351)
Other fringe benefits	6,000	6,000	5,595	(405)
Fee waivers	4,000	4,636	4,636	-
Maintenance and repair - equipment	37,100	37,100	25,609	(11,491)
Other contracted services	30,472	27,620	25,283	(2,337)
Instructional supplies	192,365	191,408	147,343	(44,065)
Textbooks	125,000	91,323	87,530	(3,793)
Other supplies and materials	3,925	7,660	4,932	(2,728)
Other charges	31,000	29,484	13,789	(15,695)
Capital outlay - equipment	204,694	208,438	196,906	(11,532)
Total regular education program	<u>4,904,385</u>	<u>4,886,932</u>	<u>4,717,972</u>	<u>(168,960)</u>
Alternate Instruction Program				
Teachers	41,285	41,285	37,616	(3,669)
Educational assistants	15,712	15,712	15,712	-
Certified substitute teachers	200	200	-	(200)
Social security taxes	3,534	3,534	3,170	(364)
State retirement	4,156	4,156	3,824	(332)
Medical insurance	-	1,133	1,133	-
Medicare taxes	826	826	741	(85)
Operating lease payments	600	600	167	(433)
Instructional supplies	800	167	-	(167)
Other supplies and materials	200	100	-	(100)
Other charges	500	100	-	(100)
Total alternate instruction program	<u>67,813</u>	<u>67,813</u>	<u>62,363</u>	<u>(5,450)</u>
Special Education Program				
Teachers	219,162	198,419	198,419	-
Career ladder program	3,200	3,441	3,442	1
Social security taxes	10,970	10,079	10,079	-
State retirement	16,013	15,959	15,959	-
Medical insurance	17,814	16,946	16,946	-
Other fringe benefits	788	1,172	1,173	1
Unemployment compensation	3,031	3,031	3,028	(3)

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

**TRENTON SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011**

	Budget		Actual	Variance Over (Under)
	Original	Final		
Medicare taxes	2,930	2,705	2,705	-
Contract with private agencies	2,700	2,700	2,700	-
Instructional supplies	7,500	7,835	7,836	1
Total special education program	<u>284,108</u>	<u>262,287</u>	<u>262,287</u>	<u>-</u>
Vocational Education Program				
Teachers	167,908	167,923	167,922	(1)
Career ladder program	1,000	1,000	1,000	-
Substitute teachers	1,400	2,080	2,080	-
Non-certified substitute teachers	1,900	1,485	1,454	(31)
Social security taxes	10,677	10,397	10,198	(199)
State retirement	15,413	15,413	15,287	(126)
Medical insurance	11,300	11,714	11,713	(1)
Medicare taxes	2,497	2,497	2,394	(103)
Maintenance and repair - equipment	1,000	586	250	(336)
Instructional supplies	8,500	7,900	4,689	(3,211)
Contracts with other school systems	6,978	6,978	6,978	-
Other contracted services	1,000	1,000	731	(269)
Other charges	3,000	3,600	3,585	(15)
Total vocational education program	<u>232,573</u>	<u>232,573</u>	<u>228,281</u>	<u>(4,292)</u>
Student Body Education Program				
Other salaries and wages	13,809	14,641	14,642	1
Social security taxes	856	790	790	-
State retirement	369	413	414	1
Medical insurance	400	279	278	(1)
Medicare taxes	200	205	205	-
Total student body education program	<u>15,634</u>	<u>16,328</u>	<u>16,329</u>	<u>1</u>
Adult Education Program				
Teachers	2,000	2,680	2,680	-
Clerical personnel	11,000	8,075	7,654	(421)
Social security taxes	806	806	641	(165)
State retirement	347	347	204	(143)
Medicare taxes	189	189	150	(39)
Other contracted services	5,000	5,000	4,400	(600)
Other charges	-	2,245	2,246	1
Total adult education program	<u>19,342</u>	<u>19,342</u>	<u>17,975</u>	<u>(1,367)</u>
Total Instruction	<u>5,523,855</u>	<u>5,485,275</u>	<u>5,305,207</u>	<u>(180,068)</u>
Support Services				
Students				
Attendance				
Supervisor/director	34,735	34,735	34,735	-
Career ladder program	500	500	500	-
Clerical personnel	54,283	54,783	54,400	(383)
Social security taxes	5,550	5,324	5,045	(279)
State retirement	4,638	4,908	4,641	(267)
Medical insurance	8,000	8,000	7,412	(588)
Medicare taxes	1,298	1,305	1,180	(125)
Communication	800	800	-	(800)
Travel	2,500	2,228	2,228	-

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

**TRENTON SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011**

	Budget		Actual	Variance
	Original	Final		Over (Under)
Other supplies and materials	600	541	471	(70)
In-service/staff development	500	280	280	-
Total attendance	<u>113,404</u>	<u>113,404</u>	<u>110,892</u>	<u>(2,512)</u>
<b>Health Services</b>				
Medical personnel	73,486	73,586	73,587	1
Other salaries and wages	19,596	20,269	19,769	(500)
Social security taxes	5,771	5,421	5,225	(196)
Medical insurance	7,366	10,521	10,521	-
State retirement	2,485	2,503	2,493	(10)
Medicare taxes	1,350	1,268	1,222	(46)
Other fringe benefits	200	142	141	(1)
Communications	2,800	3,877	3,447	(430)
Postal charges	280	51	52	1
Travel	7,700	6,298	6,297	(1)
Other contracted services	7,100	5,710	5,710	-
Drugs and medical supplies	3,500	3,279	3,279	-
Other supplies and materials	13,000	12,528	12,528	-
In-service/staff development	500	545	546	1
Other charges	1,000	1,535	1,535	-
Total health services	<u>146,134</u>	<u>147,533</u>	<u>146,352</u>	<u>(1,181)</u>
<b>Other Student Support</b>				
Career ladder program	5,000	5,000	4,528	(472)
Guidance personnel	138,134	138,134	137,754	(380)
Career ladder extended	4,000	4,660	4,660	-
Social security taxes	9,122	9,122	8,838	(284)
State retirement	13,316	13,316	13,298	(18)
Medical insurance	9,500	8,840	5,518	(3,322)
Medicare taxes	2,133	2,133	2,067	(66)
Travel	3,000	3,000	542	(2,458)
In-service/staff development	500	500	300	(200)
Evaluation and testing	12,000	12,000	3,201	(8,799)
Total other student support	<u>196,705</u>	<u>196,705</u>	<u>180,706</u>	<u>(15,999)</u>
Total students	<u>456,243</u>	<u>457,642</u>	<u>437,950</u>	<u>(19,692)</u>
<b>Instructional Staff</b>				
<b>Regular Instruction Program</b>				
Supervisor/director	33,878	34,073	34,073	-
Career ladder program	6,000	6,000	4,500	(1,500)
Career ladder program - extended	4,000	4,000	4,000	-
Librarians	130,400	130,205	129,792	(413)
Materials supervisor	34,736	34,736	34,736	-
Instructional computer personnel	46,155	46,155	46,155	-
Other salaries and wages	53,819	53,828	53,828	-
Social security taxes	19,157	18,644	17,882	(762)
State retirement	25,018	25,531	24,846	(685)
Medical insurance	25,000	29,115	29,115	-
Medicare taxes	4,480	4,480	4,182	(298)

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

**TRENTON SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011**

	Budget		Actual	Variance Over (Under)
	Original	Final		
Communications	4,500	4,731	4,731	-
Library books/media	15,000	15,000	14,930	(70)
Travel	52,906	35,170	21,035	(14,135)
Other charges	2,000	2,686	2,687	1
In-service/staff development	25,000	18,291	14,981	(3,310)
Total regular instruction program	<u>482,049</u>	<u>462,645</u>	<u>441,473</u>	<u>(21,172)</u>
Alternative Instruction Program				
Travel	<u>1,200</u>	<u>1,200</u>	<u>-</u>	<u>(1,200)</u>
Special Education Program				
Supervisor/director	35,724	35,994	35,994	-
Career ladder program	-	1,000	1,000	-
Social security taxes	2,215	2,215	2,181	(34)
State retirement	3,233	3,348	3,348	-
Medical insurance	1,766	2,223	2,223	-
Unemployment	536	555	555	-
Medicare taxes	518	518	510	(8)
Other fringe benefits	139	139	126	(13)
Other charges	-	42,470	42,470	-
Total special education program	<u>44,131</u>	<u>88,462</u>	<u>88,407</u>	<u>(55)</u>
Vocational Education Program				
Supervisor/director	18,176	18,176	17,997	(179)
Social security taxes	1,127	1,127	1,062	(65)
State retirement	1,645	1,645	1,629	(16)
Medical insurance	1,000	1,081	1,081	-
Medicare taxes	264	264	248	(16)
Travel	1,000	919	-	(919)
Total vocational education program	<u>23,212</u>	<u>23,212</u>	<u>22,017</u>	<u>(1,195)</u>
Total instructional staff	<u>550,592</u>	<u>575,519</u>	<u>551,897</u>	<u>(23,622)</u>
General Administration				
Board of Education				
Other fringe Benefits	600	600	533	(67)
Audit services	15,800	15,800	14,792	(1,008)
Dues and memberships	7,500	7,500	7,321	(179)
Legal services	7,000	7,000	5,483	(1,517)
Travel	8,000	8,000	4,603	(3,397)
Maintenance and repair	400	400	-	(400)
Other contracted services	2,300	2,300	2,250	(50)
In-service/staff development	2,500	2,500	2,440	(60)
Other supplies and materials	4,000	4,000	62	(3,938)
Liability insurance	8,100	8,100	7,900	(200)
Corporate surety bonds	1,800	1,800	1,654	(146)
Trustee commissions	59,700	59,700	53,892	(5,808)
Workers' compensation insurance	35,000	35,000	32,083	(2,917)

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

**TRENTON SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended June 30, 2011

	Budget		Actual	Variance
	Original	Final		Over (Under)
Criminal investigation of applicants	2,000	2,000	1,140	(860)
Other charges	5,000	5,000	4,888	(112)
Total board of education	<u>159,700</u>	<u>159,700</u>	<u>139,041</u>	<u>(20,659)</u>
Office of Superintendent				
Administrative officer	96,275	96,275	96,275	-
Career ladder program	1,000	1,000	1,000	-
Other salaries and wages	11,975	12,057	12,057	-
Social security taxes	6,774	6,774	6,655	(119)
State retirement	9,887	9,894	9,894	-
Life insurance	56	56	56	-
Medical insurance	6,182	6,182	6,056	(126)
Medicare taxes	1,584	1,584	1,562	(22)
Other fringe benefits	1,200	1,200	1,100	(100)
Communication	9,200	9,200	7,394	(1,806)
Dues and memberships	4,400	4,400	3,578	(822)
In-service/staff development	800	863	863	-
Postal charges	50	50	-	(50)
Travel	7,700	7,700	7,402	(298)
Other charges	1,300	1,300	1,300	-
Office supplies	800	648	250	(398)
Total office of superintendent	<u>159,183</u>	<u>159,183</u>	<u>155,442</u>	<u>(3,741)</u>
Total general administration	<u>318,883</u>	<u>318,883</u>	<u>294,483</u>	<u>(24,400)</u>
School Administration				
Office of Principal				
Principal(s)	212,954	215,328	215,327	(1)
Career ladder program	4,500	4,500	4,500	-
Career ladder program - extended	4,000	4,000	4,000	-
Assistant principal(s)	80,624	81,639	78,445	(3,194)
Secretaries	65,577	65,577	65,577	-
Social security taxes	22,795	21,558	20,682	(876)
State retirement	19,089	29,106	29,107	1
Medical insurance	37,275	41,938	39,604	(2,334)
Medicare taxes	5,331	5,331	4,837	(494)
Communications	13,000	14,500	14,230	(270)
Dues and memberships	2,850	3,012	2,865	(147)
Operating lease payments	6,600	6,600	5,940	(660)
Postal charges	2,700	2,412	1,493	(919)
Travel	5,000	4,593	3,695	(898)
Other contracted services	3,264	2,015	2,015	-
Data processing supplies	800	-	-	-
Office supplies	3,800	4,352	3,975	(377)
In-service/staff development	300	300	215	(85)
Other charges	5,998	5,998	4,847	(1,151)
Total office of principal	<u>496,457</u>	<u>512,759</u>	<u>501,354</u>	<u>(11,405)</u>
Business Administration				
Fiscal Services				
Supervisor/director	24,510	24,510	24,510	-
Accountants/bookkeepers	3,316	3,316	2,699	(617)

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

**TRENTON SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011**

	Budget		Actual	Variance Over (Under)
	Original	Final		
Secretaries	5,150	5,150	5,149	(1)
Social security taxes	2,045	1,766	1,723	(43)
State retirement	881	881	800	(81)
Medical insurance	-	865	863	(2)
Medicare taxes	478	478	438	(40)
Advertising	1,000	800	691	(109)
Data processing	700	700	652	(48)
Dues and memberships	85	85	25	(60)
Operating lease payments	768	768	704	(64)
Postal charges	2,000	1,535	1,288	(247)
Travel	3,000	3,108	3,108	-
Office supplies	3,500	2,725	2,725	-
Other supplies and materials	500	445	-	(445)
In-service/staff development	300	300	270	(30)
Other charges	1,600	2,401	2,401	-
<b>Total fiscal services</b>	<b>49,833</b>	<b>49,833</b>	<b>48,046</b>	<b>(1,787)</b>
<b>Human Services</b>				
Supervisor/director	46,349	46,349	46,349	-
Clerical personnel	18,960	18,960	18,960	-
Social security taxes	4,049	4,049	3,964	(85)
State retirement	1,744	1,744	1,744	-
Employer medicare	947	947	927	(20)
Dues and memberships	60	60	60	-
<b>Total human services</b>	<b>72,109</b>	<b>72,109</b>	<b>72,004</b>	<b>(105)</b>
<b>Total business administration</b>	<b>121,942</b>	<b>121,942</b>	<b>120,050</b>	<b>(1,892)</b>
<b>Operation and Maintenance of Plant</b>				
<b>Operation of Plant</b>				
Custodial personnel	189,373	188,160	188,160	-
Social security taxes	11,741	11,741	10,890	(851)
State retirement	5,057	5,057	4,732	(325)
Medical insurance	-	9,868	9,866	(2)
Medicare taxes	2,745	2,745	2,547	(198)
Other fringe benefits	300	300	-	(300)
Maintenance and repair	500	500	284	(216)
Other contracted services	41,000	41,000	40,576	(424)
Custodial supplies	30,000	33,071	33,071	-
Electricity	287,500	310,275	283,904	(26,371)
Natural gas	95,000	69,154	68,550	(604)
Water and sewer	53,000	50,350	50,347	(3)
Other supplies and materials	2,110	696	696	-
Boiler insurance	2,065	2,065	1,865	(200)
Building and contents insurance	34,806	32,930	32,930	-
In-service/staff development	200	200	117	(83)
Other charges	2,500	3,850	3,628	(222)
<b>Total operation of plant</b>	<b>757,897</b>	<b>761,962</b>	<b>732,163</b>	<b>(29,799)</b>
<b>Maintenance of Plant</b>				
Maintenance personnel	33,475	30,778	30,777	(1)
Social security taxes	2,076	1,670	1,670	-
State retirement	894	894	822	(72)

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

**TRENTON SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended June 30, 2011

	Budget		Actual	Variance Over (Under)
	Original	Final		
Medical insurance	-	3,503	3,144	(359)
Medicare taxes	486	486	391	(95)
Communication	1,500	1,700	1,701	1
Maintenance and repair - buildings	31,000	31,000	30,101	(899)
Maintenance and repair - equipment	3,000	1,688	1,687	(1)
Maintenance and repair - vehicles	400	676	676	-
Travel	2,000	857	854	(3)
Other contracted services	18,650	16,802	16,802	-
Equipment and machinery parts	6,750	2,367	2,367	-
Other supplies and materials	35,600	81,041	118,747	37,706
Vehicle and equipment insurance	400	400	400	-
Other charges	8,600	6,300	6,250	(50)
Repair and maintenance - equipment	38,098	18,848	18,849	1
Total maintenance of plant	<u>182,929</u>	<u>199,010</u>	<u>235,238</u>	<u>36,228</u>
Total operation and maintenance of plant	<u>940,826</u>	<u>960,972</u>	<u>967,401</u>	<u>6,429</u>
<b>Student Transportation</b>				
<b>Transportation</b>				
Supervisor/director	33,847	33,847	33,847	-
Mechanics	12,428	12,440	12,440	-
Bus drivers	68,222	67,594	67,594	-
Clerical personnel	1,357	1,357	1,356	(1)
Other salaries and wages	350	-	-	-
Social security taxes	7,533	6,096	6,096	-
State retirement	3,103	4,836	4,836	-
Medical insurance	4,500	3,893	3,893	-
Unemployment compensation	1,632	1,221	1,221	-
Medicare taxes	1,685	1,602	1,602	-
Fringe benefits	5,291	4,087	4,086	(1)
Communication	3,706	2,556	2,556	-
Laundry service	782	782	248	(534)
Maintenance and repair - vehicles	47	47	25	(22)
Medical and dental	1,947	2,071	1,352	(719)
Travel	1,047	1,047	542	(505)
Other contracted services	1,647	1,647	720	(927)
Diesel fuel	40,000	45,807	45,807	-
Garage supplies	5,182	391	390	(1)
Lubricants	3,216	993	993	-
Tires and tubes	5,000	6,316	6,316	-
Vehicle parts	9,000	12,734	12,734	-
Other supplies and materials	1,074	37	37	-
Vehicle and equipment insurance	9,317	6,317	6,317	-
In-service/staff development	500	500	482	(18)
Other charges	3,424	1,915	1,914	(1)
Capital outlay	50,000	50,000	-	(50,000)
Total transportation	<u>275,837</u>	<u>270,133</u>	<u>217,404</u>	<u>(52,729)</u>
<b>Other</b>				
<b>Central and Other</b>				
Operating lease payments	8,000	8,367	8,367	-
Other contracted services	11,600	11,600	11,509	(91)
Data processing supplies	3,000	1,895	1,320	(575)
Other supplies and materials	1,400	1,630	1,630	-
Other charges	800	800	694	(106)

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

**TRENTON SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011**

	Budget		Actual	Variance
	Original	Final		Over (Under)
Data processing equipment	1,000	1,508	1,508	-
Total central and other	25,800	25,800	25,028	(772)
Total support services	3,186,580	3,243,650	3,115,567	(128,083)
<b>Operation of Non-Instructional Services</b>				
<b>Community Services</b>				
Supervisor/director	7,074	7,074	7,054	(20)
Teachers	21,311	21,686	21,686	-
Clerical personnel	13,090	13,090	10,201	(2,889)
Other salaries and wages	40,207	40,092	33,386	(6,706)
Social security taxes	4,626	4,592	3,886	(706)
State retirement	3,833	3,377	2,910	(467)
Medicare taxes	1,186	1,178	926	(252)
Medical insurance	6,784	7,664	7,665	1
Other fringe benefits	168	168	150	(18)
Travel	2,500	2,474	326	(2,148)
Other contracted services	-	1,000	1,000	-
Food supplies	3,313	5,082	5,082	-
Instructional supplies	9,758	9,758	9,758	-
Other supplies and materials	9,801	8,549	5,957	(2,592)
Refunds	100	100	-	(100)
Other charges	9,850	9,087	5,055	(4,032)
Total community services	133,601	134,971	115,042	(19,929)
<b>Early Childhood Education</b>				
Supervisor/director	-	17,520	17,520	-
Teachers	138,798	141,298	141,298	-
Educational assistants	46,586	47,057	47,057	-
Other salaries and wages	84,533	57,065	57,065	-
Clerical personnel	-	10,300	10,301	1
Social security taxes	16,735	14,517	14,516	(1)
State retirement	18,697	18,989	18,989	-
Medical insurance	29,404	37,420	37,420	-
Unemployment compensation	4,049	4,099	4,099	-
Medicare taxes	3,914	3,395	3,395	-
Other fringe benefits	1,053	1,420	1,420	-
Maintenance and repair - equipment	3,000	2,084	2,083	(1)
Travel	3,000	1,406	1,406	-
Instructional supplies	42,518	35,717	35,717	-
Total early childhood education	392,287	392,287	392,286	(1)
Total operation of non-instructional services	525,888	527,258	507,328	(19,930)
<b>Education Capital Outlay</b>				
<b>Regular Capital Outlay</b>				
Building improvements	389,902	260,876	260,876	-
Architects	-	-	5,760	5,760
Legal services	-	-	10,759	10,759
Other capital outlay	-	229,737	229,737	-
Total regular capital outlay	389,902	490,613	507,132	16,519

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

**TRENTON SPECIAL SCHOOL DISTRICT  
GENERAL PURPOSE SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Education Debt Service				
Principal on bonds	473,263	427,893	415,000	(12,893)
Interest on bonds	576,737	576,737	539,032	(37,705)
Total education debt service	<u>1,050,000</u>	<u>1,004,630</u>	<u>954,032</u>	<u>(50,598)</u>
Total Expenditures	<u>10,676,225</u>	<u>10,751,426</u>	<u>10,389,266</u>	<u>(362,160)</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(279,397)</b>	<b>(279,397)</b>	<b>383,637</b>	<b>663,034</b>
Other financing sources (uses)				
Transfers in	34,500	34,500	18,277	(16,223)
Bonds issued	-	-	<u>627,736</u>	<u>627,736</u>
Total Other Financing Sources (Uses)	<u>34,500</u>	<u>34,500</u>	<u>646,013</u>	<u>611,513</u>
<b>Net change in fund balance</b>	<b>\$ (244,897)</b>	<b>\$ (244,897)</b>	<b>1,029,650</b>	<b>\$ 1,274,547</b>
Fund Balance - July 1, 2010			<u>2,263,979</u>	
Fund Balance - June 30, 2011			<u>\$ 3,293,629</u>	

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

**Inflows/revenues:**

Actual amounts (budgetary basis)	\$ 10,772,903	\$ 300,874
Differences - budget to GAAP:		
Fringe benefits - noncash	<u>59,702</u>	<u>59,702</u>
Total Revenues as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>10,832,605</u>	<u>360,576</u>

**Outflows/expenditures:**

Actual amounts (budgetary basis)	10,389,266	(362,160)
Differences - budget to GAAP:		
Fringe benefits - noncash	<u>59,702</u>	<u>59,702</u>
Total Expenditures as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>10,448,968</u>	<u>(302,458)</u>

**Other financing sources (uses)**

	<u>18,277</u>	<u>(16,223)</u>
<b>Net changes in fund balance</b>	<b>\$ 401,914</b>	<b>\$ 646,811</b>

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

**TRENTON SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

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

**A. Reporting Entity**

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

Reporting Entity - The Trenton Special School District is a public municipal corporation governed by a five-member board. It operates three schools: Trenton Elementary School, Trenton Rosenwald Middle School, and Trenton Peabody High School. The District's general purpose financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, the Trenton Special School District has no component units.

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

The district-wide financial statements (i.e., the statement of net assets 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 are normally supported by taxes and intergovernmental revenues, are the only activities of the District. The District does not maintain any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of the given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment 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.

**TRENTON SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments, are recorded only when payment is due.

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 District.

The District reports the following major governmental funds:

The General Purpose School 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 Capital Projects School Fund is used to fund and expend items related to any capital projects that the District may be involved in.

The financial statements of the District are prepared in accordance with generally accepted accounting principles. The District's reporting entity applies all relevant *Governmental Accounting Standards Board* (GASB) pronouncements and applicable *Financial Accounting Standards Board* (FASB) pronouncements and *Accounting Principle Board* (APB) opinions issued on or before November 30, 1989 unless they conflict with GASB pronouncements. The District's reporting entity does not apply FASB pronouncements issued after November 30, 1989.

Amounts reported as program revenues include: 1) charges for services, 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. As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements.

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

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

***Deposits and Investments***

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with a term of less than three months. 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.

**TRENTON SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

***Receivables and Payables***

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

A portion of the property taxes collected each year by Gibson County is specifically earmarked for the Trenton Special School District. The County collects the property taxes and sends the District its portion once a month. Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any unpaid taxes. Additional costs attach to delinquent taxes after court suit has been filed.

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.

***Inventory***

Inventory for the Gibson County School Bus Garage consists of repair parts and oil and is reported using the consumption approach. An annual physical inventory count is performed at the end of each fiscal year and used to adjust inventory to actual. The Cafeteria Fund maintains an inventory consisting of food supplies using the purchases method and expenses inventory when purchased throughout the year. At year-end, the actual cost of the items in inventory is used to capitalize the inventory, with a corresponding entry to reserved fund balance in the Cafeteria Fund.

***Capital Assets***

Capital assets, including property, plant, and equipment, are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$15,000 for equipment, vehicles, building improvements and buildings and an estimated useful life in excess of three years. The remaining capital outlay expenditures will be expensed. All land, construction in progress, and works of art will be included. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the District are depreciated using the straight line method over their estimated useful lives, summarized as follows:

Buildings and improvements	20 - 40 years
Machinery and equipment	7 - 15 years
Furniture and fixtures	5 years
Vehicles	5 - 10 years

***Deferred Revenue***

Deferred revenue represents amounts that were receivable and measurable at June 30, 2011 but were

**TRENTON SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2011

not available to finance expenditures for the year ended June 30, 2011. Deferred revenues primarily include unearned or unavailable revenues.

***Compensated Absences***

Certified employees of the Trenton Special School District are entitled to one day of sick leave for each month employed and two personal days a year. Sick leave days are accumulated from year to year, with no maximum total. Personal days are not accumulated, but the remaining amount at the end of each year is added to the sick leave accumulation. An accrual is not required since all sick and personal days that are not used are added to the length of service for each employee at retirement. Therefore, there are no monetary values associated with accumulated sick leave or personal leave.

Non-certified employees are entitled to one-half of one day of sick leave for each month employed. Sick leave days are accumulated from year to year, with no maximum total. Non-certified employees are not allowed to apply unused sick days to the length of service at retirement. Non-certified employees receive \$10 per unused sick day upon retirement. A reserve for unused sick days has been apportioned for this purpose. Noncertified employees are not entitled to personal days.

***On-Behalf Payments for Fringe Benefits***

The District 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, but are not budgeted and, therefore, are not included in the general purpose fund budgetary basis financial statements.

***Long-term Obligations***

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

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

***Fund Equity***

Effective July 1, 2010, the District adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying governmental fund type definitions. The District has evaluated the use of its Capital Projects and Debt Service Funds under the criteria set forth in GASB Statement 54 and has determined that there is no change needed.

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

**TRENTON SPECIAL SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011**

**Nonspendable fund balance**

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

**Restricted fund balance**

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

**Committed fund balance**

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

**Assigned fund balance**

This classification includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board and its designees (the Director of Schools) have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

**Unassigned fund balance**

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

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

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

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the district-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including notes and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this (\$19,470,000) difference are as follows:

School Bonds, Series 2003	\$ (1,200,000)
School Bonds, Series 2010A	(6,670,000)
School Bonds, Series 2010B	(11,100,000)
Energy Efficiency Loan	(500,000)
	\$ (19,470,000)

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Another element of that reconciliation explains that "capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$32,437,291 are as follows:

Construction in progress	\$	8,102,312
Land		266,057
Buildings and improvements		23,793,051
Other capital assets		<u>275,871</u>
Total capital assets, net of accumulated depreciation	\$	<u>32,437,291</u>

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

The reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the district-wide statement of activities. One element of that reconciliation states that "the repayments of the principal long-term debt consumes the current financial resources of governmental funds; however, these repayments have no effect on net assets." The details of this \$415,000 are as follows:

Principal repayments:		
School bonds payables, Series 2003	\$	<u>415,000</u>

Another element of that reconciliation states that "The issuance of long-term debt provides current financial resources to governmental funds; however, the issuance increases the liability on the statement of activities." The details of this (\$11,113,146) are as follows:

Issuance of new long-term debt:		
School bonds payables, Series 2010B	\$	(11,100,000)
Less bond issuance costs		486,853
Energy Efficiency Loan		<u>(500,000)</u>
	\$	<u>(11,113,147)</u>

Another element of that reconciliation explains that "Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$6,984,177 difference are as follows:

Capital outlays	\$	296,904
Construction in progress		7,493,774
Depreciation expense		<u>(806,501)</u>
	\$	<u>6,984,177</u>

Another element of that reconciliation states that "interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of activities." The details of this (\$58,937) are as follows:

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Accrued interest as of June 30, 2010	\$	62,782
Accrued interest as of June 30, 2011		(121,719)
	\$	<u>(58,937)</u>

Another element of that reconciliation states that "governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this (\$46,141) are as follows:

Amortization of bond issuance costs:		
School Bonds, Series 2010A	\$	(13,684)
School Bonds, Series 2010B		(32,457)
	\$	<u>(46,141)</u>

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

**Budgetary Information**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
2. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
3. Budgets are adopted on a basis consistent with generally accepted accounting principles with the exception of the on-behalf payments and commodities.

**NOTE 4 - DETAILED NOTES ON ACCOUNTS**

**A. Deposits and Investments**

At June 30, 2011, the District's deposits with local banks were covered by federal depository insurance or collateralized by securities held by the District's agent in the District's name. The District has also invested \$3,201,595 in the Tennessee Local Government Investment Pool (TLGIP). The TLGIP is collateralized by the State of Tennessee. Therefore, all funds deposited in the TLGIP are secure.

**Custodial Credit Risk** - 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 Board's agent in the Board's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the District to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least

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equal to the amount of funds invested in the repurchase transaction. As of June 30, 2011, all deposits met the District's policy.

**B. Receivables**

Receivables at year end for the District's individual major funds and non-major funds in the aggregate, are shown on the statement of net assets and the balance sheet for governmental funds. As of June 30, 2011, there were no allowances for uncollectible accounts.

The following grant revenues are deferred based on the district not receiving the funds within 60 days of year end.

	Deferred/ Unavailable	Unearned	Total
General Fund:			
Career Ladder Extended ARRA	4,517.00	-	4,517.00
FEMA - Public Assistance	78,420.74	-	78,420.74
Total	82,937.74	-	82,937.74

**C. Interfund Balances and Transfers**

Interfund balances consist of amounts owed to the General Purpose School Fund and Public Law Fund for insurance and other shared administrative expenses. During the year ended June 30, 2011, there was an operating transfer for \$18,277 made from the Public Law Fund to the General Purpose School Fund for their share of indirect costs.

At June 30, 2011, interfund balances consisted of the following:

Due from Public Law Fund	\$ 194,730
Due to General Purpose Fund	\$ 194,730

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

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	<u>Beginning Balance</u>	<u>Adjustment</u>	<u>Beginning Balance Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$ 266,057	\$ -	\$ 266,057	\$ -	\$ -	\$ 266,057
Construction in progress	<u>608,538</u>	<u>-</u>	<u>608,538</u>	<u>7,493,774</u>	<u>-</u>	<u>8,102,312</u>
Total capital assets, not being depreciated	<u>874,595</u>	<u>-</u>	<u>874,595</u>	<u>7,493,774</u>	<u>-</u>	<u>8,368,369</u>
Capital assets being depreciated:						
Buildings and Improvements	33,815,490	260,457	34,075,947	296,904	4,793,048	29,579,803
Other capital assets	<u>1,166,652</u>	<u>-</u>	<u>1,166,652</u>	<u>-</u>	<u>202,167</u>	<u>964,485</u>
Total capital assets being depreciated	<u>34,982,142</u>	<u>260,457</u>	<u>35,242,599</u>	<u>296,904</u>	<u>4,995,215</u>	<u>30,544,288</u>
Less accumulated depreciation for:						
Buildings and Improvements	(9,551,594)	(260,457)	(9,812,051)	(752,047)	(4,777,346)	(5,786,752)
Other capital assets	<u>(836,327)</u>	<u>-</u>	<u>(836,327)</u>	<u>(54,454)</u>	<u>(202,167)</u>	<u>(688,614)</u>
Total accumulated depreciation	<u>(10,387,921)</u>	<u>(260,457)</u>	<u>(10,648,378)</u>	<u>(806,501)</u>	<u>(4,979,513)</u>	<u>(6,475,366)</u>
Total capital assets being depreciated	<u>24,594,221</u>	<u>-</u>	<u>24,594,221</u>	<u>(509,597)</u>	<u>15,702</u>	<u>24,068,922</u>
Governmental activities capital assets, net	<u>\$ 25,468,816</u>	<u>\$ -</u>	<u>\$ 25,468,816</u>	<u>\$ 6,984,177</u>	<u>\$ 15,702</u>	<u>\$ 32,437,291</u>

The adjustment mentioned above was to add a maintenance shop to the books that was built and obtained in 1966.

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

Instruction	\$ 2,669
Support services	50,189
Non-instructional services	<u>753,643</u>
	<u>\$ 806,501</u>

**E. General Long-Term Debt**

**Bonds Payable** - The 1998 Limited Tax School Refunding Bonds were issued in the amount of \$6,805,000 with interest rates ranging from 3.95% to 4.95%. Interest payments are due semi-annually on November 1 and May 1, with principal payments due annually on November 1. Final maturity is November 1, 2020. However, this bond was paid off during the fiscal year using the funds from the 2010A Limited Tax School Bonds discussed below.

The 2003 Limited Tax School Refunding Bonds were issued in the amount of \$3,090,000 with interest rates ranging from 3.50% to 4.25%. Interest payments are due semi-annually on November 1 and May 1, with principal payments due annually on November 1 for the years 2006 thru 2011 and for the years

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2022 thru 2023. Final maturity is November 1, 2022.

The 2010A Limited Tax School Bonds were issued in the amount of \$6,670,000 with interest rates ranging from 2.00% to 4.13%. Interest payments are due semi-annually on November 1 and May 1, with principal payments due annually on November 1 for the years 2012 thru 2021 and for the years 2024 thru 2029. Final maturity is May 1, 2029.

The 2010B Limited Tax School Bonds were issued in the amount of \$11,100,000 with interest rates ranging from 5.93% to 6.13%. Interest payments are due semi-annually on November 1 and May 1, with principal payments due annually on November 1 for the years 2029 thru 2040. Final maturity is May 1, 2040.

Notes Payable - The Energy Efficiency Loan was issued in the amount of \$500,000 with an interest rates of 0.00%. Principal payments are due monthly beginning in August 2011 in the amount of \$5,952 until June 2018 with a final payment of \$5,984 due July 2018. Final maturity is July 2018.

A summary of changes in general long-term debt for the year ended June 30, 2011, is as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due in One Year
1998 Bonds	\$ 6,410,000	\$ -	\$ 6,410,000	\$ -	\$ -
2003 Bonds	1,615,000	-	415,000	1,200,000	-
2010A Bonds	-	6,670,000	-	6,670,000	225,000
2010B Bonds	-	11,100,000	-	11,100,000	-
Energy Efficiency Loan	-	500,000	-	500,000	65,472
<b>Total</b>	<b>\$ 8,025,000</b>	<b>\$ 18,270,000</b>	<b>\$ 6,825,000</b>	<b>\$ 19,470,000</b>	<b>\$ 290,472</b>

A summary of estimated annual debt service requirements for the District is shown below.

June 30,	Principal	Interest	Total
2012	\$ 290,472	\$ 956,507	\$ 1,246,979
2013	306,424	952,007	1,258,431
2014	316,424	947,307	1,263,731
2015	331,424	942,407	1,273,831
2016	351,424	934,607	1,286,031
2017 - 2021	2,048,832	4,545,580	6,594,412
2022 - 2026	2,955,000	4,089,483	7,044,483
2027 - 2031	3,595,000	3,450,272	7,045,272
2032 - 2036	4,650,000	2,299,326	6,949,326
2037 - 2040	4,625,000	725,815	5,350,815
	<b>\$ 19,470,000</b>	<b>\$ 19,843,311</b>	<b>\$ 39,313,311</b>

**F. Designations of Fund Equity**

The following funds had nonspendable, restricted, or assigned fund balances as of June 30, 2011:

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	<u>General Purpose</u>	<u>Capital Projects</u>	<u>Public Law</u>	<u>Cafeteria</u>	<u>Bus Garage</u>	<u>Total</u>
Nonspendable						
Inventory	\$ -	\$ -	\$ -	\$ 25,543	\$ 48,340	\$ 73,883
Restricted						
Education	266,715	-	2,118	-	-	268,833
Instruction	6,601	-	-	-	-	6,601
Other local reserves	-	-	-	-	1,000	1,000
Operation of non- instructional services	-	-	-	83	-	83
Assigned						
Instruction	100,000	-	-	-	-	100,000
Support services	7,500	-	-	-	-	7,500
Capital outlay	1,479,803	-	-	-	-	1,479,803
Debt service	30,700	-	-	-	-	30,700
Future budgets	434,950	3,116,415	-	226,955	-	3,778,320
Other purposes	427,745	-	3,249	-	7,816	438,810
	<u>\$ 2,754,014</u>	<u>\$ 3,116,415</u>	<u>\$ 5,367</u>	<u>\$ 252,581</u>	<u>\$ 57,156</u>	<u>\$ 6,185,533</u>

**G. Insurance Coverage**

The School District is exposed to various risks related to general liability, property, boiler and machinery, automobile liability, workers' compensation and legal liability. The School District decided it was more economically feasible to join public entity risk pools as opposed to purchasing commercial insurance for these areas. The School District is a member of the Tennessee School Boards Liability Trust (TSBLT) and the Tennessee School Boards Workers Compensation Trust (TSB-WCT), which are public entity risk pools established by the Tennessee School Boards Association, an association of member school districts. The School District pays an annual premium to these pools, which are designed to be self-sustaining through member premiums. The TSBLT reinsures through commercial insurance companies for claims in excess of \$100,000 for each insured event and the TSB-WCT reinsures through commercial insurance companies for claims in excess of \$250,000 for each insured event.

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

**H. Defined Benefit Plan**

***Plan Description***

Employees of the Trenton 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 5 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

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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011**

disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system on or after July 1, 1979 become vested after 5 years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Trenton Special School District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

***Funding Policy***

The Trenton Special School District requires employees to contribute 5.0 percent of earnable compensation. Trenton Special School District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2011, was 2.67% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Trenton Special School District is established and may be amended by the TCRS Board of Education.

***Annual Pension Cost***

For the year ending June 30, 2010, the Trenton Special School District's annual pension cost of \$39,402 to TCRS was equal to Trenton Special School District's required and actual contributions. The required contribution was determined as part of the July 1, 2009 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. Trenton 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, 2009 was 20 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

***Trend Information***

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	\$ 39,402	100.00%	\$ -
6/30/2010	\$ -	100.00%	\$ -
6/30/2009	\$ -	100.00%	\$ -

***Funded Status and Funding Progress***

As of July 1, 2009, the most recent actuarial valuation date, the plan was 106.45% funded. The actuarial accrued liability for benefits was \$3.4 million, and the actuarial value of assets was \$3.6

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million, resulting in an unfunded actuarial accrued liability (UAAL) of (\$0.2) million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.3 million, and the ratio of the UAAL to the covered payroll was -16.11%.

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.

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

*(Dollar amounts in thousands)*

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	\$ 3,571	\$ 3,355	\$ (216)	106.45%	\$ 1,342	-16.11%
7/1/2007	\$ 3,482	\$ 2,873	\$ (609)	121.20%	\$ 1,105	-55.11%

**School Systems - Defined Benefit Plan**

***Plan Description***

The Trenton Special Schools 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 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. Cost of living adjustments (COLA) are provided 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 maximum 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

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Building, Nashville, TN 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs/Schools](http://www.tn.gov/treasury/tcrs/Schools).

***Funding Policy***

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Trenton Special Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2011, was 9.05% of annual covered payroll. The employer contribution requirement of Trenton Special Schools is established and may be amended by the TCRS Board of Education. The employer's contributions to TCRS for the years ended June 30, 2011, 2010, and 2009 were \$463,723, \$323,302, and \$315,670 respectively, equal to the required contributions for each year.

**I. 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, 2011, the State made contributions of \$59,702.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TRENTON SPECIAL SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF RETIREMENT FUNDING PROGRESS  
 June 30, 2011**

*(Dollar amounts in thousands)*

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	\$ 3,571	\$ 3,355	\$ (216)	106.45%	\$ 1,342	-16.11%
7/1/2007	\$ 3,482	\$ 2,873	\$ (609)	121.20%	\$ 1,105	-55.11%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into effect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

*See independent auditor's report.*

**OTHER SUPPLEMENTARY INFORMATION**

**TRENTON SPECIAL SCHOOL DISTRICT  
CAPITAL PROJECTS SCHOOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011**

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u> <u>(Under)</u>
<b>Revenues</b>				
Other local revenues				
Investment income	\$ -	\$ -	\$ 75,205	\$ 75,205
State funds				
Energy Efficient School Initiative	30,375	30,375	30,375	-
Total revenues	<u>30,375</u>	<u>30,375</u>	<u>105,580</u>	<u>75,205</u>
<b>Expenditures</b>				
Non-instructional services				
Capital outlay				
Architects	85,701	85,701	63,810	(21,891)
Other contracted services	360,278	360,278	2,515	(357,763)
Building construction	<u>10,072,433</u>	<u>10,072,433</u>	<u>7,410,877</u>	<u>(2,661,556)</u>
Total expenditures	<u>10,518,412</u>	<u>10,518,412</u>	<u>7,477,202</u>	<u>(3,041,210)</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(10,488,037)</b>	<b>(10,488,037)</b>	<b>(7,371,622)</b>	<b>3,116,415</b>
<b>Other Financing Sources</b>				
Bonds issued	9,988,037	9,988,037	9,988,037	-
Other loans issued	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Total other financing sources	<u>10,488,037</u>	<u>10,488,037</u>	<u>10,488,037</u>	<u>-</u>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>3,116,415</b>	<b>\$ 3,116,415</b>
Fund Balance - July 1, 2010			-	
Fund Balance - June 30, 2011			<u>\$ 3,116,415</u>	

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

**TRENTON SPECIAL SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2011**

	<u>Special Revenue</u>			<u>Total</u>
	<u>Public Law Fund</u>	<u>Cafeteria Fund</u>	<u>Bus Garage Fund</u>	
<b>Assets</b>				
Cash	\$ 1,103	\$ 202,072	\$ 1,271	\$ 204,446
Due from other governments	-	-	7,545	7,545
Due from grantor	224,954	24,966	-	249,920
Inventories	-	25,543	48,340	73,883
<b>Total Assets</b>	<b><u>\$ 226,057</u></b>	<b><u>\$ 252,581</u></b>	<b><u>\$ 57,156</u></b>	<b><u>\$ 535,794</u></b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 25,925	\$ -	\$ -	\$ 25,925
Due to other funds	194,730	-	-	194,730
Other payroll deductions	35	-	-	35
<b>Total liabilities</b>	<b><u>220,690</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>220,690</u></b>
<b>Fund Balance</b>				
<b>Nonspendable</b>				
Inventory	-	25,543	48,340	73,883
<b>Restricted</b>				
Education	2,118	-	-	2,118
Other local reserves	-	-	1,000	1,000
Operation of non-instructional services	-	83	-	83
<b>Assigned</b>				
Future budgets	-	226,955	-	226,955
Assigned for other purposes	3,249	-	7,816	11,065
<b>Total Fund Balance</b>	<b><u>5,367</u></b>	<b><u>252,581</u></b>	<b><u>57,156</u></b>	<b><u>315,104</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 226,057</u></b>	<b><u>\$ 252,581</u></b>	<b><u>\$ 57,156</u></b>	<b><u>\$ 535,794</u></b>

See independent auditor's report.

**TRENTON SPECIAL SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2011

	Special Revenue			Total
	Public Law Fund	Cafeteria Fund	Bus Garage Fund	
<b>Revenues</b>				
Local revenue	\$ -	-	\$ 286,578	\$ 286,578
Charges for services	-	180,573	-	180,573
Federal and state funds	1,196,799	582,061	-	1,778,860
Commodities	-	38,620	-	38,620
Interest	-	187	-	187
<b>Total revenues</b>	<b>1,196,799</b>	<b>801,441</b>	<b>286,578</b>	<b>2,284,818</b>
<b>Expenditures</b>				
Instruction				
Regular instruction	296,395	-	-	296,395
Special education	369,906	-	-	369,906
Vocational education	28,535	-	-	28,535
Adult education	75,329	-	-	75,329
Support services				
Student support	10,896	-	-	10,896
Regular instruction	244,545	-	-	244,545
Special education	68,890	-	-	68,890
Vocational education	903	-	-	903
Adult programs	63,577	-	-	63,577
Transportation	15,658	-	286,047	301,705
Non-instructional services				
Food service	-	796,978	-	796,978
<b>Total expenditures</b>	<b>1,174,634</b>	<b>796,978</b>	<b>286,047</b>	<b>2,257,659</b>
 Excess Revenues over Expenditures	 22,165	 4,463	 531	 27,159
Other Financing Sources (Uses)				
Operating transfers out	(18,277)	-	-	(18,277)
 <b>Excess Revenues and Other Sources over Expenditures and Other Uses</b>	 <b>3,888</b>	 <b>4,463</b>	 <b>531</b>	 <b>8,882</b>
Fund Balance - July 1, 2010	1,479	256,750	57,856	316,085
Increase (Decrease) in Reserves	-	(8,632)	(1,231)	(9,863)
Fund Balance - June 30, 2011	<b>\$ 5,367</b>	<b>\$ 252,581</b>	<b>\$ 57,156</b>	<b>\$ 315,104</b>

See independent auditor's report.

**TRENTON SPECIAL SCHOOL DISTRICT  
PUBLIC LAW FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the year ended June 30, 2011**

<b>Revenues</b>	<b>Budget</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		<b>Over (Under)</b>
Federal and State Funds	<u>\$ 1,047,787</u>	<u>\$ 1,376,926</u>	<u>\$ 1,196,799</u>	<u>\$ (180,127)</u>
<b>Expenditures</b>				
Instruction				
Regular Instruction	172,587	339,559	296,395	(43,164)
Special Education	392,198	394,700	369,906	(24,794)
Vocational Education	27,951	28,535	28,535	-
Adult Education	92,527	103,328	75,329	(27,999)
Support Services				
Other Student Support	9,519	12,396	10,896	(1,500)
Regular Instruction	176,689	321,078	244,545	(76,533)
Special Education	69,704	68,522	68,890	368
Vocational Education	1,000	903	903	-
Adult Programs	74,932	72,132	63,577	(8,555)
Transportation	<u>16,103</u>	<u>15,658</u>	<u>15,658</u>	<u>-</u>
Total Expenditures	<u>1,033,210</u>	<u>1,356,811</u>	<u>1,174,634</u>	<u>(182,177)</u>
Excess Revenues over Expenditures	14,577	20,115	22,165	2,050
Other Financing Sources (Uses)				
Operating Transfers Out	<u>(14,577)</u>	<u>(20,115)</u>	<u>(18,277)</u>	<u>1,838</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>3,888</u>	<u>\$ 3,888</u>
Fund Balance - July 1, 2010			<u>1,479</u>	
Fund Balance - June 30, 2011			<u>\$ 5,367</u>	

*See independent auditor's report.*

**TRENTON SPECIAL SCHOOL DISTRICT  
CAFETERIA FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
For the year ended June 30, 2011**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Student lunches	\$ 176,602	\$ 176,602	\$ 155,061	\$ (21,541)
Adult lunches	30,968	30,968	24,440	(6,528)
Breakfast sales	11,293	11,293	1,072	(10,221)
State matching	8,107	8,107	7,635	(472)
USDA lunch funds	359,396	359,396	343,587	(15,809)
USDA breakfast funds	110,218	110,218	192,219	82,001
Interest earned	486	486	187	(299)
Total revenues	<u>697,070</u>	<u>697,070</u>	<u>724,201</u>	<u>27,131</u>
<b>Expenditures</b>				
Supervisor/director	18,644	11,382	11,383	1
Clerical personnel	2,107	10,311	10,311	-
Cafeteria personnel	236,810	225,140	225,140	-
Other salaries	5,000	9,171	9,171	-
Employee benefits	56,170	49,122	49,123	1
Communication	2,000	2,087	2,087	-
Equipment maintenance	3,400	5,050	5,050	-
Travel and transportation	6,550	4,997	4,997	-
Other contracted services	2,400	4,575	4,575	-
Food services	270,000	306,896	308,001	1,105
Uniforms	1,350	1,241	1,241	-
Utilities	24,000	26,442	26,442	-
In-service training	1,600	3,620	3,620	-
Supplies	55,039	36,826	36,826	-
Other charges	12,000	4,737	2,244	(2,493)
Capital outlay - equipment	<u>223,878</u>	<u>219,351</u>	<u>19,527</u>	<u>(199,824)</u>
Total expenditures	<u>920,948</u>	<u>920,948</u>	<u>719,738</u>	<u>(201,210)</u>
<b>Excess Revenues over (under) Expenditures</b>	<b><u>\$ (223,878)</u></b>	<b><u>\$ (223,878)</u></b>	<b><u>4,463</u></b>	<b><u>\$ 228,341</u></b>
Fund Balance - July 1, 2010			256,750	
Increase (Decrease) in Reserve for Inventory			<u>(8,632)</u>	
Fund Balance - June 30, 2011			<b><u>\$ 252,581</u></b>	

See independent auditor's report.

**TRENTON SPECIAL SCHOOL DISTRICT  
CAFETERIA FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
For the year ended June 30, 2011**

	<b>Budget</b>			<b>Variance Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures</b>				
<b>Inflows/revenues:</b>				
Actual amounts (budgetary basis)			\$ 724,201	\$ 27,131
Differences - budget to GAAP:				
Commodities benefits - noncash			38,620	38,620
Total Revenues as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			762,821	65,751
<b>Outflows/expenditures:</b>				
Actual amounts (budgetary basis)			719,738	(201,210)
Differences - budget to GAAP:				
Commodities expense - noncash			38,620	38,620
Total Expenditures as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			758,358	(162,590)
<b>Net changes in fund balance</b>			<b>\$ 4,463</b>	<b>\$ 228,341</b>

*See independent auditor's report.*

**TRENTON SPECIAL SCHOOL DISTRICT  
GIBSON COUNTY SCHOOL BUS GARAGE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2011

	<u>Budget</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Over (Under)</b>
<b>Revenues</b>				
Local Revenues	<u>\$ 278,977</u>	<u>\$ 286,047</u>	<u>\$ 286,578</u>	<u>\$ 531</u>
<b>Expenditures</b>				
Salaries - Mechanics	105,681	105,682	105,682	-
Salaries - Other	11,540	11,540	11,540	-
Employee Benefits	22,556	18,867	18,867	-
Travel	400	111	111	-
Communications	2,600	2,978	2,979	1
Laundry Service	2,400	2,106	2,105	(1)
Other Contracted Services	5,500	5,590	5,590	-
Postal Charges	400	212	211	(1)
Fuel and Lubricants	9,700	8,534	8,534	-
Garage Supplies	11,000	3,529	3,529	-
Tires and Tubes	37,000	35,296	35,296	-
Repair Parts for Vehicles	60,000	72,894	72,894	-
Insurance on Vehicles	3,000	3,000	3,000	-
Other Charges	<u>7,200</u>	<u>15,708</u>	<u>15,709</u>	<u>1</u>
Total Expenditures	<u>278,977</u>	<u>286,047</u>	<u>286,047</u>	<u>-</u>
<b>Excess Revenues over Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<b>531</b>	<u>\$ 531</u>
Fund Balance - July 1, 2010			57,856	
Increase (Decrease) in Reserve for Inventory			<u>(1,231)</u>	
Fund Balance - June 30, 2011			<u>\$ 57,156</u>	

See independent auditor's report.

**TRENTON SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**  
**GENERAL OBLIGATION DEBT**  
June 30, 2011

Year Ending June 30,	2003 School Bonds		2010A School Bonds		2010B School Bonds		Energy Efficiency Loan		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2012	\$ -	\$ 51,000	\$ 225,000	\$ 227,631	\$ -	\$ 677,876	\$ 65,472	\$ -	\$ 290,472	\$ 956,507	\$ 1,246,979
2013	-	51,000	235,000	223,131	-	677,876	71,424	-	306,424	952,007	1,258,431
2014	-	51,000	245,000	218,431	-	677,876	71,424	-	316,424	947,307	1,263,731
2015	-	51,000	260,000	213,531	-	677,876	71,424	-	331,424	942,407	1,273,831
2016	-	51,000	280,000	205,731	-	677,876	71,424	-	351,424	934,607	1,286,031
2017	-	51,000	300,000	199,431	-	677,876	71,424	-	371,424	928,307	1,299,731
2018	-	51,000	355,000	191,931	-	677,876	71,424	-	426,424	920,807	1,347,231
2019	-	51,000	395,000	182,169	-	677,876	5,984	-	400,984	911,045	1,312,029
2020	-	51,000	415,000	170,319	-	677,876	-	-	415,000	899,195	1,314,195
2021	-	51,000	435,000	157,350	-	677,876	-	-	435,000	886,226	1,321,226
2022	585,000	38,569	-	143,213	-	677,876	-	-	585,000	859,658	1,444,658
2023	615,000	13,069	-	143,213	-	677,876	-	-	615,000	834,158	1,449,158
2024	-	-	555,000	143,213	-	677,876	-	-	555,000	821,089	1,376,089
2025	-	-	580,000	121,013	-	677,876	-	-	580,000	798,889	1,378,889
2026	-	-	620,000	97,813	-	677,876	-	-	620,000	775,689	1,395,689
2027	-	-	645,000	73,012	-	677,876	-	-	645,000	750,888	1,395,888
2028	-	-	675,000	46,406	-	677,876	-	-	675,000	724,282	1,399,282
2029	-	-	450,000	18,562	275,000	677,876	-	-	725,000	696,438	1,421,438
2030	-	-	-	-	750,000	661,570	-	-	750,000	661,570	1,411,570
2031	-	-	-	-	800,000	617,094	-	-	800,000	617,094	1,417,094
2032	-	-	-	-	835,000	568,094	-	-	835,000	568,094	1,403,094
2033	-	-	-	-	890,000	516,950	-	-	890,000	516,950	1,406,950
2034	-	-	-	-	925,000	462,438	-	-	925,000	462,438	1,387,438
2035	-	-	-	-	975,000	405,781	-	-	975,000	405,781	1,380,781
2036	-	-	-	-	1,025,000	346,063	-	-	1,025,000	346,063	1,371,063
2037	-	-	-	-	1,075,000	283,282	-	-	1,075,000	283,282	1,358,282
2038	-	-	-	-	1,125,000	217,438	-	-	1,125,000	217,438	1,342,438
2039	-	-	-	-	1,175,000	148,532	-	-	1,175,000	148,532	1,323,532
2040	-	-	-	-	1,250,000	76,563	-	-	1,250,000	76,563	1,326,563
	<b>\$ 1,200,000</b>	<b>\$ 561,638</b>	<b>\$ 6,670,000</b>	<b>\$ 2,776,100</b>	<b>\$ 11,100,000</b>	<b>\$ 16,505,573</b>	<b>\$ 500,000</b>	<b>\$ -</b>	<b>\$ 19,470,000</b>	<b>\$ 19,843,311</b>	<b>\$ 39,313,311</b>

See independent auditor's report.

**TRENTON SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF INTERFUND TRANSFERS - ALL FUNDS**  
For the year ended June 30, 2011

	Operating Transfers					
	Transfer In	Budget	Actual	Transfer Out	Budget	Actual
General Purpose		<u>\$ 34,500</u>	<u>\$ 18,277</u>	Public Law Fund	<u>\$ 20,115</u>	<u>\$ 18,277</u>

*See independent auditor's report.*

**TRENTON SPECIAL SCHOOL DISTRICT  
SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS -  
LAST TEN YEARS**

For the Year Ended June 30, 2011

**TEN YEAR SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS**

<u>Year Ended June 30,</u>	<u>Assessed Valuation</u>	<u>Tax Rate Per \$100</u>	<u>Levy</u>
2011	\$ 104,619,721	\$2.13	\$ 2,228,400
2010	\$ 104,451,432	\$1.89	\$ 1,974,132
2009	\$ 92,550,884	\$2.04	\$ 1,888,038
2008	\$ 91,880,323	\$2.04	\$ 1,874,359
2007	\$ 90,784,195	\$2.04	\$ 1,851,998
2006	\$ 89,525,867	\$1.75	\$ 1,566,703
2005	\$ 89,365,355	\$1.75	\$ 1,563,894
2004	\$ 83,331,186	\$1.75	\$ 1,458,296
2003	\$ 83,755,382	\$1.71	\$ 1,432,217
2002*			

The following tax was levied on January 1, 2011:

2012	\$ 106,265,554	\$2.13	\$ 2,263,456
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\* information not available

*See independent auditor's report.*

**TRENTON SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2011

Grantor Agency/ Pass-through Agency/ Program Name and Number	CFDA #	Balance 7/1/2010	Receipts	Expenditures	Balance Unearned (Receivable) 6/30/2011
<b>U.S. Department of Education/</b>					
<i>Tennessee Department of Education/</i>					
Title I, Grants to Local Education Agencies					
Title I A ARRA	84.389*	(5,873)	59,679	106,623	(52,817)
Title I	84.010*	103	-	103	-
Title I	84.010*	(43,743)	286,306	301,771	(59,208)
		<u>(49,513)</u>	<u>345,985</u>	<u>408,497</u>	<u>(112,025)</u>
Education of Homeless Children and Youth					
Title X ARRA	84.387	-	757	757	-
English Language Acquisition Grants					
Title III, Part A	84.365	-	3,133	3,133	-
Rural and Low-Income School Program					
Title VI, Rural Education	84.358	(2,404)	2,404	-	-
Education Technology State Grants					
Title IID ARRA 10-01	84.405	(89)	89	-	-
Enhancing Education Through Technology					
Title II, Part D	84.318	(2,027)	3,128	1,101	-
Improving Teacher Quality State Grants					
Title II, Part A Training	84.367	(15,013)	83,674	77,680	(9,019)
Special Education - Grants to States					
IDEA ARRA 10-01	84.391*	(8,616)	167,303	186,112	(27,425)
IDEA - Assistive Technology	84.027*	-	2,700	2,700	-
IDEA	84.027*	(34,727)	268,473	268,944	(35,198)
		<u>(43,343)</u>	<u>438,476</u>	<u>457,756</u>	<u>(62,623)</u>

See independent auditor's report.

**TRENTON SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2011

Grantor Agency/ Pass-through Agency/ Program Name and Number	CFDA #	Balance 7/1/2010	Receipts	Expenditures	Balance Unearned (Receivable) 6/30/2011
Special Education - Preschool Grants					
Special Education - Preschool					
High Cost Grant	84.173*	-	2,490	2,490	-
IDEA Preschool	84.173*	(868)	7,890	7,876	(854)
		(868)	10,380	10,366	(854)
Total special education grants		(44,211)	448,856	468,122	(63,477)
Adult Ed (75% Federal; 25% State)	84.002	(9,529)	18,202	12,041	(3,368)
ABE 2009 (75% Federal; 25% State)	84.002	-	68,521	82,893	(14,372)
ABE 2006 (79% Federal; 21% State)	84.002	57	-	57	-
ABE 2002-03	84.002	20	-	20	-
Workforce Essentials Inc.		-	450	450	-
		(9,452)	87,173	95,461	(17,740)
Career and Technical Education - Basic Grants to States					
Carl Perkins	84.048	(3,540)	32,795	34,951	(5,696)
State Fiscal Stabilization Fund					
First to the Top ARRA	84.395	-	32,632	39,807	(7,175)
State Fiscal Stabilization Fund					
SMMS ARRA	84.397*	-	3,631	3,631	-
BEP State Stabilization ARRA	84.397*	-	690,870	690,870	-
Family Resource ARRA	84.397*	(6,310)	31,481	33,300	(8,129)
Safe Schools ARRA	84.397*	(4,400)	4,400	8,200	(8,200)
Coordinated School Health ARRA	84.397*	(33,530)	104,629	105,000	(33,901)
Career Ladder Extended ARRA	84.397*	(16,312)	24,950	32,991	(24,353)
Internet Connectivity ARRA	84.397*	-	4,204	4,204	-
Total State Fiscal Stabilization Funds		(60,552)	864,165	878,196	(74,583)
Title IV Part B, 21st Century	84.287	(37,943)	57,832	50,000	(30,111)

*See independent auditor's report.*

**TRENTON SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2011

Grantor Agency/ Pass-through Agency/ Program Name and Number	CFDA #	Balance 7/1/2010	Receipts	Expenditures	Balance Unearned (Receivable) 6/30/2011
Title I - P.L. 874 (Impact Aid)	84.041	-	2,554	2,554	-
<b>Total Department of Education</b>		<b>(224,744)</b>	<b>1,965,177</b>	<b>2,060,259</b>	<b>(319,826)</b>
<b>U.S. Department of Labor</b>					
WIA Dislocated Worker	17.260	-	8,497	12,202	(3,705)
<i>Passed through Dyersburg State</i>					
JTG	17.259	(4,969)	25,127	24,852	(4,694)
WIA Youth Activities	17.259	(4,922)	13,186	8,264	-
<b>Total Department of Labor</b>		<b>(9,891)</b>	<b>46,810</b>	<b>45,318</b>	<b>(8,399)</b>
<b>U.S. Department of Agriculture/</b>					
<i>Tennessee Department of Agriculture/</i>					
Child and Adult Care Food Program	10.558	-	7,370	7,370	-
Food Distribution - Commodities	10.555	-	38,620	38,620	-
School Breakfast Program	10.553	(9,619)	192,144	192,219	(9,694)
National School Lunch Program	10.555	(31,236)	359,551	343,587	(15,272)
		(40,855)	590,315	574,426	(24,966)
<b>Total Department of Agriculture</b>		<b>(40,855)</b>	<b>597,685</b>	<b>581,796</b>	<b>(24,966)</b>
<b>U.S. Department of Human Services/</b>					
<i>Tennessee Department of Human Services/</i>					
AIDS Education and Training Centers	93.145	-	466	466	-

See independent auditor's report.

**TRENTON SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2011

<b>Grantor Agency/ Pass-through Agency/ Program Name and Number</b>	<b>CFDA #</b>	<b>Balance 7/1/2010</b>	<b>Receipts</b>	<b>Expenditures</b>	<b>Balance Unearned (Receivable) 6/30/2011</b>
Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program ARRA	93.714	-	13,188	13,188	-
<b>Total Department of Human Services</b>		-	13,654	13,654	-
<b>Federal Emergency Management Agency</b> <i>State of Tennessee/</i> Public Assistance	97.036	-	520	78,941	(78,421)
<b>Total Federal Awards</b>		<b>\$ (275,490)</b>	<b>\$ 2,623,846</b>	<b>\$ 2,779,968</b>	<b>\$ (431,612)</b>

**NOTE:** Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and issued.

**NOTE:** The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting.

\* Major federal financial assistance program.

*See independent auditor's report.*

**TRENTON SPECIAL SCHOOL DISTRICT  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
For the year ended June 30, 2011**

Grantor Agency/ Program Name	Number	Balance 7/1/2010	Receipts	Expenditures	Balance Unearned (Receivable) 6/30/2011
<b>Tennessee Department of Education</b>					
WIA Dropout Academic Tutoring		\$ (1)	\$ -	\$ 1	\$ (2)
ABE 2006 (79% Federal; 21% State)	Z-06-027825	15	-	15	-
ABE 2009 (75% Federal; 25% State)	Z-09-213510	-	22,840	27,631	(4,791)
ABE 08-01 (75% Federal; 25% State)	Z-10-218552	(3,176)	3,176	-	-
Dislocated Worker		(501)	501	-	-
Early Childhood Grant - Pilot	MXOAX	(128,247)	381,878	392,286	(138,655)
Drivers Education		-	4,666	4,666	-
Energy Efficiency School Initiative		-	30,375	30,375	-
<b>Total State Financial Assistance</b>		<b>\$ (131,910)</b>	<b>\$ 443,436</b>	<b>\$ 454,974</b>	<b>\$ (143,448)</b>

*See independent auditor's report.*

## **INTERNAL CONTROL AND COMPLIANCE**



Certified Public Accountants

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**Report on Internal Control over Financial Reporting and on Compliance  
And Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Board of Education  
Trenton Special School District  
Trenton, Tennessee

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Trenton Special School District as of and for the year ended June 30, 2011, which collectively comprise the Trenton Special School District's basic financial statements and have issued our report thereon dated November 21, 2011. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Trenton Special School District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting and is described as item 96-1. A significant deficiency is a deficiency, or 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.

Dyersburg, TN	Milan, TN
Henderson, TN	Murray, KY
Jackson, TN	Paris, TN
Martin, TN	Trenton, TN
McKenzie, TN	Union City, TN

To the Board of Education  
Trenton Special School District

**Compliance and Other Matters**

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

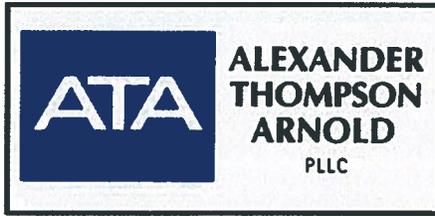
We noted certain matters that we reported to the management of the Trenton Special School District in a separate letter dated November 21, 2011.

Trenton Special School District's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of education, management, the State of Tennessee Comptroller's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Alexander Thompson Arnold PLLC*

Certified Public Accountants  
Jackson, Tennessee  
November 21, 2011



Certified Public Accountants

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**Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133**

To the Board of Education  
Trenton Special School District  
Trenton, Tennessee

**Compliance**

We have audited Trenton Special School District (District) 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 District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Trenton Special School District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit 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 Trenton Special School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Trenton Special School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Dyersburg, TN  
Henderson, TN  
Jackson, TN  
Martin, TN  
McKenzie, TN

Milan, TN  
Murray, KY  
Paris, TN  
Trenton, TN  
Union City, TN

To the Board of Education  
Trenton Special School District

**Internal Control over Compliance**

The management of the Trenton Special School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of education, management, the State of Tennessee Comptroller's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Alexander Thompson Arnold PLLC*

Certified Public Accounts  
Jackson, Tennessee  
November 21, 2011

**TRENTON SPECIAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended June 30, 2011**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u>          </u> yes	<u>  X  </u> no
Significant deficiency(ies) identified?	<u>  X  </u> yes	<u>          </u> none repor
Noncompliance material to financial statements noted?	<u>          </u> yes	<u>  X  </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u>          </u> yes	<u>  X  </u> no
Significant deficiencies identified?	<u>          </u> yes	<u>  X  </u> none repor

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.839	Title I ARRA
84.010	Title I
84.391	IDEA 10-01 ARRA
84.027	IDEA - Assistive Technology
84.027	IDEA
84.173	IDEA Preschool ARRA
84.173	Special Education - Preschool High Cost Grant
84.397	SSMS ARRA
84.397	BEP State Stabilization ARRA
84.397	Family Resource Center ARRA
84.397	Safe Schools ARRA
84.397	Coordinated School Health ARRA
84.397	Career Ladder Extended ARRA
84.397	Internet Connectivity ARRA

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>          300,000          </u>
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Auditee qualified as low-risk auditee?	<u>  X  </u> yes	<u>          </u> no
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**TRENTON SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended June 30, 2011

**SECTION II – FINANCIAL STATEMENT FINDINGS**

***Significant Deficiencies***

**96-1 Segregation of duties**

Condition: The Trenton Special School District lacks adequate staff to implement the desired level of segregation of duties.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the 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 controls.

Response: We will segregate bookkeeping and accounting duties to the fullest extent possible.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**TRENTON SPECIAL SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS**  
For the year ended June 30, 2011

**PRIOR FINANCIAL STATEMENTS FINDINGS**

96-1 Segregation of Duties - repeated

**PRIOR FEDERAL AWARD FINDINGS AND QUESTION COSTS**

None reported.