

TRENTON SPECIAL SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2012

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INTRODUCTORY SECTION

**TRENTON SPECIAL SCHOOL DISTRICT
DIRECTORY
June 30, 2012**

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

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Certified Public Accountants
Offices in Tennessee & Kentucky

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Independent Auditor's Report

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

We have audited the District-Wide 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, 2012, 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.

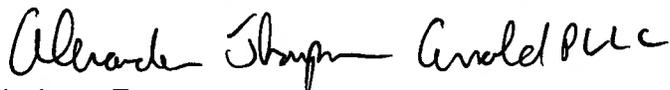
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Trenton Special School District as of June 30, 2012, and the respective changes in financial position thereof, and the budgetary comparison for the general purpose school 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 January 11, 2013, 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 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The combining and individual nonmajor fund financial statements, schedule of principal and interest requirements - general obligation debt, schedule of interfund transfers - all funds, schedule of salaries and bonds, schedule of property tax rates and assessments - last ten years, schedule of state financial assistance, and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) are presented for purposes of additional analysis and are not a required part of the financial statements. Such 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 combining and individual nonmajor fund financial statements, schedule of principal and interest requirements - general obligation debt, schedule of interfund transfers - all funds, schedule of salaries and bonds, schedule of property tax rates and assessments - last ten years, schedule of state financial assistance, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

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



Jackson, Tennessee
January 11, 2013

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, 2012. 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, 2012 by \$20,713,927. Of this amount, \$3,708,362 (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 \$4,154,001. Approximately 24.02% of this total amount, \$997,837, is unassigned in the general purpose fund.
- At the end of the current fiscal year, unassigned fund balance for the general purpose fund was \$997,837 or 9.51% of total general purpose fund expenditures.
- The District's total bonded debt decreased by \$296,424. This decrease is due to the annual required debt payments.
- The District's total capital assets increased by \$2,671,662. This is due to the four large capital projects the District has been involved in.

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 a basic financial statements for the general purpose fund 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 and capital projects fund which is a major fund.

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 \$20,713,927 at the close of the fiscal year ended June 30, 2012.

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 June 30, 2012	Governmental Activities June 30, 2011
Assets		
Current and other	\$ 7,880,799	\$ 10,498,416
Capital assets - net of accumulated depreciation	<u>35,108,953</u>	<u>32,437,291</u>
Total assets	<u>42,989,752</u>	<u>42,935,707</u>
Liabilities		
Long-term liabilities	19,173,576	19,470,000
Other liabilities	<u>3,102,249</u>	<u>3,194,276</u>
Total liabilities	<u>22,275,825</u>	<u>22,664,276</u>
Net asset		
Invested in capital assets, net of related debt	15,935,377	12,967,291
Restricted	1,070,188	1,160,334
Unrestricted	<u>3,708,362</u>	<u>6,143,806</u>
Total net assets	<u>\$ 20,713,927</u>	<u>\$ 20,271,431</u>

The above provides a summary of the District's net assets for 2012 and 2011.

During the current fiscal year, the District's total net assets increased by \$442,496. This increase was made up of a prior period adjustment of \$594,191 and a current year loss of \$151,695. The prior period adjustment was to adjust for construction interest expense that should have been capitalized as part of the construction projects. The loss was related in part to the decrease in grant funds.

The following summary shows the changes in net assets for fiscal years 2012 and 2011.

The District's Changes in Net Assets	Governmental Activities June 30, 2012	Governmental Activities June 30, 2011
Revenues		
Program revenues		
Charges for services	\$ 167,413	\$ 262,311
Operating grants and contributions	3,039,543	2,574,014
Capital grants and contributions	101,769	296,904
General revenues		
Property taxes	2,381,896	2,387,667
Sales taxes	596,100	653,219
Other local taxes and licenses	1,116	1,188
Grants and contributions not restricted to specific programs:		
Basic Education Program	6,601,000	5,921,130
Basic Education Program - ARRA	-	690,870
Other	382,055	59,924
Interest	14,165	80,840
Other local revenue	98,169	277,217
Total revenues	<u>13,383,226</u>	<u>13,205,284</u>
Expenses		
Instruction	6,090,899	6,156,020
Support Services	4,099,335	3,857,449
Non-instructional services	3,344,687	2,881,482
Total expenses	<u>13,534,921</u>	<u>12,894,951</u>
Increase (decrease) in net assets	(151,695)	310,333
Net assets, beginning	20,271,431	19,961,098
Prior Period Adjustment	594,191	-
Net assets, beginning - restated	<u>20,865,622</u>	<u>19,961,098</u>
Net assets, ending	<u>\$ 20,713,927</u>	<u>\$ 20,271,431</u>

Governmental activities. Governmental activities increased the District's net assets by \$442,496. Part of this increase is the construction interest received that was previously mentioned.

Total governmental activities' revenue for the fiscal year was \$13,383,226. 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 \$10,881,112 in revenues and \$10,492,023 in expenditures and the capital projects fund had \$10,633 in revenues and \$2,914,139 in expenditures. In the non-major funds, the public law fund had \$1,325,028 in revenues and \$1,370,795 in expenses, the cafeteria fund had \$775,211 in revenues and \$784,929 in expenditures. The bus garage fund had \$302,703 in revenues and \$302,013 in expenditures.

Revenue by Source - Governmental Funds

Total governmental revenues allocated by each revenue type.

	June 30, 2012		June 30, 2011	
	Amount	Percent	Amount	Percent
Program revenues				
Charges for services	\$ 167,413	1.25%	\$ 262,311	1.99%
Operating grants and contributions	3,039,543	22.71%	2,574,014	19.49%
Capital grants and contributions	101,769	0.76%	296,904	2.25%
General revenues				
Property taxes	2,381,896	17.80%	2,387,667	18.08%
Sales taxes	596,100	4.45%	653,219	4.95%
Other local taxes and licenses	1,116	0.02%	1,188	0.02%
Grants and contributions not restricted to specific programs	6,983,055	52.18%	6,671,924	50.52%
Interest	14,165	0.11%	80,840	0.61%
Other local revenue	98,169	0.73%	277,217	2.10%
Total revenues	<u>\$ 13,383,226</u>	<u>100.00%</u>	<u>\$ 13,205,284</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 \$4,154,001. Of this amount, \$939,515 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, 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 \$997,837.

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 9.51% of the total general purpose fund expenditures, while total fund balances represents 35.26% 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, 2012		
	Original	Final	Difference
Revenues			
Taxes	\$ 2,945,517	\$ 2,945,517	\$ -
Intergovernmental	7,247,454	7,603,951	356,497
Miscellaneous	184,870	91,775	(93,095)
Total revenues	10,377,841	10,641,243	263,402
Expenses			
Instruction	5,576,179	5,544,030	(32,149)
Support Services	3,500,182	3,601,394	101,212
Non-instructional services	1,744,383	1,991,755	247,372
Total expenditures	10,820,744	11,137,179	316,435
Deficiency of revenues under expenditures	\$ (442,903)	\$ (495,936)	\$ (53,033)

In 2012, the major increases to revenue and expenses related to an amendment for a tax credit bond rebate on one of the bonds payable.

Long-term debt. As of June 30, 2012, the District had total bonded debt outstanding of \$19,173,576. All debt is backed by the full faith and credit of the government.

	June 30, 2012	June 30, 2011
School Bonds, Series 2003	\$ 1,200,000	\$ 1,200,000
School Bonds, Series 2010A	6,445,000	6,670,000
School Bonds, Series 2010B	11,100,000	11,100,000
Energy Efficiency Loan	428,576	500,000
	\$ 19,173,576	\$ 19,470,000

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
DISTRICT-WIDE STATEMENT OF NET ASSETS
June 30, 2012

	<u>Governmental Activities</u>
Assets	
Cash	\$ 4,078,401
Receivables	
Accounts	4,546
Property taxes	2,393,315
Due from other governments	139,377
Due from grantor	538,641
Inventories	71,948
Bond issuance costs	654,571
Capital assets, not being depreciated	
Land	266,057
Capital assets, net of accumulated depreciation	
Buildings and improvements	34,512,034
Other capital assets	330,862
Total assets	<u>42,989,752</u>
 Liabilities	
Bank Overdraft	37,067
Accounts payable	188,287
Salaries payable	296,293
Insurance payable	84,572
Accrued interest payable	102,011
Unearned Revenue	704
Deferred property taxes	2,393,315
Noncurrent liabilities:	
Due within one year	300,472
Due in more than one year	18,873,104
Total liabilities	<u>22,275,825</u>
 Net Assets	
Invested in capital assets, net of related debt	15,935,377
Restricted for:	
Other local education reserves	998,240
Inventory	71,948
Unrestricted	3,708,362
Total net assets	<u>\$ 20,713,927</u>

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

TRENTON SPECIAL SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

<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>	
Governmental activities:					
Instruction					
Regular education	\$ 4,914,985	\$ -	\$ 605,037	\$ -	\$ (4,309,948)
Alternate education	130,052	-	-	-	(130,052)
Special education	586,245	-	285,698	-	(300,547)
Vocational education	356,773	-	131,316	-	(225,457)
Student body education	20,751	-	-	-	(20,751)
Adult education	82,093	-	68,369	-	(13,724)
Support services					
Attendance	114,806	-	-	-	(114,806)
Health services	142,208	-	-	-	(142,208)
Other student support	391,049	-	180,864	-	(210,185)
Regular instruction	813,088	-	234,748	-	(578,340)
Special education	74,452	-	52,332	-	(22,120)
Vocational education	10,009	-	5,856	-	(4,153)
Adult programs	63,668	-	63,667	-	(1)
Board of Education	147,727	-	-	-	(147,727)
Office of Superintendent	159,335	-	939	-	(158,396)
Office of Principal	549,493	-	96,082	-	(453,411)
Fiscal services	44,977	-	-	-	(44,977)
Human Services	76,615	-	-	-	(76,615)
Operation and maintenance of plant	914,321	-	-	-	(914,321)
Student transportation	578,552	-	222,198	101,769	(254,585)
Central and Other	19,035	-	-	-	(19,035)
Non-instructional services					
Food service	786,712	147,470	627,694	-	(11,548)
Community services	69,955	19,943	63,400	-	13,388
Early Childhood Education	401,344	-	401,343	-	(1)
Education capital outlay	1,233,478	-	-	-	(1,233,478)
Education debt service	853,198	-	-	-	(853,198)
	<u>\$ 13,534,921</u>	<u>\$ 167,413</u>	<u>\$ 3,039,543</u>	<u>\$ 101,769</u>	<u>(10,226,196)</u>

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

**TRENTON SPECIAL SCHOOL DISTRICT
DISTRICT-WIDE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2012

<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>
	General revenues			
	Property taxes			2,381,896
	Sales taxes			596,100
	Other local taxes and licenses			1,116
	Grants and contributions not restricted to certain programs			
	Basic Education Program			6,601,000
	Other			382,055
	Interest			14,165
	Other miscellaneous revenues			98,169
	Total general revenues			<u>10,074,501</u>
	Change in net assets			(151,695)
	Net assets, beginning			20,271,431
	Prior period adjustment			<u>594,191</u>
	Net assets, beginning - Restated			<u>20,865,622</u>
	Net assets, ending			<u>\$ 20,713,927</u>

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

**TRENTON SPECIAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

	<u>General Purpose School Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 3,732,943	\$ 216,901	\$ 128,557	\$ 4,078,401
Accounts receivable	4,546	-	-	4,546
Property taxes receivable	2,393,315	-	-	2,393,315
Due from other funds	195,992	-	-	195,992
Due from other governments	99,321	-	40,056	139,377
Due from grantor	213,097	-	325,544	538,641
Inventories	-	-	71,948	71,948
Total assets	<u>\$ 6,639,214</u>	<u>\$ 216,901</u>	<u>\$ 566,105</u>	<u>\$ 7,422,220</u>
Liabilities and Fund Balance				
Liabilities				
Bank Overdraft	\$ -	\$ -	\$ 37,067	\$ 37,067
Accounts payable	154,848	-	33,439	188,287
Salaries payable	296,293	-	-	296,293
Insurance payable	84,572	-	-	84,572
Due to other funds	-	3,992	192,000	195,992
Deferred revenue - federal and state grants	10,921	-	61,068	71,989
Unearned revenue	-	-	704	704
Deferred property taxes	2,393,315	-	-	2,393,315
Total liabilities	<u>2,939,949</u>	<u>3,992</u>	<u>324,278</u>	<u>3,268,219</u>
Fund balance				
Nonspendable				
Inventory	-	-	71,948	71,948
Restricted				
Education	243,044	-	5,353	248,397
Operation of non-instructional services	-	-	8,306	8,306
Assigned				
Instruction	100,000	-	-	100,000
Support services	37,000	-	-	37,000
Capital outlay	1,464,070	-	-	1,464,070
Debt service	62,497	-	-	62,497
Future budgets	400,153	212,909	211,205	824,267
Other purposes	394,664	-	3,337	398,001
Unassigned	997,837	-	(58,322)	939,515
Total fund balance	<u>3,699,265</u>	<u>212,909</u>	<u>241,827</u>	<u>4,154,001</u>
Total liabilities and fund balance	<u>\$ 6,639,214</u>	<u>\$ 216,901</u>	<u>\$ 566,105</u>	<u>\$ 7,422,220</u>

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, 2012**

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

Fund balance - total governmental funds (Page 13)	\$ 4,154,001
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in funds.	35,108,953
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Bond issuance costs	654,571
Receivables not available to pay for current expenditures and, therefore, are deferred in funds.	71,989
Some payables are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest	(102,011)
Long-term liabilities, including notes and bonds payable, are not due in the the current period and, therefore, are not reported in the funds.	<u>(19,173,576)</u>
Net assets - governmental activities (Page 10)	<u>\$ 20,713,927</u>

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, 2012

	<u>General Purpose School Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Local taxes	\$ 2,978,424	\$ -	\$ -	\$ 2,978,424
Current charges for education services	114,714	-	-	114,714
Licenses and permits	522	-	-	522
Charges for services	-	-	147,470	147,470
Other local revenues	154,987	-	302,703	457,690
Federal and state funds	7,628,981	-	1,913,793	9,542,774
Commodities	-	-	38,928	38,928
Interest	3,484	10,633	48	14,165
Total revenues	<u>10,881,112</u>	<u>10,633</u>	<u>2,402,942</u>	<u>13,294,687</u>
Expenditures				
Current				
Instruction	5,325,663	-	746,017	6,071,680
Support services	3,128,283	-	926,791	4,055,074
Non-instructional services	471,299	-	784,929	1,256,228
Architects	-	30,237	-	30,237
Other contracted services	-	4,252	-	4,252
Building construction	-	2,831,316	-	2,831,316
Building improvements	-	48,334	-	48,334
Education capital outlay	443,589	-	-	443,589
Education debt service				
Principal	296,424	-	-	296,424
Interest	826,765	-	-	826,765
Total expenditures	<u>10,492,023</u>	<u>2,914,139</u>	<u>2,457,737</u>	<u>15,863,899</u>
Excess revenues over expenditures	389,089	(2,903,506)	(54,795)	(2,569,212)
Other Financing Sources (Uses)				
Transfers in	16,547	-	-	16,547
Transfers out	-	-	(16,547)	(16,547)
	<u>16,547</u>	<u>-</u>	<u>(16,547)</u>	<u>-</u>
Net change in fund balance	405,636	(2,903,506)	(71,342)	(2,569,212)
Fund balance - July 1, 2011	3,293,629	3,116,415	315,104	6,725,148
Increase (decrease) in reserves	<u>-</u>	<u>-</u>	<u>(1,935)</u>	<u>(1,935)</u>
Fund balance - June 30, 2012	<u>\$ 3,699,265</u>	<u>\$ 212,909</u>	<u>\$ 241,827</u>	<u>\$ 4,154,001</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
For the Year Ended June 30, 2012**

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

Net change in fund balances - total governmental funds (Page 15)	\$ (2,569,212)
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital outlays	3,202,159
Depreciation	(1,032,880)
Reclassification of capital project to expenses	(75,622)
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.	
	296,424
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.	
	19,708
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.	
	(46,141)
Loss on disposal of asset	
	(16,185)
Revenues in the statement of activities that do not provide current financial resources are not reported as current revenues in the funds.	
	71,989
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.	
	<u>(1,935)</u>
Change in net assets of governmental activities (Page 12)	<u>\$ (151,695)</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, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u> <u>(Under)</u>
Revenues				
Local taxes				
Property tax - current	\$ 2,192,517	\$ 2,192,517	\$ 2,257,610	\$ 65,093
Property tax - prior	80,000	80,000	102,403	22,403
Interest and penalty on delinquent tax	15,000	15,000	19,195	4,195
Payment in lieu of taxes	2,400	2,400	2,688	288
County sales tax	655,000	655,000	596,100	(58,900)
Interstate telecommunications tax	600	600	428	(172)
Total local taxes	<u>2,945,517</u>	<u>2,945,517</u>	<u>2,978,424</u>	<u>32,907</u>
Current charges for education services				
Receipts from individual schools	17,000	17,000	21,787	4,787
Tuition	1,200	1,200	1,350	150
Community service fees	64,000	65,175	63,400	(1,775)
Transportation	5,000	5,000	5,808	808
Other charges for services	3,400	3,400	22,369	18,969
Total current charges for education services	<u>184,870</u>	<u>91,775</u>	<u>114,714</u>	<u>22,939</u>
Licenses and permits	<u>500</u>	<u>500</u>	<u>522</u>	<u>22</u>
Other local revenues				
Interest on temporary investments	5,000	5,000	3,484	(1,516)
Rent for use of school facilities	16,000	16,000	19,943	3,943
E-Rate funding	25,000	25,000	32,208	7,208
Sale of equipment	-	-	33,155	33,155
Insurance recovery	-	-	500	500
Reimbursement	5,000	5,000	5,369	369
Contributions and gifts	-	2,895	4,130	1,235
Miscellaneous	-	-	3,878	3,878
Total other local revenues	<u>51,000</u>	<u>53,895</u>	<u>102,667</u>	<u>48,772</u>
State funds and federal passed through state				
Basic education program	6,593,000	6,593,000	6,601,000	8,000
Driver education funds	3,000	3,000	4,181	1,181
Early childhood education funds	401,343	401,343	401,343	-
Federal Emergency Management Agency	-	-	67,500	67,500
Career ladder program	70,000	70,000	52,144	(17,856)
Career ladder program - extended	29,000	29,000	40,707	11,707
Career ladder program - extended ARRA	-	-	1,167	1,167
School food service	6,900	6,900	6,593	(307)
Other state education funds	33,211	138,211	144,576	6,365
Mixed drink tax	-	-	166	166
Other state grants	58,000	59,246	58,823	(423)
Other state revenues	-	7,400	7,400	-

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, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u>
				<u>(Under)</u>
Child handicapped	-	2,700	2,700	-
Total state funds and federal passed through state	<u>7,194,454</u>	<u>7,310,800</u>	<u>7,388,300</u>	<u>77,500</u>
Federal funds received directly				
P.L. 81-874 entitlement	1,500	1,500	3,424	1,924
Bond interest rebate	-	<u>237,256</u>	<u>237,257</u>	<u>1</u>
Total federal funds received directly	<u>1,500</u>	<u>238,756</u>	<u>240,681</u>	<u>1,925</u>
Total revenues	<u>10,377,841</u>	<u>10,641,243</u>	<u>10,825,308</u>	<u>184,065</u>
Expenditures				
Instruction				
Regular Education Program				
Teachers	3,093,043	3,060,894	2,981,794	(79,100)
Career ladder program	38,500	37,935	37,000	(935)
Career ladder program - extended	15,000	20,110	20,110	-
Homebound teachers	4,000	4,000	1,610	(2,390)
Educational assistants	41,636	57,302	57,302	-
Other salaries and wages	39,000	37,515	37,515	-
Certified substitute teachers	22,000	23,905	23,905	-
Non-certified substitute teachers	45,000	51,125	50,563	(562)
Social security taxes	204,488	204,257	179,013	(25,244)
State retirement	289,004	286,785	278,986	(7,799)
Medical insurance	363,800	362,319	341,970	(20,349)
Unemployment	16,000	16,000	2,019	(13,981)
Medicare taxes	47,823	47,771	43,168	(4,603)
Other fringe benefits	6,000	6,286	6,287	1
Maintenance and repair - equipment	37,100	39,845	39,845	-
Other contracted services	37,000	37,000	33,969	(3,031)
Instructional supplies	129,356	129,003	111,941	(17,062)
Textbooks	110,000	110,000	103,121	(6,879)
Other supplies and materials	3,000	1,050	893	(157)
Fee waivers	5,000	6,630	6,629	(1)
Other charges	66,325	63,995	38,685	(25,310)
Capital outlay - equipment	<u>176,949</u>	<u>179,709</u>	<u>167,463</u>	<u>(12,246)</u>
Total regular education program	<u>4,790,024</u>	<u>4,783,436</u>	<u>4,563,788</u>	<u>(219,648)</u>
Alternate Instruction Program				
Teachers	92,464	92,555	92,556	1
Career Ladder Program	2,000	2,000	-	(2,000)
Educational assistants	16,330	16,330	16,330	-
Certified substitute teachers	200	200	-	(200)

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, 2012**

	<u>Budget</u>		<u>Actual</u>	Variance Over
	<u>Original</u>	<u>Final</u>		(Under)
Social security taxes	6,882	6,791	6,528	(263)
State retirement	9,000	9,000	8,812	(188)
Medical insurance	3,913	3,913	3,634	(279)
Medicare taxes	1,610	1,610	1,527	(83)
Operating lease payments	500	500	339	(161)
Instructional supplies	500	500	-	(500)
Other supplies and materials	500	500	326	(174)
Total alternate instruction program	<u>133,899</u>	<u>133,899</u>	<u>130,052</u>	<u>(3,847)</u>
Special Education Program				
Teachers	295,593	258,498	230,500	(27,998)
Career ladder program	3,200	4,180	4,180	-
Social security taxes	16,919	16,919	12,104	(4,815)
State retirement	24,696	19,503	18,894	(609)
Medical insurance	24,450	24,425	17,640	(6,785)
Unemployment compensation	4,482	4,482	3,520	(962)
Medicare taxes	4,333	4,333	3,182	(1,151)
Other Fringe Benefits	1,165	1,165	915	(250)
Contracts with Other Schools	2,700	2,700	2,700	-
Contract with private agencies	779	13,459	13,459	-
Other supplies and materials	-	85	81	(4)
Total special education program	<u>378,317</u>	<u>349,749</u>	<u>307,175</u>	<u>(42,574)</u>
Vocational Education Program				
Teachers	169,305	171,798	171,799	1
Career ladder program	1,000	1,000	1,000	-
Certified substitute teachers	2,000	2,000	1,784	(216)
Non-certified substitute teachers	1,500	1,920	1,918	(2)
Social security taxes	10,750	10,750	10,361	(389)
State retirement	15,412	15,638	15,638	-
Medical insurance	11,800	12,842	12,842	-
Medicare taxes	2,520	2,520	2,425	(95)
Contracts with other school systems	7,000	7,910	7,902	(8)
Maintenance and repair - equipment	1,000	1,000	832	(168)
Other contracted services	1,000	1,000	559	(441)
Instructional supplies	11,500	6,939	4,543	(2,396)
Other charges	3,600	2,270	1,538	(732)
Vocational instruction equipment	-	800	654	(146)
Total vocational education program	<u>238,387</u>	<u>238,387</u>	<u>233,795</u>	<u>(4,592)</u>
Student Body Education Program				
Other salaries and wages	16,000	18,460	18,460	-
Social security taxes	992	947	947	-
State retirement	430	557	558	1

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, 2012**

	<u>Budget</u>		<u>Actual</u>	Variance Over
	<u>Original</u>	<u>Final</u>		(Under)
Medical insurance	400	529	530	1
Medicare taxes	232	256	256	-
Total student body education program	<u>18,054</u>	<u>20,749</u>	<u>20,751</u>	<u>2</u>
Adult Education Program				
Teachers	-	100	54	(46)
Clerical personnel	11,330	11,330	8,155	(3,175)
Social security taxes	702	709	508	(201)
State retirement	302	298	219	(79)
Medical Insurance	-	7	7	-
Medicare taxes	164	166	119	(47)
Other contracted services	5,000	5,200	5,200	-
Other charges	-	-	36	36
Total adult education program	<u>17,498</u>	<u>17,810</u>	<u>14,298</u>	<u>(3,512)</u>
Total Instruction	<u>5,576,179</u>	<u>5,544,030</u>	<u>5,269,859</u>	<u>(274,171)</u>
Support Services				
Students				
Attendance				
Supervisor/director	35,324	35,761	35,761	-
Career ladder program	500	500	500	-
Clerical personnel	56,607	56,607	56,607	-
Social security taxes	5,731	5,261	5,257	(4)
State retirement	4,754	4,793	4,793	-
Medical insurance	7,195	7,195	7,191	(4)
Medicare taxes	1,341	1,335	1,230	(105)
Communication	500	500	360	(140)
Travel	2,500	2,500	2,296	(204)
Other supplies and materials	600	600	480	(120)
In-service/staff development	500	500	331	(169)
Other Charges	-	-	-	-
Total attendance	<u>115,552</u>	<u>115,552</u>	<u>114,806</u>	<u>(746)</u>
Health Services				
Medical personnel	73,952	74,641	68,577	(6,064)
Other salaries and wages	19,696	12,447	11,947	(500)
Social security taxes	5,800	4,991	4,434	(557)
State retirement	2,484	2,280	2,118	(162)
Medical insurance	7,366	10,748	10,748	-
Medicare taxes	1,356	1,167	1,037	(130)
Other fringe benefits	-	144	144	-
Communications	3,400	3,362	3,330	(32)
Postal charges	50	100	100	-
Travel	6,000	5,343	5,323	(20)

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, 2012**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Other contracted services	2,200	7,102	6,449	(653)
Drugs and medical supplies	3,500	3,500	3,414	(86)
Other supplies and materials	8,500	23,192	23,191	(1)
In-service/staff development	600	600	165	(435)
Other charges	-	1,232	1,231	(1)
Total health services	134,904	150,849	142,208	(8,641)
Other Student Support				
Career ladder program	4,000	4,000	3,328	(672)
Guidance personnel	140,808	140,808	133,287	(7,521)
Career ladder extended	5,000	5,000	-	(5,000)
Social workers	22,487	26,986	26,986	-
Clerical personnel	-	3,251	2,863	(388)
Social security taxes	10,682	10,909	9,826	(1,083)
State retirement	15,592	16,077	14,884	(1,193)
Medical insurance	8,865	8,865	8,385	(480)
Medicare taxes	2,498	2,551	2,298	(253)
Contracts with government agencies	47,849	47,849	-	(47,849)
Evaluation and testing	10,000	10,000	5,248	(4,752)
Travel	3,000	2,036	36	(2,000)
Other supplies and materials	6,000	1,962	1,868	(94)
In-service/staff development	500	500	-	(500)
Other charges	7,818	4,305	4,305	-
Total other student support	285,099	285,099	213,314	(71,785)
Total students	535,555	551,500	470,328	(81,172)
Instructional Staff				
Regular Instruction Program				
Supervisor/director	84,040	84,473	84,473	-
Career ladder program	4,500	4,500	4,000	(500)
Career ladder program - extended	4,000	4,000	2,000	(2,000)
Librarians	134,579	134,579	133,997	(582)
Materials supervisor	35,324	35,761	35,762	1
Instructional computer personnel	69,428	69,428	47,692	(21,736)
Other salaries and wages	101,656	101,656	100,883	(773)
Social security taxes	26,879	26,879	23,777	(3,102)
State retirement	37,849	37,849	33,954	(3,895)
Medical insurance	42,210	42,210	39,140	(3,070)
Medicare taxes	6,287	6,287	5,561	(726)
Communications	5,500	5,500	4,497	(1,003)
Travel	41,300	41,297	15,480	(25,817)
Library books/media	16,750	16,880	16,820	(60)
Other supplies and materials	2,000	9,400	8,855	(545)
In-service/staff development	36,000	34,100	25,528	(8,572)

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, 2012**

	<u>Budget</u>		<u>Actual</u>	Variance Over
	<u>Original</u>	<u>Final</u>		(Under)
Other Contracted Services	-	-	-	-
Other charges	4,000	4,000	2,886	(1,114)
Total regular instruction program	<u>652,302</u>	<u>658,799</u>	<u>585,305</u>	<u>(73,494)</u>
Alternative Instruction Program				
Travel	<u>1,200</u>	<u>1,200</u>	-	(1,200)
Special Education Program				
Supervisor/director	18,210	18,210	16,605	(1,605)
Social security taxes	1,129	1,129	887	(242)
State retirement	1,648	1,648	1,503	(145)
Medical insurance	883	2,458	2,454	(4)
Unemployment	273	273	249	(24)
Medicare taxes	264	264	208	(56)
Other fringe benefits	71	71	65	(6)
Other charges	-	1,115	149	(966)
Travel	-	-	-	-
Total special education program	<u>22,478</u>	<u>25,168</u>	<u>22,120</u>	<u>(3,048)</u>
Vocational Education Program				
Supervisor/director	8,994	8,994	8,220	(774)
Social security taxes	557	557	-	(557)
State retirement	813	813	-	(813)
Medicare taxes	130	130	114	(16)
Travel	<u>500</u>	<u>500</u>	-	(500)
Total vocational education program	<u>10,994</u>	<u>10,994</u>	<u>8,334</u>	<u>(2,660)</u>
Total instructional staff	<u>686,974</u>	<u>696,161</u>	<u>615,759</u>	<u>(80,402)</u>
General Administration				
Board of Education				
Other fringe Benefits	600	970	970	-
Audit services	17,500	17,500	16,906	(594)
Dues and memberships	7,800	7,800	7,651	(149)
Legal services	7,000	6,400	5,576	(824)
Travel	7,000	5,703	4,130	(1,573)
Maintenance and repair	400	400	-	(400)
Other contracted services	2,500	2,500	2,250	(250)
Other supplies and materials	4,000	3,350	2,409	(941)
Liability insurance	8,200	8,250	8,245	(5)
Corporate surety bonds	2,000	2,000	1,684	(316)
Trustee commissions	59,000	59,000	53,963	(5,037)
Workers' compensation insurance	35,000	37,127	37,072	(55)
In-service/staff development	2,500	2,500	1,525	(975)

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, 2012**

	<u>Budget</u>		<u>Actual</u>	Variance Over
	<u>Original</u>	<u>Final</u>		(Under)
Criminal investigation of applicants	2,000	2,000	450	(1,550)
Other charges	5,000	5,000	4,896	(104)
Total board of education	<u>160,500</u>	<u>160,500</u>	<u>147,727</u>	<u>(12,773)</u>
Office of Superintendent				
Administrative officer	99,702	99,702	99,202	(500)
Career ladder program	1,000	1,000	1,000	-
Other salaries and wages	12,185	12,185	12,181	(4)
Social security taxes	6,998	6,998	6,677	(321)
State retirement	10,216	10,216	10,171	(45)
Life insurance	56	56	56	-
Medical insurance	6,115	6,115	6,029	(86)
Medicare taxes	1,636	1,636	1,607	(29)
Other fringe benefits	1,200	1,200	1,200	-
Communication	8,000	8,000	7,528	(472)
Dues and memberships	4,400	4,400	3,628	(772)
Postal charges	50	50	15	(35)
Travel	7,700	7,700	7,298	(402)
Office supplies	800	800	695	(105)
In-service/staff development	900	900	748	(152)
Other charges	1,500	1,500	1,300	(200)
Total office of superintendent	<u>162,458</u>	<u>162,458</u>	<u>159,335</u>	<u>(3,123)</u>
Total general administration	<u>322,958</u>	<u>322,958</u>	<u>307,062</u>	<u>(15,896)</u>
School Administration				
Office of Principal				
Principal(s)	214,803	214,803	148,723	(66,080)
Career ladder program	4,500	4,500	4,500	-
Career ladder program - extended	4,000	4,000	4,000	-
Assistant principal(s)	103,441	108,193	108,194	1
Accountants/Bookkeepers	68,145	68,145	65,842	(2,303)
Clerical personnel	2,784	2,784	-	(2,784)
Social security taxes	24,443	19,691	18,490	(1,201)
State retirement	31,373	31,373	25,778	(5,595)
Medical insurance	41,270	41,270	38,485	(2,785)
Medicare taxes	5,717	5,717	4,324	(1,393)
Communications	14,500	15,550	15,455	(95)
Dues and memberships	3,150	3,050	2,715	(335)
Operating lease payments	6,300	6,300	6,234	(66)
Postal charges	2,450	2,110	1,349	(761)
Travel	5,000	6,526	6,516	(10)
Other contracted services	2,065	2,065	2,063	(2)
Data processing supplies	800	700	193	(507)
Office supplies	4,950	4,084	3,696	(388)

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, 2012

	<u>Budget</u>		<u>Actual</u>	Variance Over
	<u>Original</u>	<u>Final</u>		(Under)
In-service/staff development	6,200	6,200	748	(5,452)
Other charges	5,500	6,846	6,748	(98)
Total office of principal	<u>551,391</u>	<u>553,907</u>	<u>464,053</u>	<u>(89,854)</u>
Business Administration				
Fiscal Services				
Supervisor/director	25,563	25,563	25,562	(1)
Accountants/bookkeepers	333	333	330	(3)
Clerical Personnel	5,376	5,433	5,434	1
Social security taxes	1,920	1,855	1,797	(58)
State retirement	826	834	835	1
Medical insurance	887	887	886	(1)
Medicare taxes	449	449	420	(29)
Advertising	1,000	1,000	568	(432)
Data processing	1,200	1,170	593	(577)
Dues and memberships	30	60	60	-
Operating lease payments	768	768	768	-
Postal charges	2,000	2,000	1,867	(133)
Travel	1,600	1,600	895	(705)
Office supplies	3,500	3,500	3,453	(47)
In-service/staff development	300	300	160	(140)
Other charges	2,500	2,500	1,349	(1,151)
Total fiscal services	<u>48,252</u>	<u>48,252</u>	<u>44,977</u>	<u>(3,275)</u>
Human Services				
Supervisor/director	48,195	48,195	48,195	-
Clerical personnel	19,787	19,787	19,787	-
Social security taxes	4,175	4,175	4,126	(49)
State retirement	1,798	1,815	1,815	-
Employer medicare	976	976	965	(11)
Dues and memberships	60	60	60	-
Travel	1,600	1,563	1,352	(211)
In-service/staff development	300	320	315	(5)
Total human services	<u>76,891</u>	<u>76,891</u>	<u>76,615</u>	<u>(276)</u>
Total business administration	<u>125,143</u>	<u>125,143</u>	<u>121,592</u>	<u>(3,551)</u>
Operation and Maintenance of Plant				
Operation of Plant				
Custodial personnel	199,424	199,424	186,175	(13,249)
Social security taxes	12,363	12,363	10,898	(1,465)
State retirement	5,325	5,325	4,393	(932)
Medical insurance	10,065	10,065	7,956	(2,109)
Medicare taxes	2,892	2,892	2,549	(343)
Maintenance and repair	500	500	323	(177)

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, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u> <u>(Under)</u>
Other contracted services	43,020	71,450	71,451	1
Custodial supplies	33,000	38,000	35,979	(2,021)
Electricity	316,000	305,000	295,220	(9,780)
Natural gas	76,000	59,170	48,821	(10,349)
Water and sewer	58,000	52,400	48,899	(3,501)
Other supplies and materials	2,110	2,110	81	(2,029)
Boiler insurance	2,200	2,069	1,962	(107)
Building and contents insurance	37,000	37,131	34,131	(3,000)
In-service/staff development	200	200	49	(151)
Other charges	9,000	9,000	4,073	(4,927)
Total operation of plant	<u>807,099</u>	<u>807,099</u>	<u>752,960</u>	<u>(54,139)</u>
Maintenance of Plant				
Maintenance personnel	34,320	34,320	33,240	(1,080)
Social security taxes	2,128	2,128	1,717	(411)
State retirement	917	917	871	(46)
Medical insurance	4,313	4,713	4,702	(11)
Medicare taxes	498	498	402	(96)
Communication	1,800	1,800	1,708	(92)
Maintenance and repair - buildings	34,000	34,188	34,188	-
Maintenance and repair - equipment	3,000	1,050	986	(64)
Maintenance and repair - vehicles	1,000	1,150	1,141	(9)
Travel	2,000	1,890	1,272	(618)
Other contracted services	21,000	15,336	9,027	(6,309)
Equipment and machinery parts	6,750	6,750	2,108	(4,642)
Other supplies and materials	36,500	60,746	60,747	1
Vehicle and equipment insurance	400	400	400	-
In-service/staff development	200	409	410	1
Other charges	8,600	8,600	7,349	(1,251)
Repair and maintenance - equipment	1,200	1,105	1,093	(12)
Total maintenance of plant	<u>158,626</u>	<u>176,000</u>	<u>161,361</u>	<u>(14,639)</u>
Total operation and maintenance of plant	<u>965,725</u>	<u>983,099</u>	<u>914,321</u>	<u>(68,778)</u>
Student Transportation				
Transportation				
Supervisor/director	32,036	32,360	32,360	-
Mechanics	11,336	11,383	11,383	-
Bus drivers	62,956	63,055	63,056	1
Clerical personnel	1,239	1,241	1,241	-
Social security taxes	6,673	5,673	5,592	(81)
State retirement	4,918	4,918	4,589	(329)
Medical insurance	4,085	4,089	4,090	1
Unemployment compensation	1,035	1,134	1,134	-

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, 2012**

	<u>Budget</u>		<u>Actual</u>	Variance Over
	<u>Original</u>	<u>Final</u>		(Under)
Medicare taxes	1,561	1,561	1,492	(69)
Fringe benefits	3,526	3,526	3,383	(143)
Communication	3,720	2,720	2,395	(325)
Laundry service	727	727	223	(504)
Medical and dental	2,031	2,031	1,582	(449)
Postal	42	42	-	(42)
Travel	1,042	42	-	(42)
Other contracted services	1,418	1,234	416	(818)
Diesel fuel	50,000	50,000	49,675	(325)
Garage supplies	4,515	4,515	363	(4,152)
Lubricants	2,927	2,927	1,201	(1,726)
Tires and tubes	8,708	8,708	4,796	(3,912)
Vehicle parts	14,725	14,725	9,745	(4,980)
Other supplies and materials	852	852	61	(791)
Vehicle and equipment insurance	9,909	9,909	9,820	(89)
In-service/staff development	2,000	2,000	678	(1,322)
Other charges	4,248	6,857	6,858	1
Transportation Equipment	50,000	106,190	101,769	(4,421)
Total transportation	<u>286,229</u>	<u>342,419</u>	<u>317,902</u>	<u>(24,517)</u>
Other				
Central and Other				
Operating lease payments	9,000	9,000	8,282	(718)
Other contracted services	10,907	10,907	8,594	(2,313)
Data processing supplies	3,000	3,000	-	(3,000)
Other supplies and materials	1,600	1,900	1,864	(36)
Other charges	700	700	215	(485)
Data processing equipment	1,000	700	80	(620)
Total central and other	<u>26,207</u>	<u>26,207</u>	<u>19,035</u>	<u>(7,172)</u>
Total support services	<u>3,500,182</u>	<u>3,601,394</u>	<u>3,230,052</u>	<u>(371,342)</u>
Operation of Non-Instructional Services				
Community Services				
Supervisor/director	5,864	5,864	5,864	-
Teachers	3,000	3,000	1,780	(1,220)
Clerical personnel	11,330	11,330	10,277	(1,053)
Other salaries and wages	32,011	35,581	35,276	(305)
Social security taxes	2,873	2,878	2,690	(188)
State retirement	1,237	1,069	955	(114)
Medical insurance	2,932	2,604	2,604	-
Medicare taxes	757	758	714	(44)
Other fringe benefits	173	5	-	(5)
Travel	2,000	172	171	(1)
Food supplies	5,376	5,776	5,729	(47)

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, 2012**

	<u>Budget</u>		<u>Actual</u>	Variance Over
	<u>Original</u>	<u>Final</u>		(Under)
Other supplies and materials	2,784	2,126	1,666	(460)
Refunds	100	150	150	-
Other charges	<u>1,920</u>	<u>2,911</u>	<u>2,079</u>	<u>(832)</u>
Total community services	<u>72,357</u>	<u>74,224</u>	<u>69,955</u>	<u>(4,269)</u>
Early Childhood Education				
Supervisor/director	36,418	34,973	34,973	-
Teachers	143,498	144,645	144,646	1
Clerical personnel	10,649	10,752	10,752	-
Educational assistants	64,304	49,644	49,644	-
Other salaries and wages	48,517	42,108	42,108	-
Social security taxes	18,810	14,899	14,899	-
State retirement	20,535	19,421	19,420	(1)
Medical insurance	29,029	37,677	37,678	1
Unemployment compensation	198	4,231	4,232	1
Medicare taxes	273	3,523	3,523	-
Other fringe benefits	73	1,208	1,208	-
Maintenance and repair - equipment	4,000	2,425	2,424	(1)
Travel	2,000	1,882	1,881	(1)
Instructional supplies	<u>23,039</u>	<u>33,955</u>	<u>33,956</u>	<u>1</u>
Total early childhood education	<u>401,343</u>	<u>401,343</u>	<u>401,344</u>	<u>1</u>
Total operation of non-instructional services	<u>473,700</u>	<u>475,567</u>	<u>471,299</u>	<u>(4,268)</u>
Education Capital Outlay				
Regular Capital Outlay				
Building improvements	<u>255,008</u>	<u>263,257</u>	<u>212,077</u>	<u>(51,180)</u>
Education Debt Service				
Principal on bonds	225,000	225,000	225,000	-
Principal on other loans	71,424	71,424	71,424	-
Interest on bonds	<u>719,251</u>	<u>956,507</u>	<u>956,508</u>	<u>1</u>
Total education debt service	<u>1,015,675</u>	<u>1,252,931</u>	<u>1,252,932</u>	<u>1</u>
Total expenditures	<u>10,820,744</u>	<u>11,137,179</u>	<u>10,436,219</u>	<u>(700,960)</u>
Revenues over (under) expenditures	(442,903)	(495,936)	389,089	885,025
Other financing sources (uses)				
Transfers in	<u>35,000</u>	<u>35,000</u>	<u>16,547</u>	<u>(18,453)</u>
Net change in fund balance	<u>\$ (407,903)</u>	<u>\$ (460,936)</u>	<u>405,636</u>	<u>\$ 866,572</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, 2012**

	Budget			Variance Over (Under)
	Original	Final	Actual	(Under)
Fund balance - July 1, 2011			3,293,629	
Fund balance - June 30, 2012			\$ 3,699,265	
Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures				
Inflows/revenues:				
Actual amounts (budgetary basis)			\$ 10,825,308	\$ 184,065
Differences - budget to GAAP:				
Fringe benefits - noncash			55,804	55,804
Total Revenues as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			10,881,112	239,869
Outflows/expenditures:				
Actual amounts (budgetary basis)			10,436,219	(700,960)
Differences - budget to GAAP:				
Fringe benefits - noncash			55,804	55,804
Total Expenditures as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			10,492,023	(645,156)
Other financing sources (uses)			16,547	(18,453)
Net changes in fund balance			\$ 405,636	\$ 866,572

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

**TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

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.

A. 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

TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are 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, 2012**

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

TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Deferred Revenue

Deferred revenue represents amounts that were receivable and measurable at June 30, 2012 but were not available to finance expenditures for the year ended June 30, 2012. 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. Upon retirement non-certified employees' unused sick leave is added to length of service for each employee. Non-certified employees receive \$20 per unused sick day upon discontinued employment. A reserve for unused sick days has been apportioned for this purpose. Noncertified employees receive two personal days per year.

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.

**TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

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

Nonspendable fund balance

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

Restricted fund balance

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

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 (\$19,173,576) difference are as follows:

TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

School Bonds, Series 2003	\$	(1,200,000)
School Bonds, Series 2010A		(6,445,000)
School Bonds, Series 2010B		(11,100,000)
Energy Efficiency Loan		(428,576)
		(19,173,576)
	\$	(19,173,576)

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 \$35,108,953 are as follows:

Land	\$	266,057
Buildings and improvements		34,512,034
Other capital assets		330,862
		35,108,953
Total capital assets, net of accumulated depreciation	\$	35,108,953

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 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." The details of this \$296,424 are as follows:

Principal repayments:		
School bonds payables, Series 2003	\$	296,424
		296,424

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 as depreciation expense." The details of this \$2,093,657 difference are as follows:

Capital outlays	\$	3,202,159
Depreciation expense		(1,032,880)
Reclassification of construction in progress		(75,622)
		2,093,657
	\$	2,093,657

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 \$19,708 are as follows:

Accrued interest as of June 30, 2011	\$	121,719
Accrued interest as of June 30, 2012		(102,011)
		19,708
	\$	19,708

**TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

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	<u>(32,457)</u>
	<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, 2012, 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 \$3,255,111 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, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2012, 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

**TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

aggregate, are shown on the statement of net assets and the balance sheet for governmental funds. As of June 30, 2012, 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 Purpose Fund			
FEMA - Public Assistance	\$ 10,921	\$ -	\$ 10,921
Public Law Fund			
Carl Perkins Reserve IV	61,068	-	61,068
Workforce Essentials	-	704	704
	\$ 71,989	\$ 704	\$ 72,693

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, 2012, there was an operating transfer for \$16,547 made from the Public Law Fund to the General Purpose School Fund for their share of indirect costs.

At June 30, 2012, interfund balances consisted of the following:

Due from Public Law Fund	\$ 192,000
Due from Capital Projects Fund	3,992
Due to General Purpose Fund	\$ 195,992

D. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 266,057	\$ -	\$ -	\$ 266,057
Construction in progress	<u>8,102,312</u>	<u>-</u>	<u>8,102,312</u>	<u>-</u>
Total capital assets, not being depreciated	<u>8,368,369</u>	<u>-</u>	<u>8,102,312</u>	<u>266,057</u>
Capital assets being depreciated:				
Buildings and Improvements	29,579,803	11,721,270	30,000	41,271,073
Other capital assets	<u>964,485</u>	<u>101,769</u>	<u>-</u>	<u>1,066,254</u>
Total capital assets being depreciated	<u>30,544,288</u>	<u>11,823,039</u>	<u>30,000</u>	<u>42,337,327</u>
Less accumulated depreciation for:				
Buildings and Improvements	(5,786,752)	(986,102)	(13,815)	(6,759,039)
Other capital assets	<u>(688,614)</u>	<u>(46,778)</u>	<u>-</u>	<u>(735,392)</u>
Total accumulated depreciation	<u>(6,475,366)</u>	<u>(1,032,880)</u>	<u>(13,815)</u>	<u>(7,494,431)</u>
Total capital assets being depreciated	<u>24,068,922</u>	<u>10,790,159</u>	<u>16,185</u>	<u>34,842,896</u>
Governmental activities capital assets, net	<u>\$ 32,437,291</u>	<u>\$ 10,790,159</u>	<u>\$ 8,118,497</u>	<u>\$ 35,108,953</u>

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

Instruction	\$ 2,670
Support services	44,109
Non-instructional services	<u>986,101</u>
	<u>\$ 1,032,880</u>

E. General Long-Term Debt

Bonds Payable - 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 2022 thru 2023. Final maturity is November 1, 2022. However, these are being refinanced in the June 30, 2013 year.

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.

TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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. This is a Build America Bond. The District is responsible for the full amount of the interest payment; however, if the District completes and sends a form to the Internal Revenue Service timely, the Internal Revenue Service will pay 35% of the District's interest. Therefore, the District is recognizing revenue for the Internal Revenue Service's portion.

Notes Payable - The Energy Efficiency Loan was issued in the amount of \$500,000 with an interest rate 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, 2012, is as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due in One Year
2003 Bonds	1,200,000	-	-	1,200,000	-
2010A Bonds	6,670,000	-	225,000	6,445,000	235,000
2010B Bonds	11,100,000	-	-	11,100,000	-
Energy Efficiency Loan	500,000	-	71,424	428,576	65,472
Total	\$ 19,470,000	\$ -	\$ 296,424	\$ 19,173,576	\$ 300,472

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

June 30,	Principal	Interest	Total
2013	\$ 300,472	\$ 952,007	\$ 1,252,479
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	371,424	928,307	1,299,731
2018 - 2022	2,262,408	4,476,931	6,739,339
2023 - 2027	3,015,000	3,980,713	6,995,713
2028 - 2032	3,785,000	3,267,477	7,052,477
2033 - 2037	4,890,000	2,014,514	6,904,514
2038 - 2040	3,550,000	442,533	3,992,533
	\$ 19,173,576	\$ 18,886,803	\$ 38,060,379

F. Designations of Fund Equity

The following funds had nonspendable, restricted, or assigned fund balances as of June 30, 2012:

**TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

	General Purpose	Capital Projects	Public Law	Cafeteria	Bus Garage	Total
Nonspendable						
Inventory	\$ -	\$ -	\$ -	\$ 23,760	\$ 48,188	\$ 71,948
Restricted						
Education	243,044	-	5,353	-	-	248,397
Operation of non- instructional services	-	-	-	8,306	-	8,306
Assigned						
Instruction	100,000	-	-	-	-	100,000
Support services	37,000	-	-	-	-	37,000
Capital outlay	1,464,070	-	-	-	-	1,464,070
Debt service	62,497	-	-	-	-	62,497
Future budgets	400,153	212,909	-	211,205	-	824,267
Other purposes	394,664	-	-	-	3,337	398,001
	<u>\$ 2,701,428</u>	<u>\$ 212,909</u>	<u>\$ 5,353</u>	<u>\$ 243,271</u>	<u>\$ 51,525</u>	<u>\$ 3,214,486</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 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

**TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

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/.

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, 2012, 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, 2012, the Trenton Special School District's annual pension cost of \$38,071 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, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 38,071	100.00%	\$ -
6/30/2011	\$ -	100.00%	\$ -
6/30/2010	\$ 39,402	100.00%	\$ -

**TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 100.00% funded. The actuarial accrued liability for benefits was \$4.12 million, and the actuarial value of assets was \$4.12 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.35 million, and the ratio of the UAAL to the covered payroll was 0.00%.

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) 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)
7/1/2011	\$ 4,118	\$ 4,118	\$ -	100.00%	\$ 1,355	0.00%
7/1/2009	\$ 3,571	\$ 3,571	\$ -	100.00%	\$ 1,342	0.00%
7/1/2007	\$ 3,482	\$ 3,482	\$ -	100.00%	\$ 1,105	0.00%

School Systems - Defined Benefit Plan

Plan Description

The Trenton Special Schools contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after 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 SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew

**TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/Schools.

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Trenton Special Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2012, 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, 2012, 2011, and 2010 were \$518,392, \$503,124, and \$323,302 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, 2012, the State made contributions of \$55,804.

J. Leases

Operating Leases

The District has entered into three lease agreements as a lessee for copiers on two agreements and a postage machine on the third agreement. These lease agreements qualify as operating leases for accounting purposes. The first lease is for a forty-eight month period with monthly payments of \$945. The second lease is for a sixty month period with monthly payments of \$693. The third lease is for a sixty month period with monthly payments of \$64.

The future minimum lease payments as of June 30, 2012, were as follows:

Year Ended June 30,	
2013	\$ 9,969
2014	8,320
2015	8,320
2016	1,387
	\$ 27,996

The lease expenses for the year ended June 30, 2012 was \$20,428.

NOTE 5 - OTHER INFORMATION

A. Prior Period Adjustment

A prior period adjustment was made to compensate for failure to capitalize the construction interest in the prior year in the district-wide financial statements. Expenses in the Statement of Activities were overstated due to construction interest erroneously expensed in the prior year. This resulted in a prior period adjustment in the fiscal year that was an increase to capital assets of \$594,191.

REQUIRED SUPPLEMENTARY INFORMATION

**TRENTON SPECIAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF RETIREMENT FUNDING PROGRESS
June 30, 2012**

(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)
7/1/2011	\$ 4,118	\$ 4,118	\$ -	100.00%	\$ 1,355	0.00%
7/1/2009	\$ 3,571	\$ 3,571	\$ -	100.00%	\$ 1,342	0.00%
7/1/2007	\$ 3,482	\$ 3,482	\$ -	100.00%	\$ 1,105	0.00%

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 three most recent valuations are presented.

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION SECTION

**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, 2012**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Other local revenues				
Investment income	\$ -	\$ -	\$ 10,633	\$ 10,633
 Non-instructional services				
Capital outlay				
Architects	-	30,237	30,237	-
Other contracted services	-	4,252	4,252	-
Building construction	-	3,033,592	2,831,316	(202,276)
Building improvements	-	48,334	48,334	-
 Total expenditures	-	3,116,415	2,914,139	(202,276)
 Net change in fund balance	\$ -	\$ (3,116,415)	(2,903,506)	\$ 212,909
 Fund Balance - July 1, 2011			3,116,415	
 Fund Balance - June 30, 2012			\$ 212,909	

See independent auditor's report.

**TRENTON SPECIAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012**

	<u>Special Revenue</u>			<u>Total</u>
	<u>Public Law Fund</u>	<u>Cafeteria Fund</u>	<u>Bus Garage Fund</u>	
Assets				
Cash	\$ -	\$ 128,557	\$ -	\$ 128,557
Due from other governments	-	-	40,056	40,056
Due from grantor	236,781	88,763	-	325,544
Inventories	-	23,760	48,188	71,948
Total assets	<u>\$ 236,781</u>	<u>\$ 241,080</u>	<u>\$ 88,244</u>	<u>\$ 566,105</u>
Liabilities and Fund Balance				
Liabilities				
Bank Overdraft	\$ 6,517	\$ -	\$ 30,550	\$ 37,067
Accounts payable	33,439	-	-	33,439
Due to other funds	192,000	-	-	192,000
Deferred revenue - federal and state grants	61,068	-	-	61,068
Unearned revenue - federal and state grants	704	-	-	704
Total liabilities	<u>293,728</u>	<u>-</u>	<u>30,550</u>	<u>324,278</u>
Fund Balance				
Nonspendable				
Inventory	-	23,760	48,188	71,948
Restricted				
Education	5,353	-	-	5,353
Operation of non-instructional services	-	8,306	-	8,306
Assigned				
Future budgets	-	211,205	-	211,205
Assigned for other purposes	-	-	3,337	3,337
Unassigned	(62,300)	(2,191)	6,169	(58,322)
Total fund balance	<u>(56,947)</u>	<u>241,080</u>	<u>57,694</u>	<u>241,827</u>
Total liabilities and fund balance	<u>\$ 236,781</u>	<u>\$ 241,080</u>	<u>\$ 88,244</u>	<u>\$ 566,105</u>

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, 2012

	Special Revenue			Total
	Public Law Fund	Cafeteria Fund	Bus Garage Fund	
Revenues				
Local revenue	\$ -	-	\$ 302,703	\$ 302,703
Charges for services	-	147,470	-	147,470
Federal and state funds	1,325,028	588,765	-	1,913,793
Commodities	-	38,928	-	38,928
Interest	-	48	-	48
Total revenues	1,325,028	775,211	302,703	2,402,942
Expenditures				
Instruction				
Regular instruction	276,174	-	-	276,174
Special education	279,070	-	-	279,070
Vocational education	122,978	-	-	122,978
Adult education	67,795	-	-	67,795
Support services				
Student support	177,735	-	-	177,735
Regular instruction	227,783	-	-	227,783
Special education	52,332	-	-	52,332
Vocational education	1,675	-	-	1,675
Adult programs	63,668	-	-	63,668
Office of the principal	85,440	-	-	85,440
Transportation	16,145	-	302,013	318,158
Non-instructional services				
Food service	-	784,929	-	784,929
Total expenditures	1,370,795	784,929	302,013	2,457,737
Revenues over (under) expenditures	(45,767)	(9,718)	690	(54,795)
Other Financing Sources (Uses)				
Operating transfers out	(16,547)	-	-	(16,547)
Net change in fund balance	(62,314)	(9,718)	690	(71,342)
Fund balance - July 1, 2011	5,367	252,581	57,156	315,104
Increase (decrease) in reserves	-	(1,783)	(152)	(1,935)
Fund balance - June 30, 2012	\$ (56,947)	\$ 241,080	\$ 57,694	\$ 241,827

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, 2012**

	<u>Budget</u>		<u>Actual</u>	Variance Over
	<u>Original</u>	<u>Final</u>		(Under)
Revenues				
Federal and State Funds	<u>\$ 1,526,403</u>	<u>\$ 1,642,640</u>	<u>\$ 1,325,028</u>	<u>\$ (317,612)</u>
Expenditures				
Instruction				
Regular Instruction	445,650	376,477	276,174	(100,303)
Special Education	285,114	289,166	279,070	(10,096)
Vocational Education	122,313	122,976	122,978	2
Adult Education	63,526	78,369	67,795	(10,574)
Support Services				
Other Student Support	27,432	203,443	177,735	(25,708)
Regular Instruction	336,398	327,687	227,783	(99,904)
Special Education	43,576	52,332	52,332	-
Vocational Education	1,000	1,675	1,675	-
Adult Programs	79,721	68,928	63,668	(5,260)
Office of the Principal	88,315	88,618	85,440	(3,178)
Transportation	<u>17,900</u>	<u>16,318</u>	<u>16,145</u>	<u>(173)</u>
Total expenditures	<u>1,510,945</u>	<u>1,625,989</u>	<u>1,370,795</u>	<u>(255,194)</u>
Revenues over (under) expenditures	15,458	16,651	(45,767)	(62,418)
Other Financing Sources (Uses)				
Operating Transfers Out	<u>(15,458)</u>	<u>(16,651)</u>	<u>(16,547)</u>	<u>104</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(62,314)</u>	<u>\$ (62,314)</u>
Fund balance - July 1, 2011			<u>5,367</u>	
Fund balance - June 30, 2012			<u>\$ (56,947)</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, 2012**

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues				
Student lunches	\$ 181,602	\$ 181,602	\$ 127,453	\$ (54,149)
Adult lunches	30,968	30,968	19,271	(11,697)
Breakfast sales	2,000	2,000	746	(1,254)
State matching	8,107	8,107	12,474	4,367
USDA lunch funds	389,396	389,396	363,591	(25,805)
USDA breakfast funds	117,693	117,693	212,700	95,007
Commodities	-	-	38,928	38,928
Interest earned	486	486	48	(438)
Total revenues	<u>730,252</u>	<u>730,252</u>	<u>775,211</u>	<u>44,959</u>
Expenditures				
Supervisor/director	19,432	19,432	19,432	-
Clerical personnel	2,199	2,199	2,199	-
Cafeteria personnel	236,286	236,286	206,490	(29,796)
Other salaries	5,000	7,653	7,653	-
Employee benefits	61,335	53,138	47,058	(6,080)
Communication	2,200	2,350	2,350	-
Equipment maintenance	6,000	6,000	4,316	(1,684)
Travel and transportation	8,000	8,000	3,481	(4,519)
Other contracted services	5,000	5,000	158	(4,842)
Food services	307,000	310,451	310,451	-
Commodities	-	-	38,928	38,928
Uniforms	1,800	1,800	1,437	(363)
Utilities	27,000	28,074	28,074	-
In-service training	4,000	5,223	5,223	-
Supplies	40,000	40,000	32,315	(7,685)
Other charges	5,000	9,680	9,680	-
Capital outlay - equipment	226,955	221,921	65,684	(156,237)
Total expenditures	<u>957,207</u>	<u>957,207</u>	<u>784,929</u>	<u>(172,278)</u>
Excess Revenues over (under) Expenditures	<u>\$ (226,955)</u>	<u>\$ (226,955)</u>	<u>(9,718)</u>	<u>\$ 217,237</u>
Fund Balance - July 1, 2011			252,581	
Increase (Decrease) in Reserve for Inventory			<u>(1,783)</u>	
Fund Balance - June 30, 2012			<u>\$ 241,080</u>	

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, 2012**

	<u>Budget</u>		<u>Actual</u>	Variance Over
	<u>Original</u>	<u>Final</u>		(Under)
Revenues				
Local Revenues	\$ 296,613	\$ 302,011	\$ 302,703	\$ 692
Expenditures				
Salaries - Mechanics	110,050	110,050	110,050	-
Salaries - Other	12,029	12,029	12,030	1
Employee Benefits	19,884	19,682	19,682	-
Travel	400	-	-	-
Communications	3,100	3,048	3,048	-
Laundry Service	2,200	2,168	2,168	-
Other Contracted Services	4,050	4,036	4,036	-
Postal Charges	400	-	-	-
Fuel and Lubricants	9,000	11,656	11,656	-
Garage Supplies	5,500	4,103	4,104	1
Tires and Tubes	36,000	34,817	34,817	-
Repair Parts for Vehicles	75,000	86,307	86,307	-
Insurance on Vehicles	3,000	3,000	3,000	-
Other Charges	16,000	11,115	11,115	-
Total Expenditures	<u>296,613</u>	<u>302,011</u>	<u>302,013</u>	<u>2</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	690	<u>\$ 690</u>
Fund balance - July 1, 2011			57,156	
Increase (decrease) in reserve for inventory			<u>(152)</u>	
Fund balance - June 30, 2012			<u>\$ 57,694</u>	

See independent auditor's report.

TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT
June 30, 2012

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
2013	\$ -	\$ 51,000	\$ 235,000	\$ 223,131	\$ -	\$ 677,876	\$ 65,472	\$ -	\$ 300,472	\$ 952,007	\$ 1,252,479
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	661,569	-	-	750,000	661,569	1,411,569
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
	\$ 1,200,000	\$ 510,638	\$ 6,445,000	\$ 2,548,469	\$ 11,100,000	\$ 15,827,696	\$ 428,576	\$ -	\$ 19,173,576	\$ 18,886,803	\$ 38,060,379

See independent auditor's report.

TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF INTERFUND TRANSFERS - ALL FUNDS
For the Year Ended June 30, 2012

<u>Operating Transfers</u>					
<u>Transfer In</u>	<u>Budget</u>	<u>Actual</u>	<u>Transfer Out</u>	<u>Budget</u>	<u>Actual</u>
General Purpose	<u>\$ 35,000</u>	<u>\$ 16,547</u>	Public Law Fund	<u>\$ 16,651</u>	<u>\$ 16,547</u>

See independent auditor's report.

**TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF SALARIES AND BONDS
For the Year Ended June 30, 2012**

	<u>Salary</u>	<u>Bond</u>	
Director of Schools	<u>\$ 100,202</u>	<u>\$ 150,000</u>	*

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

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, 2012

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>
2012	\$ 106,265,554	\$2.13	\$ 2,263,456
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

The following tax was levied on January 1, 2012:

2013	\$ 112,362,220	\$2.13	\$ 2,393,315
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See independent auditor's report.

TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

Grantor Agency/ Pass-through Agency/ Program Name and Number	CFDA #	Balance 7/1/2011	Receipts	Expenditures	Adjustments	Balance Unearned (Receivable) 6/30/2012
U.S. Department of Education/						
<i>Tennessee Department of Education/</i>						
Title I, Grants to Local Education Agencies						
ARRA Title I A	84.389	(52,817)	52,817	-	-	-
Title I	84.010	(59,208)	383,420	363,441	-	(39,229)
		(112,025)	436,237	363,441	-	(39,229)
Title I, Education Jobs Program	84.410	-	250,711	254,401	-	(3,690)
		(112,025)	686,948	617,842	-	(42,919)
English Language Acquisition Grants Title III, Part A	84.365	-	1,624	1,624	-	-
Rural and Low-Income School Program Title VI, Rural Education	84.358	-	20,951	25,487	-	(4,536)
Education Technology State Grants ARRA Title IID	84.405	-	322	322	-	-
Enhancing Education Through Technology Title II, Part D	84.318	-	228	228	-	-
Improving Teacher Quality State Grants Title II, Part A Training	84.367	(9,019)	59,695	56,776	-	(6,100)
Special Education - Grants to States						
ARRA IDEA	84.391	(27,425)	40,800	13,375	-	-
IDEA	84.027	(35,198)	296,418	285,292	-	(24,072)
IDEA Competitive	84.027	-	8,231	47,545	-	(39,314)
IDEA Assistive Technology	84.027	-	2,700	2,700	-	-
		(62,623)	348,149	348,912	-	(63,386)

See independent auditor's report.

TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

Grantor Agency/ Pass-through Agency/ Program Name and Number	CFDA #	Balance 7/1/2011	Receipts	Expenditures	Adjustments	Balance Unearned (Receivable) 6/30/2012
Special Education - Preschool Grants						
IDEA Preschool	84.173	(854)	7,957	7,935	-	(832)
Total special education grants		(63,477)	356,106	356,847	-	(64,218)
Adult Ed (75% Federal; 25% State)	84.002	(3,368)	-	-	3,368	-
ABE 2009 (75% Federal; 25% State)	84.002	(14,372)	22,332	10,898	-	(2,938)
Adult Ed (75% Federal; 25% State)	84.002	-	54,096	79,274	-	(25,178)
		(17,740)	76,428	90,172	3,368	(28,116)
Career and Technical Education - Basic Grants to States						
Carl Perkins	84.048	(5,696)	34,246	34,540	-	(5,990)
Carl Perkins IV Reserve Grant	84.048A	-	33,932	95,000	-	(61,068)
		(5,696)	68,178	129,540	-	(67,058)
State Fiscal Stabilization Fund						
ARRA First to the Top	84.395	(7,175)	66,488	69,516	-	(10,203)
State Fiscal Stabilization Fund						
ARRA SMMS	84.397	-	3,621	3,621	-	-
ARRA Family Resource	84.397	(8,129)	8,129	-	-	-
ARRA Safe Schools	84.397	(8,200)	8,200	-	-	-
ARRA Coordinated School Health	84.397	(33,901)	33,901	-	-	-
ARRA Career Ladder Extended	84.397	(24,353)	24,353	-	-	-
Total State Fiscal Stabilization Funds		(74,583)	78,204	3,621	-	-
Title IV Part B, 21st Century	84.287C	(30,111)	61,956	50,000	-	(18,155)
Title I - P.L. 874 (Impact Aid)	84.041	-	3,424	3,424	-	-
Total Department of Education		(319,826)	1,480,552	1,405,399	3,368	(241,305)
U.S. Department of Labor						
WIA Dislocated Worker	17.278	(3,705)	10,077	10,928	-	(4,556)

See independent auditor's report.

TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

Grantor Agency/ Pass-through Agency/ Program Name and Number	CFDA #	Balance 7/1/2011	Receipts	Expenditures	Adjustments	Balance Unearned (Receivable) 6/30/2012
<i>Passed through Dyersburg State</i>						
JTG	17.259	(4,694)	4,694	-	-	-
Total Department of Labor		(8,399)	14,771	10,928	-	(4,556)
U.S. Department of Agriculture/ Tennessee Department of Agriculture/ Child and Adult Care Food Program						
	10.558	-	7,577	7,577	-	-
Food Distribution - Commodities	10.555*	-	38,928	38,928	-	-
School Breakfast Program	10.553*	(9,694)	188,445	212,700	-	(33,949)
National School Lunch Program	10.555*	(15,272)	324,049	363,591	-	(54,814)
		(24,966)	551,422	615,219	-	(88,763)
Total Department of Agriculture		(24,966)	558,999	622,796	-	(88,763)
Federal Emergency Management Agency State of Tennessee/ Public Assistance						
	97.036	(78,421)	67,500	-	-	(10,921)
Total Federal Awards		\$ (431,612)	\$ 2,121,822	\$ 2,039,123	\$ 3,368	\$ (345,545)

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, 2012**

Grantor Agency/ Program Name	Number	Balance 7/1/2011	Receipts	Expenditures	Adjustments	Balance Unearned (Receivable) 6/30/2012
Tennessee Department of Education						
WIA Dropout Academic Tutoring		\$ (2)	\$ -	\$ -	\$ 2	\$ -
ABE 2009 (75% Federal; 25% State)	Z-09-213510	(4,791)	7,445	3,633	-	(979)
ABE 08-01 (75% Federal; 25% State)	Z-10-218552	-	18,032	26,128	-	(8,096)
Early Childhood Grant - Pilot	MX12AAX	(138,655)	404,880	401,343	-	(135,118)
Drivers Education		-	4,181	4,181	-	-
Safe and Supportive Schools - School Climate Grant		-	400	400	-	-
Safe Schools		-	-	7,400	-	(7,400)
Workforce Essentials		-	1,050	346	-	704
Coordinated School Health	GZ8/AAX 9	-	68,601	105,000	-	(36,399)
Career Ladder		-	50,977	52,144	-	(1,167)
Career Ladder Extended Contract		-	37,357	37,357	-	-
Arts Student Ticket Subsidy		-	1,246	1,246	-	-
Internet Connectivity		-	4,818	4,818	-	-
Family Resource Center		-	25,675	29,612	-	(3,937)
Total State Financial Assistance		\$ (143,448)	\$ 624,662	\$ 673,608	\$ 2	\$ (192,392)

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

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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, 2012, which collectively comprise the Trenton Special School District's financial statements and have issued our report thereon dated January 11, 2013. 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

Management of Trenton Special School District is responsible for establishing and maintaining effective 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.

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 January 11, 2013.

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.


Jackson, Tennessee
January 11, 2013

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**Independent Auditor's Report on Compliance With Requirements That Could
Have a Direct and Material Effect on 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's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each the District's major federal programs for the year ended June 30, 2012. 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 District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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 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.

A handwritten signature in black ink that reads "Alexander D. Boyd PLLC". The signature is written in a cursive style.

Jackson, Tennessee
January 11, 2013

**TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

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?	_____ yes	<u> X </u> no
Significant deficiency(ies) identified?	_____ yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no

Federal Awards

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

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a) of OMB Circular A-133?	_____ 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>
10.555	Food Distribution - Commodities
10.553	School Breakfast Program
10.555	National School Lunch Program

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

Auditee qualified as low-risk auditee?	<u> X </u> yes	_____ no
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TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

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, 2012

PRIOR FINANCIAL STATEMENTS FINDINGS

96-1 Segregation of Duties - corrected

PRIOR FEDERAL AWARD FINDINGS AND QUESTION COSTS

None reported.