

TRENTON SPECIAL SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2013

**TRENTON SPECIAL SCHOOL DISTRICT
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INTRODUCTORY SECTION

**TRENTON SPECIAL SCHOOL DISTRICT
DIRECTORY
June 30, 2013**

ELECTED OFFICIALS

Dr. Mark Harper, Chairman
Sherry Whitby, Vice Chairman
Jim Overall, Treasurer/Fiscal Agent
Doug Smith, 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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trenton Special School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Trenton Special School District, as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparison for the general purpose school fund and the public law fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 and the required supplementary information on pages 48 and 49 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trenton Special School District's basic financial statements. The introductory section and other supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

The other supplementary information section including the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other supplementary information section including the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 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 in considering Trenton Special School District's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Jackson, Tennessee
November 15, 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, 2013. 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, 2013 by \$19,880,548. Of this amount, \$4,162,963 (unrestricted net position) 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 fund balances of \$4,261,287. Approximately 28.12% of this total amount, \$1,198,149, is unassigned in the general purpose fund.
- At the end of the current fiscal year, unassigned fund balance for the general purpose fund was \$1,198,149 or 9.72% of total general purpose fund expenditures.
- The District's total bonded debt decreased by \$291,424. This decrease is due to the annual required debt payments.
- The District's total capital assets decreased by \$911,903. The decrease was due to depreciation and disposals.

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.

Discussion on Statement of Net Position

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's Board.

At June 30, 2013, the District's governmental funds reported combined fund balances of \$4,261,287, an increase of \$107,286 in comparison with the prior year. Approximately 28% of this amount \$1,198,149 constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form \$70,616, 2) legally required to be maintained intact \$0, 3) restricted for particular purposes \$335,593, 4) committed for particular purposes \$212,909, or 5) assigned for particular purposes \$2,444,020.

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, public law fund and the nonmajor funds. The general purpose and public law funds are considered major funds, while the capital projects, 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 and public law fund to demonstrate compliance with this budget. In addition, a budgetary comparison is presented as other supplementary information for the capital projects, cafeteria, and bus garage funds as nonmajor funds.

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This required supplementary information has been presented in the required supplementary information section of this report. The nonmajor 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 position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$19,880,548 at the close of the fiscal year ended June 30, 2013.

A large portion of the District's net position reflects its net 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 Position	Governmental Activities June 30, 2013	Governmental Activities June 30, 2012
Assets		
Current and other	\$ 8,075,707	\$ 7,880,799
Capital assets - net of accumulated depreciation	<u>34,197,050</u>	<u>35,108,953</u>
Total assets	<u>42,272,757</u>	<u>42,989,752</u>
Liabilities		
Long-term liabilities	19,065,978	19,173,576
Other liabilities	<u>3,326,231</u>	<u>3,102,249</u>
Total liabilities	<u>22,392,209</u>	<u>22,275,825</u>
Net position		
Net investment in capital assets	15,311,376	15,935,377
Restricted	2,851,634	1,070,188
Unrestricted	<u>1,717,538</u>	<u>3,708,362</u>
Total net position	<u>\$ 19,880,548</u>	<u>\$ 20,713,927</u>

The above provides a summary of the District's net position for 2013 and 2012.

During the current fiscal year, the District's total net position decreased by \$833,379. The loss was related in part to the decrease in grant funds along with an increase of expenses.

The following summary shows the changes in net position for fiscal years 2013 and 2012.

The District's Changes in Net Position	Governmental Activities June 30, 2013	Governmental Activities June 30, 2012
Revenues		
Program revenues		
Charges for services	\$ 317,772	\$ 167,413
Operating grants and contributions	3,012,996	3,039,543
Capital grants and contributions	-	101,769
General revenues		
Property taxes	2,417,270	2,381,896
Sales taxes	784,497	596,100
Other local taxes and licenses	1,260	1,116
Grants and contributions not restricted to specific programs:		
Basic Education Program	6,619,398	6,601,000
Other	65,804	382,055
Interest	5,548	14,165
Other miscellaneous revenues	<u>313,400</u>	<u>98,169</u>
Total revenues	<u>13,537,945</u>	<u>13,383,226</u>

	Governmental Activities June 30, 2013	Governmental Activities June 30, 2012
Expenses		
Instruction	6,285,456	6,090,899
Support Services	4,591,776	4,099,335
Non-instructional services	3,494,092	3,344,687
Total expenses	<u>14,371,324</u>	<u>13,534,921</u>
Increase (decrease) in net position	(833,379)	(151,695)
Net position, beginning	20,713,927	20,271,431
Prior period adjustment	-	594,191
Net position, beginning - restated	<u>20,713,927</u>	<u>20,865,622</u>
Net position, ending	<u>\$ 19,880,548</u>	<u>\$ 20,713,927</u>

Governmental activities. Governmental activities decreased the District's net position by \$833,379.

Total governmental activities' revenue for the fiscal year was \$13,537,945. The largest single revenue source was state revenues in the form of Basic Education Program payments.

Expense and Program Revenues - Governmental Funds

Certain revenues are generated that are specific to governmental program activities. Among major funds, the general purpose had \$11,095,770 in revenues and \$12,324,649 in expenditures and the public law fund had \$1,365,482 in revenues and \$1,300,676 in expenditures. In the non-major funds, the capital projects fund had \$1,509 in revenues and \$36,501 in expenditures, the cafeteria fund had \$791,487 in revenues and \$745,266 in expenditures. The bus garage fund had \$327,900 in revenues and \$329,973 in expenditures.

Revenue by Source - Governmental Funds

Total governmental revenues allocated by each revenue type.

	June 30, 2013		June 30, 2012	
	Amount	Percent	Amount	Percent
Program revenues				
Charges for services	\$ 317,772	2.35%	\$ 167,413	1.25%
Operating grants and contributions	3,012,996	22.26%	3,039,543	22.71%
Capital grants and contributions	-	0.00%	101,769	0.76%
General revenues				
Property taxes	2,417,270	17.86%	2,381,896	17.80%
Sales taxes	784,497	5.79%	596,100	4.45%
Other local taxes and licenses	1,260	0.02%	1,116	0.02%
Grants and contributions not restricted to specific programs	6,685,202	49.38% [¶]	6,983,055	52.18%
Interest	5,548	0.04%	14,165	0.11%
Other local revenue	313,400	2.31%	98,169	0.73%
Total revenues	<u>\$ 13,537,945</u>	<u>100.00%</u> [¶]	<u>\$ 13,383,226</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 \$4,261,287. Of this amount, \$1,198,149 constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder is not available for new spending and has been classified as nonspendable, restricted, committed or assigned.

The general purpose fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance was \$1,198,149.

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 9.72% of the total general purpose fund expenditures, while total fund balances represents 29.13% of that same amount.

General Purpose Fund Budgetary Highlights

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

	Governmental Activities		
	June 30, 2013		
General Purpose Fund	Original	Final	Difference
Revenues			
Taxes	\$ 3,076,080	\$ 3,076,080	\$ -
Intergovernmental	7,530,505	7,591,724	61,219
Miscellaneous	113,055	164,590	51,535
Total revenues	10,719,640	10,832,394	112,754
Expenses			
Instruction	5,590,903	5,691,711	100,808
Support Services	3,606,150	3,664,786	58,636
Non-instructional services	1,938,740	2,225,823	287,083
Total expenditures	11,135,793	11,582,320	446,527
Deficiency of revenues under expenditures	\$ (416,153)	\$ (749,926)	\$ (333,773)

In 2013, the major increases to revenue and expenses related to an amendment for a tax credit bond rebate on one of the bonds payable.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental funds as of June 30, 2013 and 2012, amounts to \$15,311,376 and \$15,935,377 (net of accumulated depreciation and related debt), respectively. This investment in capital assets includes land, construction in progress, buildings and improvements, and other capital assets (including equipment)

Long-term debt. As of June 30, 2013, the District had total bonded debt and a loan outstanding of \$18,882,152. All debt is backed by the full faith and credit of the government.

	June 30, 2013	June 30, 2012
School Bonds, Series 2003	\$ -	\$ 1,200,000
School Bonds, Series 2010A	6,210,000	6,445,000
School Bonds, Series 2010B	11,100,000	11,100,000
School Bonds, Series 2012	1,215,000	-
Energy Efficiency Loan	357,152	428,576
	<u>\$ 18,882,152</u>	<u>\$ 19,173,576</u>

The specifics on these bonds and loans 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 POSITION
June 30, 2013

	Governmental Activities
Assets	
Cash	\$ 4,452,982
Receivables	
Accounts	40,827
Property taxes	2,381,681
Due from other governments	92,145
Due from grantor	424,179
Inventories	70,616
Bond issuance costs	613,277
Capital assets, not being depreciated	
Construction in progress	158,395
Land	266,057
Capital assets, net of accumulated depreciation	
Buildings and improvements	33,460,974
Other capital assets	311,624
Total assets	42,272,757
 Liabilities	
Bank overdraft	52,068
Accounts payable	336,582
Salaries payable	298,977
Insurance payable	100,503
Accrued interest payable	152,874
Unearned Revenue	3,546
Deferred property taxes	2,381,681
Noncurrent liabilities:	
Due within one year	366,424
Due in more than one year	18,699,554
Total liabilities	22,392,209
 Net Position	
Net investment in capital assets	15,311,376
Restricted for:	
Other local education reserves	335,593
Inventory	70,616
Unrestricted	4,162,963
Total net position	\$ 19,880,548

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, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction					
Regular education	\$ 5,262,392	\$ 93,675	\$ 571,253	\$ -	\$ (4,597,464)
Alternate education	340,773	-	-	-	(340,773)
Special education	394,317	-	212,935	-	(181,382)
Vocational education	241,296	-	27,298	-	(213,998)
Student body education	14,086	-	-	-	(14,086)
Adult education	32,592	-	26,869	-	(5,723)
Support services					
Attendance	116,957	-	-	-	(116,957)
Health services	137,716	-	-	-	(137,716)
Other student support	413,742	-	185,287	-	(228,455)
Regular instruction	991,438	-	445,131	-	(546,307)
Special education	78,307	-	47,132	-	(31,175)
Vocational education	13,086	-	5,277	-	(7,809)
Adult programs	89,780	-	85,679	-	(4,101)
Board of Education	159,689	-	-	-	(159,689)
Office of Superintendent	160,795	-	-	-	(160,795)
Office of Principal	578,590	-	3,114	-	(575,476)
Fiscal services	48,558	-	-	-	(48,558)
Human services	73,854	-	-	-	(73,854)
Operation and maintenance of plant	1,069,052	-	-	-	(1,069,052)
Student transportation	642,400	-	351,492	-	(290,908)
Central and other	17,812	-	-	-	(17,812)
Non-instructional services					
Food service	752,417	143,467	643,893	-	34,943
Community services	43,294	80,630	-	-	37,336
Early Childhood Education	402,715	-	407,636	-	4,921
Education capital outlay	1,223,201	-	-	-	(1,223,201)
Education debt service	1,072,465	-	-	-	(1,072,465)
	<u>\$ 14,371,324</u>	<u>\$ 317,772</u>	<u>\$ 3,012,996</u>	<u>\$ -</u>	<u>(11,040,556)</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, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</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			2,417,270
	Sales taxes			784,497
	Other local taxes and licenses			1,260
	Grants and contributions not restricted to certain programs			
	Basic Education Program			6,619,398
	Other			65,804
	Interest			5,548
	Other miscellaneous revenues			313,400
	Total general revenues			10,207,177
	 Change in net position			 (833,379)
	Net position, beginning			20,713,927
	Net position, ending			\$ 19,880,548

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

**TRENTON SPECIAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013**

	<u>General Purpose School Fund</u>	<u>Public Law Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 3,869,845	\$ -	\$ 583,137	\$ 4,452,982
Accounts receivable	36,861	-	3,966	40,827
Property taxes receivable	2,381,681	-	-	2,381,681
Due from other funds	119,000	2,465	-	121,465
Due from other governments	85,590	-	6,555	92,145
Due from grantor	240,318	183,861	-	424,179
Inventories	-	-	70,616	70,616
Total assets	<u>\$ 6,733,295</u>	<u>\$ 186,326</u>	<u>\$ 664,274</u>	<u>\$ 7,583,895</u>
Liabilities and Fund Balance				
Liabilities				
Bank Overdraft	\$ -	\$ 52,068	\$ -	\$ 52,068
Accounts payable	331,600	3,596	1,386	336,582
Salaries payable	298,977	-	-	298,977
Insurance payable	100,503	-	-	100,503
Due to other funds	2,465	119,000	-	121,465
Deferred revenue - federal and state grants	27,529	257	-	27,786
Unearned revenue	-	3,546	-	3,546
Deferred property taxes	2,381,681	-	-	2,381,681
Total liabilities	<u>3,142,755</u>	<u>178,467</u>	<u>1,386</u>	<u>3,322,608</u>
Fund balance				
Nonspendable				
Inventory	-	-	70,616	70,616
Restricted				
Education	273,987	7,859	-	281,846
Operation of non-instructional services	-	-	53,747	53,747
Committed				
Capital projects	-	-	212,909	212,909
Assigned				
Instruction - textbooks	100,000	-	-	100,000
Support services	37,000	-	-	37,000
Capital outlay	1,293,181	-	-	1,293,181
Debt service	94,644	-	108,390	203,034
Future budgets	346,386	-	209,793	556,179
Other purposes	247,193	-	7,433	254,626
Unassigned	1,198,149	-	-	1,198,149
Total fund balance	<u>3,590,540</u>	<u>7,859</u>	<u>662,888</u>	<u>4,261,287</u>
Total liabilities and fund balance	<u>\$ 6,733,295</u>	<u>\$ 186,326</u>	<u>\$ 664,274</u>	<u>\$ 7,583,895</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 POSITION**

June 30, 2013

Amounts reported for the governmental activities in the statement of net position (Page 11) are different because:

Fund balance - total governmental funds (Page 14)	\$ 4,261,287
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in funds.	34,197,050
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Bond issuance costs	613,277
Receivables not available to pay for current expenditures and, therefore, are deferred in funds.	27,786
Some payables are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest	(152,874)
Long-term liabilities are not due in the the current period and, therefore, are not reported in the funds:	
Bond premium	(3,522)
OPEB	(180,304)
Notes and bonds payable	<u>(18,882,152)</u>
Net position - governmental activities (Page 11)	<u>\$ 19,880,548</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, 2013

	<u>General Purpose School Fund</u>	<u>Public Law Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Local taxes	\$ 3,202,371	\$ -	\$ -	\$ 3,202,371
Current charges for education services	162,667	-	-	162,667
Licenses and permits	476	-	-	476
Charges for services	-	-	143,467	143,467
Other local revenues	159,238	-	327,900	487,138
Federal and state funds	7,567,007	1,365,482	610,927	9,543,416
Commodities	-	-	36,932	36,932
Interest	4,011	-	1,537	5,548
Other income	-	-	133	133
Total revenues	<u>11,095,770</u>	<u>1,365,482</u>	<u>1,120,896</u>	<u>13,582,148</u>
Expenditures				
Current				
Instruction	5,562,978	545,281	-	6,108,259
Support services	3,485,000	755,395	329,973	4,570,368
Non-instructional services	445,315	-	745,266	1,190,581
Education capital outlay	299,610	-	36,501	336,111
Education debt service				
Principal	1,556,424	-	-	1,556,424
Interest	937,286	-	-	937,286
Other debt service	38,036	-	-	38,036
Total expenditures	<u>12,324,649</u>	<u>1,300,676</u>	<u>1,111,740</u>	<u>14,737,065</u>
Excess revenues over expenditures	(1,228,879)	64,806	9,156	(1,154,917)
Other Financing Sources (Uses)				
Proceeds on issuance of debt	1,263,536	-	-	1,263,536
Transfers in	-	-	143,382	143,382
Transfers out	(143,382)	-	-	(143,382)
	<u>1,120,154</u>	<u>-</u>	<u>143,382</u>	<u>1,263,536</u>
Net change in fund balance	(108,725)	64,806	152,538	108,619
Fund balance - July 1, 2012	3,699,265	(56,947)	511,683	4,154,001
Increase (decrease) in inventory	-	-	(1,333)	(1,333)
Fund balance - June 30, 2013	<u>\$ 3,590,540</u>	<u>\$ 7,859</u>	<u>\$ 662,888</u>	<u>\$ 4,261,287</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, 2013**

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

Net change in fund balances - total governmental funds (Page 16)	\$ 108,619
<p>Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:</p>	
Capital outlays	39,895
Construction work in process	158,395
Depreciation	(1,110,193)
<p>The repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, these repayments have no effect on net position.</p>	
	1,556,424
<p>Issuance of new debt</p>	
	(1,263,536)
<p>Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.</p>	
	(50,863)
<p>The change in OPEB is an expenditure in the governmental funds, but the change reduces or increases the liability on the statement of activities</p>	
	(180,304)
<p>Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amount is the net effect of these differences in the treatment.</p>	
	(46,280)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as current revenues in the funds.</p>	
	(44,203)
<p>The increase (decrease) in inventory is reported as a direct change to beginning fund balance. However, in the statement of activities this increase is reported as an expense based on the consumption method.</p>	
	<u>(1,333)</u>
Change in net position of governmental activities (Page 13)	<u>\$ (833,379)</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, 2013**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local taxes				
Property tax - current	\$ 2,218,030	\$ 2,218,030	\$ 2,285,807	\$ 67,777
Property tax - prior	80,000	80,000	108,986	28,986
Interest and penalty on delinquent tax	15,000	15,000	19,403	4,403
Payment in lieu of taxes	2,600	2,600	3,074	474
County sales tax	760,000	760,000	784,497	24,497
Interstate telecommunications tax	450	450	604	154
Total local taxes	<u>3,076,080</u>	<u>3,076,080</u>	<u>3,202,371</u>	<u>126,291</u>
Current charges for education services				
Receipts from individual schools	19,000	19,000	13,688	(5,312)
Tuition	1,350	1,350	675	(675)
Community service fees	68,225	59,602	60,078	476
Transportation	5,000	5,000	8,239	3,239
Other charges for services	19,480	79,638	79,987	349
Total current charges for education services	<u>113,055</u>	<u>164,590</u>	<u>162,667</u>	<u>(1,923)</u>
Licenses and permits	<u>500</u>	<u>500</u>	<u>476</u>	<u>(24)</u>
Other local revenues				
Interest on temporary investments	4,000	4,000	4,011	11
Rent for use of school facilities	16,000	16,000	20,552	4,552
E-Rate funding	27,000	27,000	35,692	8,692
Sale of equipment	-	964	13,052	12,088
Insurance recovery	-	-	443	443
Other local revenues	5,000	5,000	3,610	(1,390)
Contributions and gifts	-	-	810	810
Miscellaneous	-	3,610	1,400	(2,210)
Total other local revenues	<u>52,000</u>	<u>56,574</u>	<u>79,570</u>	<u>22,996</u>
State funds and federal passed through state				
Basic education program	6,588,000	6,588,000	6,619,398	31,398
Driver education funds	3,500	3,500	3,447	(53)
Early childhood education funds	407,637	407,637	407,637	-
Career ladder program	55,000	55,000	58,402	3,402
Career ladder program - extended	29,000	29,000	23,865	(5,135)
School food service	6,700	6,700	6,424	(276)
Other state education funds	138,211	138,211	142,703	4,492
Mixed drink tax	-	-	180	180
Other state grants	8,000	64,645	64,645	-
Child handicapped	2,700	2,700	2,700	-
Total state funds and federal passed through state	<u>7,238,748</u>	<u>7,295,393</u>	<u>7,329,401</u>	<u>34,008</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, 2013**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Federal funds received directly				
P.L. 81-874 entitlement	2,000	2,000	349	(1,651)
Bond interest rebate	<u>237,257</u>	<u>237,257</u>	<u>237,257</u>	<u>-</u>
Total federal funds received directly	<u>239,257</u>	<u>239,257</u>	<u>237,606</u>	<u>(1,651)</u>
 Total revenues	 <u>10,719,640</u>	 <u>10,832,394</u>	 <u>11,012,091</u>	 <u>179,697</u>
 Expenditures				
Instruction				
Regular Education Program				
Teachers	3,208,735	3,205,698	3,141,140	(64,558)
Career ladder program	36,965	34,400	34,400	-
Career ladder program - extended	15,000	19,840	19,840	-
Homebound teachers	3,000	3,000	709	(2,291)
Educational assistants	58,341	74,381	73,807	(574)
Other salaries and wages	-	56,630	56,233	(397)
Certified substitute teachers	24,000	23,397	15,153	(8,244)
Non-certified substitute teachers	51,000	69,000	67,260	(1,740)
Social security taxes	210,617	190,838	190,769	(69)
State retirement	291,363	284,933	284,872	(61)
Medical insurance	361,598	387,692	387,692	-
Unemployment	15,000	2,265	(7,010)	(9,275)
Medicare taxes	49,257	48,494	45,461	(3,033)
Other fringe benefits	6,500	6,500	3,357	(3,143)
Maintenance and repair - equipment	35,000	36,663	36,403	(260)
Other contracted services	28,000	28,000	24,797	(3,203)
Instructional supplies	154,206	147,724	123,882	(23,842)
Textbooks	110,000	106,425	105,485	(940)
Other supplies and materials	3,000	3,000	1,326	(1,674)
Fee waivers	7,000	7,000	2,930	(4,070)
Other charges	64,000	71,575	19,270	(52,305)
Capital outlay - equipment	<u>86,408</u>	<u>102,098</u>	<u>89,106</u>	<u>(12,992)</u>
Total regular education program	<u>4,818,990</u>	<u>4,909,553</u>	<u>4,716,882</u>	<u>(192,671)</u>
 Alternate Instruction Program				
Teachers	95,674	95,674	95,365	(309)
Educational assistants	16,330	16,330	16,330	-
Social security taxes	6,944	6,944	6,697	(247)
State retirement	8,929	8,929	8,901	(28)
Medical insurance	3,852	3,852	3,781	(71)
Medicare taxes	1,624	1,624	1,566	(58)
Operating lease payments	500	500	472	(28)
Instructional supplies	500	500	121	(379)
Other supplies and materials	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
Total alternate instruction program	<u>134,853</u>	<u>134,853</u>	<u>133,233</u>	<u>(1,620)</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, 2013**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Special Education Program				
Teachers	297,180	289,198	289,198	-
Career ladder program	3,200	3,423	3,423	-
Educational Assistants	-	11,971	11,971	-
Social security taxes	16,903	15,563	15,563	-
State retirement	24,209	23,944	23,944	-
Medical insurance	20,746	27,402	27,402	-
Unemployment compensation	4,506	-	-	-
Medicare taxes	4,356	4,067	4,067	-
Other Fringe Benefits	1,172	1,310	1,310	-
Contract with private agencies	16,000	16,915	16,915	-
Other supplies and materials	2,000	360	360	-
Other Contracted Services	-	164	164	-
Total special education program	<u>390,272</u>	<u>394,317</u>	<u>394,317</u>	<u>-</u>
Vocational Education Program				
Teachers	155,994	156,444	156,444	-
Certified substitute teachers	2,000	1,035	1,035	-
Non-certified substitute teachers	2,000	990	990	-
Social security taxes	9,920	9,422	9,158	(264)
State retirement	13,852	13,875	13,875	-
Medical insurance	13,900	13,900	12,567	(1,333)
Medicare taxes	2,320	2,320	2,142	(178)
Contracts with other school systems	8,000	8,000	8,000	-
Maintenance and repair - equipment	1,000	1,000	-	(1,000)
Other contracted services	1,000	1,000	708	(292)
Instructional supplies	8,700	8,700	4,992	(3,708)
Other charges	2,270	4,270	4,078	(192)
Vocational instruction equipment	800	800	-	(800)
Total vocational education program	<u>221,756</u>	<u>221,756</u>	<u>213,989</u>	<u>(7,767)</u>
Student Body Education Program				
Other salaries and wages	19,000	19,000	12,488	(6,512)
Social security taxes	1,178	1,178	669	(509)
State retirement	504	504	315	(189)
Medical insurance	578	578	439	(139)
Medicare taxes	276	276	175	(101)
Total student body education program	<u>21,536</u>	<u>21,536</u>	<u>14,086</u>	<u>(7,450)</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, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u>
				<u>(Under)</u>
Adult Education Program				
Teachers	3,000	3,000	540	(2,460)
Social security taxes	186	186	31	(155)
State retirement	266	266	14	(252)
Medicare taxes	44	44	7	(37)
Other contracted services	-	6,200	6,200	-
Total adult education program	<u>3,496</u>	<u>9,696</u>	<u>6,792</u>	<u>(2,904)</u>
Total Instruction	<u>5,590,903</u>	<u>5,691,711</u>	<u>5,479,299</u>	<u>(212,412)</u>
Support Services				
Students				
Attendance				
Supervisor/director	36,714	36,714	36,714	-
Career ladder program	500	500	500	-
Clerical personnel	57,107	57,107	56,163	(944)
Social security taxes	5,848	5,063	5,063	-
State retirement	4,818	4,830	4,830	-
Medical insurance	7,622	8,944	8,944	-
Medicare taxes	1,368	1,205	1,204	(1)
Communication	500	300	300	-
Travel	2,500	2,419	2,409	(10)
Other supplies and materials	600	495	474	(21)
In-service/staff development	500	500	356	(144)
Total attendance	<u>118,077</u>	<u>118,077</u>	<u>116,957</u>	<u>(1,120)</u>
Health Services				
Medical personnel	74,387	76,569	76,569	-
Other salaries and wages	8,146	10,694	10,594	(100)
Social security taxes	5,117	4,944	4,662	(282)
State retirement	4,171	4,043	2,056	(1,987)
Medical insurance	19,876	16,826	13,369	(3,457)
Medicare taxes	1,197	1,164	1,097	(67)
Communications	1,900	1,895	1,821	(74)
Postal charges	300	17	17	-
Travel	5,500	2,674	2,174	(500)
Other contracted services	6,000	7,195	3,630	(3,565)
Drugs and medical supplies	3,500	3,500	3,446	(54)
Other supplies and materials	24,622	28,863	28,715	(148)
In-service/staff development	600	684	684	-
Other charges	3,000	2,858	2,858	-
Total health services	<u>158,316</u>	<u>161,926</u>	<u>151,692</u>	<u>(10,234)</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, 2013**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Other Student Support				
Career ladder program	3,000	3,000	3,000	-
Guidance personnel	133,224	133,224	133,009	(215)
Social workers	30,840	30,840	30,840	-
Other Salaries and Wages	2,200	2,200	2,160	(40)
Social security taxes	10,358	9,770	9,705	(65)
State retirement	14,836	14,836	14,816	(20)
Medical insurance	8,911	10,405	10,405	-
Medicare taxes	2,422	2,372	2,301	(71)
Contracts with government agencies	27,600	34,243	34,243	-
Evaluation and testing	10,000	5,050	5,049	(1)
Travel	2,500	1,282	1,282	-
Other supplies and materials	175	175	160	(15)
In-service/staff development	500	-	-	-
Other charges	6,000	5,772	5,771	(1)
Total other student support	<u>252,566</u>	<u>253,169</u>	<u>252,741</u>	<u>(428)</u>
Total students	<u>528,959</u>	<u>533,172</u>	<u>521,390</u>	<u>(11,782)</u>
Instructional Staff				
Regular Instruction Program				
Supervisor/director	37,793	37,993	37,993	-
Career ladder program	1,000	2,500	2,500	-
Career ladder program - extended	2,000	2,000	-	(2,000)
Librarians	137,987	137,987	137,036	(951)
Materials supervisor	36,714	36,714	36,714	-
Instructional computer personnel	71,023	71,023	71,023	-
Other salaries and wages	107,738	107,738	106,878	(860)
Social security taxes	24,444	24,244	22,515	(1,729)
State retirement	35,010	35,010	30,361	(4,649)
Medical insurance	41,488	41,488	31,358	(10,130)
Medicare taxes	5,717	5,717	5,246	(471)
Communications	5,500	5,500	5,003	(497)
Travel	39,100	39,850	15,026	(24,824)
Library books/media	16,950	16,950	14,421	(2,529)
Other supplies and materials	2,000	9,500	8,712	(788)
In-service/staff development	37,438	37,438	22,515	(14,923)
Other charges	4,000	4,000	975	(3,025)
Total regular instruction program	<u>605,902</u>	<u>615,652</u>	<u>548,276</u>	<u>(67,376)</u>
Alternative Instruction Program				
Travel	1,000	1,000	-	(1,000)

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, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Special Education Program				
Supervisor/director	18,422	20,961	20,962	1
Social security taxes	1,142	1,142	1,115	(27)
State retirement	1,636	1,861	1,861	-
Unemployment	276	258	-	(258)
Medicare taxes	267	267	261	(6)
Other fringe benefits	72	90	90	-
Maintenance and repair services	9,000	9,000	6,804	(2,196)
Other contracted services	6,300	273	-	(273)
Other charges	-	82	82	-
Total special education program	<u>37,115</u>	<u>33,934</u>	<u>31,175</u>	<u>(2,759)</u>
Vocational Education Program				
Supervisor/director	12,293	12,293	11,076	(1,217)
Social security taxes	762	762	-	(762)
Medicare taxes	178	178	151	(27)
Travel	500	500	30	(470)
Total vocational education program	<u>13,733</u>	<u>13,733</u>	<u>11,257</u>	<u>(2,476)</u>
Adult Program				
Supervisor/director	1,636	1,636	1,636	-
Other Salaries and Wages	-	1,131	1,131	-
Social Security Taxes	101	1,165	1,165	-
State Retirement	145	145	145	-
Medicare Taxes	24	24	24	-
Total Adult Program	<u>1,906</u>	<u>4,101</u>	<u>4,101</u>	<u>-</u>
Total instructional staff	<u>659,656</u>	<u>668,420</u>	<u>594,809</u>	<u>(73,611)</u>
General Administration				
Board of Education				
Other fringe Benefits	900	900	354	(546)
Audit services	17,280	17,280	17,280	-
Dues and memberships	8,200	8,200	8,092	(108)
Legal services	7,000	7,161	7,162	1
Travel	7,000	7,000	4,521	(2,479)
Maintenance and repair	400	400	-	(400)
Other contracted services	2,500	3,750	3,750	-
Other supplies and materials	4,000	2,589	2,390	(199)
Liability insurance	9,049	9,049	9,049	-
Corporate surety bonds	2,000	2,000	1,767	(233)
Trustee commissions	59,000	59,000	55,719	(3,281)
Workers' compensation insurance	50,300	50,300	43,696	(6,604)
In-service/staff development	2,500	2,500	1,830	(670)
Criminal investigation of applicants	2,000	2,000	378	(1,622)
Other charges	5,500	5,500	3,701	(1,799)
Total board of education	<u>177,629</u>	<u>177,629</u>	<u>159,689</u>	<u>(17,940)</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, 2013**

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u> <u>(Under)</u>
Office of Superintendent				
Administrative officer	101,016	101,666	101,666	-
Career ladder program	1,000	1,000	-	(1,000)
Other salaries and wages	12,251	12,251	13,245	994
Social security taxes	7,085	7,085	6,877	(208)
State retirement	10,147	10,204	10,204	-
Life insurance	56	56	56	-
Medical insurance	6,391	6,391	6,044	(347)
Medicare taxes	1,657	1,657	1,645	(12)
Other fringe benefits	1,200	1,200	1,200	-
Communication	8,000	7,293	3,684	(3,609)
Dues and memberships	4,400	4,400	3,607	(793)
Postal charges	50	50	-	(50)
Travel	7,700	7,700	5,848	(1,852)
Office supplies	800	800	784	(16)
In-service/staff development	900	900	459	(441)
Other charges	1,500	1,500	1,360	(140)
Total office of superintendent	<u>164,153</u>	<u>164,153</u>	<u>156,679</u>	<u>(7,474)</u>
Total general administration	<u>341,782</u>	<u>341,782</u>	<u>316,368</u>	<u>(25,414)</u>
School Administration				
Office of Principal				
Principal(s)	217,938	217,938	217,938	-
Career ladder program	1,000	2,500	2,500	-
Assistant principal(s)	138,304	137,604	137,111	(493)
Accountants/Bookkeepers	68,145	68,145	-	(68,145)
Secretaries	-	-	421	421
Clerical personnel	2,784	2,692	-	(2,692)
Other Salaries and Wages	-	-	68,056	68,056
Social security taxes	26,547	24,273	23,733	(540)
State retirement	33,603	33,603	33,554	(49)
Medical insurance	40,794	49,660	49,660	-
Medicare taxes	6,208	6,208	5,551	(657)
Communications	15,700	15,700	12,860	(2,840)
Dues and memberships	2,780	2,780	848	(1,932)
Operating lease payments	7,050	6,697	4,423	(2,274)
Postal charges	2,522	2,522	1,391	(1,131)
Travel	7,000	7,353	6,571	(782)
Other contracted services	2,187	2,187	2,186	(1)
Data processing supplies	800	800	436	(364)
Office supplies	5,173	5,173	4,048	(1,125)
In-service/staff development	6,500	700	625	(75)
Other charges	6,000	7,180	6,678	(502)
Total office of principal	<u>591,035</u>	<u>593,715</u>	<u>578,590</u>	<u>(15,125)</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, 2013**

	Budget		Actual	Variance
	Original	Final		Over (Under)
Business Administration				
Fiscal Services				
Supervisor/director	27,540	27,355	27,352	(3)
Accountants/bookkeepers	330	230	195	(35)
Clerical Personnel	5,396	5,396	5,395	(1)
Social security taxes	2,062	1,862	1,698	(164)
State retirement	882	882	873	(9)
Medical insurance	940	3,755	3,755	-
Medicare taxes	482	482	397	(85)
Advertising	1,000	1,000	345	(655)
Data processing	1,200	1,326	975	(351)
Dues and memberships	60	60	35	(25)
Operating lease payments	768	768	762	(6)
Postal charges	2,000	1,500	485	(1,015)
Travel	1,600	699	316	(383)
Office supplies	3,500	3,201	3,201	-
In-service/staff development	300	300	130	(170)
Other charges	2,500	2,644	2,644	-
Total fiscal services	<u>50,560</u>	<u>51,460</u>	<u>48,558</u>	<u>(2,902)</u>
Human Services				
Supervisor/director	48,295	48,295	48,295	-
Clerical personnel	19,877	19,877	17,996	(1,881)
Social security taxes	4,227	4,227	4,023	(204)
State retirement	1,807	1,807	1,756	(51)
Employer medicare	988	988	941	(47)
Dues and memberships	60	60	35	(25)
Travel	1,600	1,600	428	(1,172)
In-service/staff development	400	400	380	(20)
Total human services	<u>77,254</u>	<u>77,254</u>	<u>73,854</u>	<u>(3,400)</u>
Total business administration	<u>127,814</u>	<u>128,714</u>	<u>122,412</u>	<u>(6,302)</u>
Operation and Maintenance of Plant				
Operation of Plant				
Maintenance and repair	500	500	58	(442)
Other contracted services	423,148	414,770	414,770	-
Electricity	317,000	312,325	305,205	(7,120)
Natural gas	70,000	87,000	85,015	(1,985)
Water and sewer	58,500	50,300	46,458	(3,842)
Other supplies and materials	2,100	2,100	1,001	(1,099)
Boiler insurance	2,228	2,228	2,228	-
Building and contents insurance	39,191	36,191	36,191	-
Other charges	4,000	3,467	2,510	(957)
Total operation of plant	<u>916,667</u>	<u>908,881</u>	<u>893,436</u>	<u>(15,445)</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, 2013

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u> <u>(Under)</u>
Maintenance of Plant				
Maintenance personnel	42,100	54,745	54,745	-
Other Salaries and Wages	-	1,440	1,440	-
Social security taxes	2,610	2,861	2,861	-
State retirement	1,116	1,235	1,235	-
Medical insurance	4,984	7,170	7,170	-
Medicare taxes	610	669	669	-
Communication	1,400	1,400	1,350	(50)
Maintenance and repair - buildings	34,500	36,013	35,320	(693)
Maintenance and repair - equipment	3,050	1,243	1,233	(10)
Maintenance and repair - vehicles	1,000	21	20	(1)
Travel	1,100	-	-	-
Other contracted services	23,400	10,650	10,162	(488)
Equipment and machinery parts	5,750	5,509	5,259	(250)
Other supplies and materials	42,500	68,649	63,558	(5,091)
Vehicle and equipment insurance	400	400	400	-
In-service/staff development	400	150	150	-
Other charges	8,600	8,100	8,093	(7)
Total maintenance of plant	<u>173,520</u>	<u>200,255</u>	<u>193,665</u>	<u>(6,590)</u>
Total operation and maintenance of plant	<u>1,090,187</u>	<u>1,109,136</u>	<u>1,087,101</u>	<u>(22,035)</u>
Student Transportation				
Transportation				
Supervisor/director	32,723	32,723	32,723	-
Mechanics	13,077	13,353	13,353	-
Bus drivers	64,031	64,065	63,135	(930)
Clerical personnel	1,532	1,568	1,568	-
Other salaries and wages	-	20,688	20,688	-
Social security taxes	6,905	6,958	6,958	-
State retirement	4,989	6,309	5,353	(956)
Medical insurance	4,335	4,335	4,332	(3)
Unemployment compensation	1,671	1,671	-	(1,671)
Medicare taxes	1,614	1,904	1,813	(91)
Fringe benefits	3,964	4,020	4,020	-
Communication	3,775	3,775	2,404	(1,371)
Contracts with other school systems	2,700	2,663	-	(2,663)
Laundry service	459	459	266	(193)
Medical and dental	2,035	2,035	1,638	(397)
Postal	47	47	39	(8)
Travel	1,047	1,047	-	(1,047)
Other contracted services	970	970	452	(518)
Diesel fuel	55,000	55,000	52,556	(2,444)
Garage supplies	2,588	2,588	398	(2,190)
Lubricants	2,411	2,411	1,407	(1,004)
Tires and tubes	7,234	7,548	7,548	-
Vehicle parts	13,114	13,114	9,446	(3,668)
Other supplies and materials	471	471	299	(172)

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, 2013**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Vehicle and equipment insurance	11,358	11,358	11,358	-
In-service/staff development	2,000	2,000	758	(1,242)
Other charges	5,610	5,710	4,006	(1,704)
Total transportation	245,660	268,790	246,518	(22,272)
Other				
Central and Other				
Operating lease payments	9,000	9,000	7,775	(1,225)
Other contracted services	6,357	6,742	6,449	(293)
Data processing supplies	2,000	2,000	570	(1,430)
Other supplies and materials	2,000	2,000	1,718	(282)
Other charges	700	700	687	(13)
Data processing equipment	1,000	615	613	(2)
Total central and other	21,057	21,057	17,812	(3,245)
Total support services	3,606,150	3,664,786	3,485,000	(179,786)
Operation of Non-Instructional Services				
Community Services				
Teachers	2,000	2,160	2,160	-
Other salaries and wages	36,000	33,733	33,733	-
Social security taxes	2,356	1,959	1,960	1
State retirement	1,132	640	634	(6)
Medical insurance	3,000	2,798	2,798	-
Medicare taxes	551	458	458	-
Travel	2,000	-	-	-
Food supplies	5,794	4,431	4,431	-
Other supplies and materials	3,500	2,706	2,640	(66)
Refunds	150	150	-	(150)
Other charges	5,998	4,322	(11,135)	(15,457)
Total community services	62,481	53,357	37,679	(15,678)
Early Childhood Education				
Supervisor/director	43,244	44,715	44,715	-
Teachers	153,749	153,195	153,195	-
Clerical personnel	10,792	10,792	10,792	-
Educational assistants	48,990	48,990	48,990	-
Other salaries and wages	22,101	22,160	22,160	-
Certified Substitute Teachers	-	3,480	3,480	-
Social security taxes	17,290	15,134	15,134	-
State retirement	20,825	20,091	20,090	(1)
Medical insurance	43,235	41,385	41,385	-
Unemployment compensation	4,437	4,219	4,219	-
Medicare taxes	4,043	3,560	3,560	-
Other fringe benefits	1,476	1,309	1,309	-
Maintenance and repair - equipment	4,000	2,601	2,601	-
Travel	4,000	4,349	4,349	-
Other Contracted Services	22,000	22,000	22,000	-

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, 2013

	<u>Budget</u>		<u>Actual</u>	Variance Over
	<u>Original</u>	<u>Final</u>		(Under)
Instructional supplies	7,455	9,657	9,657	-
Total Early Childhood Education	407,637	407,637	407,636	(1)
Total operation of non-instructional services	470,118	460,994	445,315	(15,679)
Education Capital Outlay				
Regular capital outlay				
Building improvements	210,190	496,397	299,610	(196,787)
Education Debt Service				
Principal on bond payoff	-	-	1,200,000	1,200,000
Interest on bond payoff	-	-	25,500	25,500
Principal on bonds	235,000	285,000	285,000	-
Principal on other loans	71,424	71,424	71,424	-
Interest on bonds	952,008	912,008	911,786	(222)
Other debt service	-	-	38,036	38,036
Total education debt service	1,258,432	1,268,432	2,531,746	1,263,314
Total expenditures	11,135,793	11,582,320	12,240,970	658,650
Revenues over (under) expenditures	(416,153)	(749,926)	(1,228,879)	(478,953)
Other financing sources (uses)				
Proceeds on issuance of debt	-	-	1,263,536	1,263,536
Transfers in	16,000	16,000	-	(16,000)
Transfers out	-	-	(143,382)	(143,382)
Total other financing sources (uses)	16,000	16,000	1,120,154	1,104,154
Net change in fund balance	\$ (400,153)	\$ (733,926)	(108,725)	\$ 625,201
Fund balance - July 1, 2012			3,699,265	
Fund balance - June 30, 2013			<u>\$ 3,590,540</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, 2013**

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures	Budget		Actual	Variance Over (Under)
	Original	Final		
Inflows/revenues:				
Actual amounts (budgetary basis)			\$ 11,012,091	\$ 179,697
Differences - budget to GAAP:				
Fringe benefits - noncash			83,679	83,679
Total Revenues as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			11,095,770	263,376
Outflows/expenditures:				
Actual amounts (budgetary basis)			12,240,970	658,650
Differences - budget to GAAP:				
Fringe benefits - noncash			83,679	83,679
Total Expenditures as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			12,324,649	742,329
Other financing sources (uses)			-	(16,000)
Net changes in fund balance			\$ (1,228,879)	\$ (494,953)

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

**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, 2013**

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over</u> <u>(Under)</u>
Revenues				
Federal and State funds	<u>\$ 1,197,649</u>	<u>\$ 1,452,115</u>	<u>\$ 1,365,482</u>	<u>\$ (86,633)</u>
Expenditures				
Instruction				
Regular instruction	347,108	298,868	284,634	(14,234)
Special education	211,576	217,635	207,540	(10,095)
Vocational education	27,787	27,298	27,307	9
Adult education	24,381	31,243	25,800	(5,443)
Support services				
Other student support	184,569	201,441	161,001	(40,440)
Regular instruction	240,628	509,061	443,162	(65,899)
Special education	42,846	47,132	47,132	-
Vocational education	1,135	1,830	1,829	(1)
Adult programs	83,999	83,962	85,679	1,717
Transportation	<u>16,698</u>	<u>16,763</u>	<u>16,592</u>	<u>(171)</u>
Total expenditures	<u>1,180,727</u>	<u>1,435,233</u>	<u>1,300,676</u>	<u>(134,557)</u>
Revenues over (under) expenditures	16,922	16,882	64,806	47,924
Other Financing Sources (Uses)				
Operating transfers out	<u>(16,922)</u>	<u>(16,882)</u>	<u>-</u>	<u>16,882</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>64,806</u>	<u>\$ 64,806</u>
Fund balance - July 1, 2012			<u>(56,947)</u>	
Fund balance - June 30, 2013			<u>\$ 7,859</u>	

See independent auditor's report.

TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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.

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.

A. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which 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, 2013

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.

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

Public Law Fund is used to account for most federal grant income and expenditures.

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

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 Position 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.

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

**TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

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 nonspendable fund balance in the Cafeteria Fund.

Capital Assets

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

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

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

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

Deferred Revenue

Deferred revenues primarily include unearned or unavailable revenues. Amounts that were receivable and measurable at June 30, 2013, but were not available to finance expenditures for the year ended June 30, 2013 are considered to be deferred revenue in the governmental funds. Revenue recognition is also deferred in connection with resources that have been received but not yet earned.

Compensated Absences

Certified employees of the Trenton Special School District are entitled to one day of sick leave for

TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

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.

Deferred Outflows/Inflows of Resources

During the year ended June 30, 2013, the District adopted the provisions of GASB Statement No.63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of the statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items

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that qualify for reporting in this category as of June 30, 2013.

Net position flow assumption

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

Net Fund Equity

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:

The District has evaluated the use of its Capital Projects and Debt Service Funds under the criteria set forth in GASB Statement 54 and has determined that there is no change needed.

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

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

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negative fund balances in other governmental funds.

Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Impact of other recently issued accounting pronouncements

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 had no impact on the District's financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements, but has not implemented its effects on items currently reported as deferred assets or liabilities in the financial statements presented herein.

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 Position

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the district-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds." The details of this (\$18,882,152), (\$180,304) and (\$3,522) differences are as follows:

School Bonds, Series 2012	\$ (1,215,000)
School Bonds, Series 2010A	(6,210,000)
School Bonds, Series 2010B	(11,100,000)
Energy Efficiency Loan	(357,152)
	<u>(18,882,152)</u>
OPEB	(180,304)
Bond Premium	(3,522)
	<u>\$ (19,065,978)</u>

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Another element of that reconciliation explains that "capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$34,197,050 are as follows:

Construction in progress	\$	158,395
Land		266,057
Buildings and improvements		33,460,974
Other capital assets		<u>311,624</u>
Total capital assets, net of accumulated depreciation	\$	<u>34,197,050</u>

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

The reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position 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 position." The details of this \$1,556,424 are as follows:

Principal repayments:		
School bonds payables, Series 2003	\$	<u>1,556,424</u>

Another element of that reconciliation explains that "Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense." The details of this (\$911,903) difference are as follows:

Capital outlays	\$	39,895
Depreciation expense		(1,110,193)
Work in process		<u>158,395</u>
	\$	<u>(911,903)</u>

Another element of that reconciliation states that "interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities." The details of this (\$50,863) are as follows:

Accrued interest as of June 30, 2012	\$	102,011
Accrued interest as of June 30, 2013		<u>(152,874)</u>
	\$	<u>(50,863)</u>

Another element of that reconciliation states that "governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this (\$46,280) are as follows:

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Amortization of bond issuance costs:	
School Bonds, Series 2010A	\$ (13,684)
School Bonds, Series 2010B	(32,457)
School Bonds, Series 2012	(510)
	(46,651)
Amortization of bond premium	371
	\$ (46,280)

Another element of that reconciliation states that "revenues in the statement of activities that do not provide current financial resources are not reported as current revenues in funds". The details of this (\$44,203) are as follows:

Deferred revenue as of June 30, 2012	\$ 27,786
Deferred revenue as of June 30, 2013	(71,989)
	\$ (44,203)

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, 2013, 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 \$3,359,100 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

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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, 2013, all deposits met the District's policy.

B. Receivables

Receivables at year end for the District's individual major funds and non-major funds in the aggregate, are shown on the statement of net position and the balance sheet for governmental funds. As of June 30, 2013, 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 or the funds have been received but not earned.

	Deferred/		
	Unavailable	Unearned	Total
General Purpose Fund			
FEMA - Public Assistance	\$ 27,529	\$ -	\$27,529
Public Law Fund			
Adult Education	257	-	257
Title IV	-	3,546	3,546
	\$ 27,786	\$ 3,546	\$31,332

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, 2013, there was a transfer made from the General Purpose School Fund to the Capital Projects Fund for \$143,382 to fund part of the capital asset additions.

At June 30, 2013, interfund balances consisted of the following:

	Due to:		
	General Purpose Fund	Public Law Fund	Total
Due from:			
General Purpose Fund	\$ -	\$ 2,465	\$ 2,465
Public Law Fund	119,000	-	119,000
	\$ 119,000	\$ 2,465	\$ 121,465

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D. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	<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	-	158,395	-	158,395
Total capital assets, not being depreciated	<u>266,057</u>	<u>158,395</u>	<u>-</u>	<u>424,452</u>
Capital assets being depreciated:				
Buildings and Improvements	41,271,073	-	7,500	41,263,573
Other capital assets	1,066,254	39,895	191,458	914,691
Total capital assets being depreciated	<u>42,337,327</u>	<u>39,895</u>	<u>198,958</u>	<u>42,178,264</u>
Less accumulated depreciation for:				
Buildings and Improvements	(6,759,039)	(1,051,060)	(7,500)	(7,802,599)
Other capital assets	(735,392)	(59,133)	(191,458)	(603,067)
Total accumulated depreciation	<u>(7,494,431)</u>	<u>(1,110,193)</u>	<u>(198,958)</u>	<u>(8,405,666)</u>
Total capital assets being depreciated	<u>34,842,896</u>	<u>(1,070,298)</u>	<u>-</u>	<u>33,772,598</u>
Governmental activities capital assets, net	<u>\$ 35,108,953</u>	<u>\$ (911,903)</u>	<u>\$ -</u>	<u>\$ 34,197,050</u>

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

Support services	\$ 60,151
Non-instructional services	1,050,042
	<u>\$ 1,110,193</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 were refinanced in the June 30, 2013 year.

The 2012 Limited Tax School Refunding Bonds were issued in the amount of \$1,265,000 with

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interest rates ranging from 1.00% to 2.00%. Interest payments are due semi-annually on November 1 and May 1, with principal payments due annually on May 1. Final maturity is May 1, 2023.

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

The 2010B Limited Tax School Bonds were issued in the amount of \$11,100,000 with interest rates ranging from 5.93% to 6.13%. Interest payments are due semi-annually on November 1 and May 1, with principal payments due annually on November 1 for the years 2029 thru 2040. Final maturity is May 1, 2040. 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, 2013, is as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due in One Year
2003 Bonds	1,200,000	-	1,200,000	-	-
2010A Bonds	6,445,000	-	235,000	6,210,000	245,000
2010B Bonds	11,100,000	-	-	11,100,000	-
2012 Bonds	-	1,265,000	50,000	1,215,000	50,000
Energy Efficiency Loan	428,576	-	71,424	357,152	71,424
Bond premium	-	3,893	371	3,522	371
Total obligation debt	19,173,576	1,268,893	1,556,795	18,885,674	366,795
OPEB	-	180,304	-	180,304	-
Total	\$ 19,173,576	\$ 1,449,197	\$ 1,556,795	\$ 19,065,978	\$ 366,795

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

June 30,	Principal	Interest	Total
2014	\$ 366,424	\$ 917,245	\$ 1,283,669
2015	356,424	911,845	1,268,269
2016	376,424	903,545	1,279,969
2017	396,424	896,745	1,293,169
2018	426,424	888,745	1,315,169
2019 - 2023	2,335,032	4,267,484	6,602,516
2024 - 2028	3,075,000	3,870,837	6,945,837
2029 - 2033	4,000,000	3,060,145	7,060,145
2034 - 2038	5,125,000	1,715,002	6,840,002
2039 - 2040	2,425,000	225,095	2,650,095
	\$ 18,882,152	\$ 17,656,688	\$ 36,538,840

**TRENTON SPECIAL SCHOOL DISTRICT
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F. Designations of Fund Equity

The following funds had nonspendable, restricted, or assigned fund balances as of June 30, 2013:

	<u>General Purpose</u>	<u>Public Law</u>	<u>Capital Projects</u>	<u>Cafeteria</u>	<u>Bus Garage</u>	<u>Total</u>
Nonspendable						
Inventory	\$ -	\$ -	\$ -	\$ 16,610	\$ 54,006	\$ 70,616
Restricted						
Education	273,987	7,859	-	-	-	281,846
Operation of non- instructional services	-	-	-	53,747	-	53,747
Committed						
Capital projects	-	-	212,909	-	-	212,909
Assigned						
Instruction - textbooks	100,000	-	-	-	-	100,000
Support services	37,000	-	-	-	-	37,000
Capital outlay	1,293,181	-	-	-	-	1,293,181
Debt service	94,644	-	108,390	-	-	203,034
Future budgets	346,386	-	-	209,793	-	556,179
Other purposes	247,193	-	-	-	7,433	254,626
	<u>\$ 2,392,391</u>	<u>\$ 7,859</u>	<u>\$ 321,299</u>	<u>\$ 280,150</u>	<u>\$ 61,439</u>	<u>\$ 3,063,138</u>

NOTE 5 – OTHER INFORMATION

A. 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.

B. 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

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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 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, 2013, was 2.65% 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, 2013, the Trenton Special School District's annual pension cost of \$35,100 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, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. 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, 2011 was 1 year. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

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Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2013	\$ 35,100	100.00%	\$ -
6/30/2012	\$ 38,071	100.00%	\$ -
6/30/2011	\$ 39,402	100.00%	\$ -

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

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after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The maximum annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson 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, 2013, was 8.88% 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, 2013, 2012, and 2011 were \$487,076, \$480,321, and \$463,723, respectively, equal to the required contributions for each year.

C. Postemployment Healthcare Plan

Plan Description

The District participates in the state-administered Teacher Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-302. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The District pays all of its retiree's premiums.

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ARC	\$ 270,000
Interest on NPO	-
Adjustment to the ARC	-
Annual OPEB cost	270,000
Amount of contribution	(89,696)
Increase/decrease in NPO	180,304
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u>\$ 180,304</u>

<u>Year End</u>	<u>Plan</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation at Year End</u>
FYE 6/30/2013	Teacher Group Plan	\$ 270,000	33.22%	\$ 180,304

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013, was as follows:

	<u>Teacher Group Plan</u>
Actuarial valuation date	7/1/2011
Actuarial accrued liability (AAL)	\$ 2,021,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>2,021,000</u>
Actuarial Value of Assets as a % of the AAL	-
Covered payroll (active plan members)	\$ 6,809,579
UAAL as a percentage of covered payroll	29.68%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2011, actuarial valuation for the Local Education plan, the Projected Unit Credit actuarial cost method was used and the actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent initially. The rate decreased to 8.75 percent in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5 percent by fiscal year 2021. The annual healthcare premium trend rate for the Medicare Supplement plan was 6.50 percent initially. The rate reduced to 6.25 percent for fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5 percent

**TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013**

by fiscal year 2018. Both rates include a 2.5 percent inflation assumption, which also represent projected salary increase. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007.

D. On-Behalf Payments for Postretirement Insurance Benefits

The District recognizes as revenues and expenses contributions made by the State of Tennessee to the Teacher Group Plan and Medicare Plan on behalf of the District's employees. For the year ended June 30, 2013, the State made contributions of \$83,679.

E. 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:

<u>Year Ended June 30,</u>	
2014	\$ 17,032
2015	17,032
2016	10,099
2017	<u>1,824</u>
	<u>\$ 45,987</u>

The lease expenses for the year ended June 30, 2013 was \$16,665.

REQUIRED SUPPLEMENTARY INFORMATION

**TRENTON SPECIAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF RETIREMENT FUNDING PROGRESS
June 30, 2013**

(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.

**TRENTON SPECIAL SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS – POST EMPLOYMENT HEALTHCARE PLAN
 June 30, 2013**

Schedule of Funding Progress

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	Teacher Group	\$ -	\$2,021,000	\$2,021,000	0.00%	\$6,809,579	29.68%

The above schedule is designed to show the extent to which a post employment healthcare plan has been successful over time in setting aside assets sufficient to cover its actuarial accrued liability.

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION SECTION

**TRENTON SPECIAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013**

	<u>Capital Projects Fund</u>	<u>Special Revenue</u>		<u>Total</u>
		<u>Cafeteria Fund</u>	<u>Bus Garage Fund</u>	
Assets				
Cash	\$ 321,299	\$ 260,960	\$ 878	\$ 583,137
Accounts receivable	-	3,966	-	3,966
Due from other governments	-	-	6,555	6,555
Inventories	-	16,610	54,006	70,616
Total assets	<u>\$ 321,299</u>	<u>\$ 281,536</u>	<u>\$ 61,439</u>	<u>\$ 664,274</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ -	\$ 1,386	\$ -	\$ 1,386
Total liabilities	-	1,386	-	1,386
Fund Balance				
Nonspendable				
Inventory	-	16,610	54,006	70,616
Restricted				
Operation of non-instructional services	-	53,747	-	53,747
Committed				
Capital projects	212,909	-	-	212,909
Assigned				
Future budgets	-	209,793	-	209,793
Debt service	108,390	-	-	108,390
Assigned for other purposes	-	-	7,433	7,433
Total fund balance	<u>321,299</u>	<u>280,150</u>	<u>61,439</u>	<u>662,888</u>
Total liabilities and fund balance	<u>\$ 321,299</u>	<u>\$ 281,536</u>	<u>\$ 61,439</u>	<u>\$ 664,274</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, 2013

	<u>Capital Projects Fund</u>	<u>Special Revenue</u>		<u>Total</u>
		<u>Cafeteria Fund</u>	<u>Bus Garage Fund</u>	
Revenues				
Local revenue	\$ -	\$ -	\$ 327,900	\$ 327,900
Charges for services	-	143,467	-	143,467
Federal and state funds	-	606,961	-	606,961
Commodities	-	36,932	-	36,932
Interest	1,509	28	-	1,537
Insurance Recovery	-	3,966	-	3,966
Other income	-	133	-	133
Total revenues	<u>1,509</u>	<u>791,487</u>	<u>327,900</u>	<u>1,120,896</u>
Expenditures				
Support services				
Transportation	-	-	329,973	329,973
Non-instructional services				
Food service	-	745,266	-	745,266
Capital outlay	36,501	-	-	36,501
Total expenditures	<u>36,501</u>	<u>745,266</u>	<u>329,973</u>	<u>1,111,740</u>
Revenues over (under) expenditures	(34,992)	46,221	(2,073)	9,156
Other Financing Sources (Uses)				
Operating transfers in	143,382	-	-	143,382
	<u>143,382</u>	<u>-</u>	<u>-</u>	<u>143,382</u>
Net change in fund balance	108,390	46,221	(2,073)	152,538
Fund balance - July 1, 2012	212,909	241,080	57,694	511,683
Increase (decrease) in reserves	-	(7,151)	5,818	(1,333)
Fund balance - June 30, 2013	<u>\$ 321,299</u>	<u>\$ 280,150</u>	<u>\$ 61,439</u>	<u>\$ 662,888</u>

See independent auditor's report.

**TRENTON SPECIAL SCHOOL DISTRICT
CAFETERIA FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
Revenues				
Student lunches	\$ 181,602	\$ 181,602	\$ 113,302	\$ (68,300)
Adult lunches	30,968	30,968	28,543	(2,425)
Breakfast sales	2,000	2,000	1,622	(378)
State matching	8,107	8,107	7,138	(969)
USDA lunch funds	361,956	361,956	378,375	16,419
USDA breakfast funds	117,693	117,693	221,448	103,755
Insurance Recovery	-	-	3,966	3,966
Commodities	-	-	36,932	36,932
Interest earned	486	486	28	(458)
Other income	-	-	133	133
Total revenues	<u>702,812</u>	<u>702,812</u>	<u>791,487</u>	<u>88,675</u>
Expenditures				
Supervisor/director	19,492	20,100	20,100	-
Clerical personnel	2,209	2,053	2,053	-
Cafeteria personnel	219,611	210,970	210,970	-
Other salaries	6,000	8,167	2,414	(5,753)
Employee benefits	35,200	48,255	46,418	(1,837)
Communication	2,500	1,391	1,389	(2)
Equipment maintenance	5,000	3,834	3,834	-
Travel and transportation	8,000	4,681	5,349	668
Other contracted services	4,000	2,811	2,811	-
Food services	320,000	343,145	342,781	(364)
Commodities	-	-	36,932	36,932
Uniforms	1,800	476	1,324	848
Utilities	27,000	24,566	24,566	-
In-service training	6,000	3,443	3,443	-
Supplies	40,000	33,589	33,589	-
Other charges	6,000	5,111	5,111	-
Capital outlay - equipment	211,205	201,425	2,182	(199,243)
Total expenditures	<u>914,017</u>	<u>914,017</u>	<u>745,266</u>	<u>(168,751)</u>
Excess Revenues over (under) Expenditures	<u>\$ (211,205)</u>	<u>\$ (211,205)</u>	<u>46,221</u>	<u>\$ 257,426</u>
Fund Balance - July 1, 2012			241,080	
Increase (Decrease) in Reserve for Inventory			<u>(7,151)</u>	
Fund Balance - June 30, 2013			<u>\$ 280,150</u>	

See independent auditor's report.

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

For the Year Ended June 30, 2013

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
Revenues				
Local Revenues	<u>\$ 308,633</u>	<u>\$ 326,619</u>	<u>\$ 327,900</u>	<u>\$ 1,281</u>
Expenditures				
Salaries - mechanics	110,350	112,994	112,994	-
Salaries - other	13,024	13,348	13,348	-
Employee benefits	20,159	21,771	21,771	-
Travel	400	-	-	-
Communications	3,200	3,017	3,017	-
Laundry service	2,200	2,264	2,264	-
Medical and dental services	300	225	225	-
Other contracted services	4,000	3,840	3,840	-
Postal charges	400	331	331	-
Garage supplies	5,600	4,182	4,181	(1)
Fuel and lubricants	12,000	11,961	11,961	-
Equipment and machinery parts	-	-	3,312	3,312
Tires and tubes	36,000	41,456	41,456	-
Repair parts for vehicles	86,000	85,475	85,475	-
Insurance on vehicles	3,000	3,000	3,000	-
Other charges	12,000	22,797	22,798	1
Total expenditures	<u>308,633</u>	<u>326,661</u>	<u>329,973</u>	<u>3,312</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (42)</u>	<u>(2,073)</u>	<u>\$ (2,031)</u>
Fund balance - July 1, 2012			57,694	
Increase (decrease) in reserve for inventory			<u>5,818</u>	
Fund balance - June 30, 2013			<u>\$ 61,439</u>	

See independent auditor's report.

**TRENTON SPECIAL SCHOOL DISTRICT
CAPITAL PROJECTS SCHOOL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended June 30, 2013

	<u>Budget</u>		<u>Actual</u>	Variance Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Revenues				
Other local revenues				
Investment income	\$ -	\$ -	\$ 1,509	\$ 1,509
 Non-instructional services				
Capital outlay				
Building improvements	212,909	212,909	36,501	(176,408)
 Total expenditures	<u>212,909</u>	<u>212,909</u>	<u>36,501</u>	<u>(176,408)</u>
 Excess (Deficiency) of Revenues over (under) Expenditures	 (212,909)	 (212,909)	 (34,992)	 177,917
 Other Financing Sources				
Operating transfer in	-	-	143,382	143,382
Total other financing sources	<u>-</u>	<u>-</u>	<u>143,382</u>	<u>143,382</u>
 Net change in fund balance	 <u>\$ (212,909)</u>	 <u>\$ (212,909)</u>	 108,390	 <u>\$ 321,299</u>
 Fund Balance - July 1, 2012			<u>212,909</u>	
 Fund Balance - June 30, 2013			<u>\$ 321,299</u>	

See independent auditor's report.

**TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL OBLIGATION DEBT**

June 30, 2013

Year Ending June 30,	Refunded Bonds - Series 2012		2010A School Bonds		2010B School Bonds		Energy Efficiency Loan		Total Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest*	Principal	Interest	Principal	Interest	Total
2014	\$ 50,000	20,938	245,000	218,431	-	677,876	71,424	-	366,424	917,245	1,283,669
2015	25,000	20,438	260,000	213,531	-	677,876	71,424	-	356,424	911,845	1,268,269
2016	25,000	19,938	280,000	205,731	-	677,876	71,424	-	376,424	903,545	1,279,969
2017	25,000	19,438	300,000	199,431	-	677,876	71,424	-	396,424	896,745	1,293,169
2018	-	18,938	355,000	191,931	-	677,876	71,424	-	426,424	888,745	1,315,169
2019	25,000	18,938	395,000	182,169	-	677,876	32	-	420,032	878,983	1,299,015
2020	25,000	18,438	415,000	170,319	-	677,876	-	-	440,000	866,633	1,306,633
2021	25,000	17,938	435,000	157,350	-	677,876	-	-	460,000	853,164	1,313,164
2022	500,000	17,513	-	143,213	-	677,876	-	-	500,000	838,602	1,338,602
2023	515,000	9,013	-	143,213	-	677,876	-	-	515,000	830,102	1,345,102
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
	\$ 1,215,000	\$ 181,525	\$ 6,210,000	\$ 2,325,338	\$ 11,100,000	\$ 15,149,820	\$ 357,152	\$ -	\$ 18,882,152	\$ 17,656,688	\$ 36,538,840

See independent auditor's report.

TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF INTERFUND TRANSFERS - ALL FUNDS
For the Year Ended June 30, 2013

Operating Transfers					
Transfer In	Budget	Actual	Transfer Out	Budget	Actual
General Purpose	<u>\$ 16,000</u>	<u>\$ 16,022</u>	Public Law Fund	<u>\$ 16,882</u>	<u>\$ 16,022</u>
Capital Project Fund	<u>\$ -</u>	<u>\$ 143,382</u>	General Purpose	<u>\$ -</u>	<u>\$ 143,382</u>

See independent auditor's report.

**TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF SALARIES AND BONDS
For the Year Ended June 30, 2013**

	<u>Bond</u>
Director of Schools	<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, 2013

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>
2013	\$ 112,362,220	\$2.13	\$ 2,393,315
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

The following tax was levied on January 1, 2013:

2014	\$ 111,816,013	\$2.13	\$ 2,381,681
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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, 2013

Grantor Agency/ Pass-through Agency/ Program Name and Number	CFDA #	Balance 7/1/2012	Receipts	Expenditures	Adjustments	Balance Unearned (Receivable) 6/30/2013
U.S. Department of Agriculture						
<i>Tennessee Department of Agriculture</i>						
Child and Adult Care Food Program	10.558	-	5,965	5,965	-	-
National School Lunch Program - Commodities	10.555	-	36,932	36,932	-	-
School Breakfast Program	10.553	(33,949)	255,397	221,448	-	-
National School Lunch Program	10.555	(54,814)	433,189	378,375	-	-
		(88,763)	725,518	636,755	-	-
Total Department of Agriculture		(88,763)	731,483	642,720	-	-
U.S. Department of Labor						
<i>Tennessee Department of Labor</i>						
WIA Dislocated Worker	17.278	(4,556)	4,556	-	-	-
<i>Passed through Dyersburg State</i>						
WIA Youth Activities - JTG	17.259	-	11,881	15,059	-	(3,178)
Total Department of Labor		(4,556)	16,437	15,059	-	(3,178)
U.S. Department of Education						
<i>Tennessee Department of Education</i>						
Adult Education - Basic Grants to States (75% Federal; 25% State)	84.002	-	3,307	3,307	-	-
Adult Education - Basic Grants to States - ABE 2009 (75% Federal; 25% State)	84.002	(2,938)	2,938	-	-	-
Adult Education - Basic Grants to States (75% Federal; 25% State)	84.002	(24,955)	92,385	80,378	-	(12,948)
		(27,893)	98,630	83,685	-	(12,948)

See independent auditor's report.

TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Grantor Agency/ Pass-through Agency/ Program Name and Number	CFDA #	Balance 7/1/2012	Receipts	Expenditures	Adjustments	Balance Unearned (Receivable) 6/30/2013
Career and Technical Education - Basic Grants to States						
Carl Perkins	84.048	(5,990)	35,756	34,597	-	(4,831)
Carl Perkins IV Reserve Grant	84.048A	(61,068)	61,079	-	(11)	-
		<u>(67,058)</u>	<u>96,835</u>	<u>34,597</u>	<u>(11)</u>	<u>(4,831)</u>
Title I, Grants to Local Education Agencies						
Title I Focus	84.010*	-	166,625	192,060	-	(25,435)
Title I	84.010*	(39,229)	333,838	361,558	-	(66,949)
		<u>(39,229)</u>	<u>500,463</u>	<u>553,618</u>	<u>-</u>	<u>(92,384)</u>
Special Education - Grants to States						
IDEA	84.027	(24,072)	259,197	269,561	-	(34,436)
IDEA Competitive	84.027	(39,314)	39,314	-	-	-
IDEA Assistive Technology	84.027	-	2,700	2,700	-	-
		<u>(63,386)</u>	<u>301,211</u>	<u>272,261</u>	<u>-</u>	<u>(34,436)</u>
Title I - P.L. 874 (Impact Aid)	84.041	-	349	349	-	-
Special Education - Preschool Grants						
IDEA Preschool	84.173	(832)	7,642	7,851	-	(1,041)
Safe and Drug Free Schools and Communities - State Grants						
Drug Free	84.186	-	4,000	454	-	3,546
Twenty-First Century Community Learning Centers	84.287C	(18,155)	42,794	50,000	-	(25,361)
Rural and Low-Income School Program						
Title VI, Rural Education	84.358	(4,536)	25,724	25,948	-	(4,760)
English Language Acquisition Grants						
Title III, Part A	84.365	-	1,022	1,022	-	-

See independent auditor's report.

TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Grantor Agency/ Pass-through Agency/ Program Name and Number	CFDA #	Balance 7/1/2012	Receipts	Expenditures	Adjustments	Balance Unearned (Receivable) 6/30/2013
Improving Teacher Quality State Grants						
Title II, Part A Training	84.367	(6,100)	60,711	65,454	-	(10,843)
State Fiscal Stabilization Fund						
ARRA Race to the Top	84.395	(10,203)	113,188	118,110	-	(15,125)
Title I, Education Jobs Program	84.410	(3,690)	105,506	101,816	-	-
Total Department of Education		(241,082)	1,358,075	1,315,165	(11)	(198,183)
U.S. Department of Homeland Security						
<i>Federal Emergency Management Agency</i>						
<i>State of Tennessee Emergency Management Agency</i>						
Disaster Grants - Public Assistance	97.036	(10,921)	-	16,608	-	(27,529)
Total Federal Awards		\$ (345,322)	\$ 2,105,995	\$ 1,989,552	\$ (11)	\$ (228,890)

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 program.

See independent auditor's report.

**TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2013**

Grantor Agency/ Program Name	Balance 7/1/2012	Receipts	Expenditures	Adjustments	Balance Unearned (Receivable) 6/30/2013
Tennessee Department of Education					
Child Nutrition State Match	\$ -	\$ 7,138	\$ 7,138	\$ -	\$ -
ABE (75% Federal; 25% State)	(979)	979	-	-	-
ABE (75% Federal; 25% State)	(8,318)	30,795	26,792	-	(4,315)
Early Childhood Grant - Pilot	(135,118)	409,025	407,637	-	(133,730)
Drivers Education	-	447	3,447	-	(3,000)
SSMS	-	3,646	3,646	-	-
Safe Schools	(7,400)	7,400	7,500	-	(7,500)
Workforce Essentials	704	-	704	-	-
Coordinated School Health	(36,399)	99,366	105,000	-	(42,033)
Career Ladder	(1,167)	59,569	58,402	-	-
Career Ladder Extended Contract	-	22,700	23,865	-	(1,165)
Arts Student Ticket Subsidy	-	1,180	1,180	-	-
Internet Connectivity	-	4,445	4,445	-	-
Family Resource Center	(3,937)	33,549	29,612	-	-
Total State Financial Assistance	\$ (192,614)	\$ 680,239	\$ 679,368	\$ -	\$ (191,743)

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

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



Certified Public Accountants
Offices in Tennessee & Kentucky

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trenton Special School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Trenton Special School District's basic financial statements and have issued our report thereon dated November 15, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Cost, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned cost as item 2013-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned cost as item 2013-001.

We noted a certain matter that we reported to management of the District in a separate letter dated November 15, 2013.

Trenton Special School District's Response to Findings

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

Purpose of this Report

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

Alexander Thompson Arnold PLLC

Jackson, Tennessee
November 15, 2013

Members of:

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



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**Independent Auditor's Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Trenton Special School 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 of Trenton Special School District's major federal programs for the year ended June 30, 2013. Trenton Special School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Trenton Special School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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

Alexander Thompson Arnold PLLC

Jackson, Tennessee
November 15, 2013

**TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013**

SECTION I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiencies identified?	<u> </u> yes	<u> X </u> none 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 Section 510(a) of OMB Circular A-133?	<u> </u> yes	<u> X </u> no
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Identification of major programs:

CFDA Number

84.010
84.010

Name of Federal Program or Cluster

Title I, Grants to Local Education Agencies Cluster:
Title I
Focus

Dollar threshold used to distinguish between Type A and Type B programs:

 \$ 300,000

Auditee qualified as low-risk auditee?	<u> X </u> yes	<u> </u> no
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TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

SECTION II – Financial Statement Findings

2013-001 – Exceeding Budgeted Expenditures (Material Weakness and Noncompliance)

Condition: The District exceeded the budget for General Purpose Fund Expenditures by \$818,054. This was caused by the District failing to properly record the activity of the 2012 refunding bond. The principal payoff on the 2003 bond was \$1,200,000 with \$25,500 of interest and \$38,036 of issuance cost that was not recorded. There was also a proceed from the issuance in the amount of \$1,263,536 that was also not recorded as a revenue. The Bus Garage Expenditures also exceeded the budget by \$3,312. This was caused by a misclassification of two disbursements which were mistakenly posted to fund balance instead of an expenditure account.

Criteria: Tennessee Code Annotated (TCA) 6-56-203 states “notwithstanding any other provision of law, no municipality may expend any monies regardless of their source except in accordance with a budget ordinance adopted under this section.”

Effect: The District failed to comply with the TCA 6-56-203 by expending monies that were not budgeted.

Recommendation: We recommend that all expenditures be authorized by the District’s budget in the future. We also recommend for the District to properly record all transactions to ensure that the District’s financials are properly stated at all times.

Response: The District will properly record the refunding and refinancing of bond debt made on behalf of the district in the future.

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, 2013

PRIOR FINANCIAL STATEMENTS FINDINGS

None reported.

PRIOR FEDERAL AWARD FINDINGS AND QUESTION COSTS

None reported.

**TRENTON SPECIAL SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
June 30, 2013**

The Trenton Special School District respectfully submits the following corrective action plan for the year ended June 30, 2013.

Name and address of independent public accounting firm:

Alexander Thompson Arnold PLLC
227 Oil Well Road
Jackson, TN 38305

Audit period:

June 30, 2013

The finding from the June 30, 2013, schedule of findings and questioned costs are discussed below. The finding is numbered consistently with the number assigned in the schedule.

Finding required to be reported in accordance with governmental auditing standards.

2013-001 – Exceeding Budgeted Expenditures (Material Weakness and Noncompliance)

Condition: The District exceeded the budget for General Purpose Fund Expenditures by \$818,054. This was caused by the District failing to properly record the activity of the 2012 refunding bond. The principal payoff on the 2003 bond was \$1,200,000 with \$25,500 of interest and \$38,036 of issuance cost that was not recorded. There was also a proceed from the issuance in the amount of \$1,263,536 that was also not recorded as a revenue. The Bus Garage Expenditures also exceeded the budget by \$3,312. This was caused by a misclassification of two disbursements which were mistakenly posted to fund balance instead of an expenditure account.

Response: The District will properly record the refunding and refinancing of bond debt made on behalf of the district in the future.