

TRENTON SPECIAL SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2014

**TRENTON SPECIAL SCHOOL DISTRICT
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INTRODUCTORY SECTION

**TRENTON SPECIAL SCHOOL DISTRICT
DIRECTORY**
June 30, 2014

ELECTED OFFICIALS

Dr. Mark Harper, Chairman
Sherry Whitby, Vice Chairman
Jim Overall, Treasurer/Fiscal Agent
Doug Smith, Board Liaison
Dee Ann McEwen, 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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American Society of Certified Public Accountants
AICPA Center for Public Company Audit Firms
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Certified Public Accountants
Offices in Tennessee & Kentucky

227 Oil Well Rd.
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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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Trenton Special School District, as of June 30, 2014, and the respective changes in financial position thereof and the respective budgetary comparison for the general purpose school 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 46 and 47 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 supplementary and other 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 supplementary and other 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, supplementary and other 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 January 12, 2015, 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
January 12, 2015

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, 2014. 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 and deferred inflows of resources at June 30, 2014 by \$18,999,058. Of this amount, \$3336,813 (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 \$4,222,718. Approximately 37.31% of this total amount, \$1,575,386, is unassigned in the general purpose fund.
- At the end of the current fiscal year, unassigned fund balance for the general purpose fund was \$1,575,386 or 13.84% of total general purpose fund expenditures.
- The District's total debt decreased by \$366,795. This decrease is due to the annual required debt payments.
- The District's total capital assets decreased by \$852,835. The decrease was due to depreciation exceeding purchases.

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 supplementary and other information in addition to the basic financial statements themselves.

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

The *statement of net position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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, 2014, the District's governmental funds reported combined fund balances of \$4,222,718, a decrease of \$57,016 in comparison with the prior year. Approximately 37% of this amount \$1,575,386 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 \$89,063, 2) legally required to be maintained intact \$0, 3) restricted for particular purposes \$511,561, 4) committed for particular purposes \$1,033, or 5) assigned for particular purposes \$2,045,675.

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 and the nonmajor funds. The general purpose fund is considered a major fund, while the capital projects, public law, cafeteria, and bus garage are considered nonmajor funds.

The District adopts an annual appropriated budget for its general purpose, capital project, public law, cafeteria, and bus garage funds. The District adopts a public law program, and the budgets for the public law fund are determined by the grantor of each grant. A budgetary comparison statement has been provided as a basic financial statements for the general purpose fund to demonstrate compliance with this budget. In addition, a budgetary comparisons are presented as supplementary and other information for the capital projects, public law, 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 supplementary and other 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 \$18,999,058 at the close of the

fiscal year ended June 30, 2014.

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, 2014 | Governmental Activities June 30, 2013 |
|--|---|---|
| Assets | | |
| Current and other | \$ 7,416,067 | \$ 8,075,707 |
| Capital assets - net of accumulated depreciation | <u>33,344,215</u> | <u>34,197,050</u> |
| Total assets | <u>40,760,282</u> | <u>42,272,757</u> |
| Liabilities | | |
| Long-term liabilities | 18,530,018 | 19,065,978 |
| Other liabilities | <u>841,134</u> | <u>944,550</u> |
| Total liabilities | <u>19,371,152</u> | <u>20,010,528</u> |
| Deferred inflows of resources | | |
| Unavailable | <u>2,390,072</u> | <u>2,381,681</u> |
| Net position | | |
| Net investment in capital assets | 15,061,621 | 15,311,376 |
| Restricted | 600,624 | 406,209 |
| Unrestricted | <u>3,336,813</u> | <u>4,162,963</u> |
| Total net position | <u>\$ 18,999,058</u> | <u>\$ 19,880,548</u> |

The above provides a summary of the District's net position for 2014 and 2013.

During the current fiscal year, the District's total net position decreased by \$881,490 (including a \$360,115 decrease for a prior period adjustment). The loss was related in part to the continued decrease in grant funds.

The following summary shows the changes in net position for fiscal years 2014 and 2013.

| The District's Changes in Net Position | Governmental Activities <u>June 30, 2014</u> | Governmental Activities <u>June 30, 2013</u> |
|--|--|--|
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 341,060 | \$ 317,772 |
| Operating grants and contributions | 2,750,293 | 3,012,996 |
| General revenues | | |
| Property taxes | 2,434,013 | 2,417,270 |
| Sales taxes | 816,680 | 784,497 |
| Interstate telecommunications tax | 749 | 604 |
| Licenses and permits | 503 | 476 |
| Mixed drink tax | 181 | 180 |
| Grants and contributions not restricted to specific programs: | | |
| Basic Education Program | 6,857,000 | 6,619,398 |
| Other | 92,238 | 65,804 |
| Interest | 3,819 | 5,548 |
| Other miscellaneous revenues | 491,514 | 313,400 |
| Total revenues | <u>13,788,050</u> | <u>13,537,945</u> |
| Expenses | | |
| Instruction | 6,342,756 | 6,285,456 |
| Support Services | 4,390,691 | 4,591,776 |
| Non-instructional services | 3,575,978 | 3,494,092 |
| Total expenses | <u>14,309,425</u> | <u>14,371,324</u> |
| Increase (decrease) in net position | <u>(521,375)</u> | <u>(833,379)</u> |
| Net position, beginning | 19,880,548 | 20,713,927 |
| Prior period adjustment | (360,115) | - |
| Net position, beginning - restated | <u>19,520,433</u> | <u>20,713,927</u> |
| Net position, ending | <u>\$ 18,999,058</u> | <u>\$ 19,880,548</u> |

Governmental activities. Governmental activities decreased the District's net position by \$881,490 (including a \$360,115 decrease prior period adjustment).

Total governmental activities' revenue for the fiscal year was \$13,788,050. 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 the major fund, the general purpose had \$11,640,569 in revenues and \$11,479,427 in expenditures. In the non-major funds, the capital projects fund had \$1,154 in revenues and \$321,420 in expenditures, the public law fund had \$1,073,101 in revenues and \$975,589 in expenditures, the cafeteria fund had \$769,607 in revenues and \$764,022 in expenditures, and the bus garage fund had \$316,387 in revenues and \$317,376 in expenditures.

Revenue by Source - Governmental Funds

Total governmental revenues allocated by each revenue type.

| | June 30, 2014 | | June 30, 2013 | |
|---|----------------------|----------------|----------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Program revenues | | | | |
| Charges for services | \$ 341,060 | 2.47% | \$ 317,772 | 2.35% |
| Operating grants and contributions | 2,750,293 | 19.95% | 3,012,996 | 22.26% |
| General revenues | | | | |
| Property taxes | 2,434,013 | 17.65% | 2,417,270 | 17.86% |
| Sales taxes | 816,680 | 5.92% | 784,497 | 5.79% |
| Interstate telecommunications tax | 749 | 0.01% | 604 | 0.01% |
| Licenses and permits | 503 | 0.01% | 476 | 0.01% |
| Mixed drink tax | 181 | 0.00% | 180 | 0.00% |
| Grants and contributions not restricted to specific programs | 6,949,238 | 50.40% | 6,685,202 | 49.38% |
| Interest | 3,819 | 0.03% | 5,548 | 0.04% |
| Other local revenue | 491,514 | 3.56% | 313,400 | 2.31% |
| Total revenues | <u>\$ 13,788,050</u> | <u>100.00%</u> | <u>\$ 13,537,945</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, unassigned 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 \$4,222,718. Of this amount, \$1,575,386 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 \$1,575,386.

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 13.83% of the total general purpose fund expenditures, while total fund balances represents 32.94% of that same amount.

General Purpose Fund Budgetary Highlights

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

| General Purpose Fund | June 30, 2014 | | |
|--|---------------------|---------------------|--------------------|
| | Original | Final | Difference |
| Revenues | | | |
| Taxes | \$ 3,135,380 | \$ 3,135,380 | \$ - |
| Intergovernmental | 7,657,445 | 7,776,027 | 118,582 |
| Miscellaneous | 230,583 | 409,076 | 178,493 |
| Total revenues | <u>11,023,408</u> | <u>11,320,483</u> | <u>297,075</u> |
| Expenses | | | |
| Instruction | 5,715,206 | 5,825,515 | 110,309 |
| Support Services | 3,858,413 | 3,903,891 | 45,478 |
| Non-instructional services | 1,978,812 | 2,143,765 | 164,953 |
| Total expenditures | <u>11,552,431</u> | <u>11,873,171</u> | <u>320,740</u> |
| Deficiency of revenues under expenditures | <u>\$ (529,023)</u> | <u>\$ (552,688)</u> | <u>\$ (23,665)</u> |

In 2014, the major increases to revenue and expenses were related to an amendment for an unexpected insurance claim and additional state funding.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental funds as of June 30, 2014 and 2013, amounts to \$33,344,215 and \$34,197,050 (net of accumulated depreciation), 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, 2014, the District had total bonded debt and a loan outstanding of \$18,515,728. All debt is backed by the full faith and credit of the government.

| | June 30, 2014 | June 30, 2013 |
|----------------------------|----------------------|----------------------|
| School Bonds, Series 2010A | \$ 5,965,000 | \$ 6,210,000 |
| School Bonds, Series 2010B | 11,100,000 | 11,100,000 |
| School Bonds, Series 2012 | 1,165,000 | 1,215,000 |
| Energy Efficiency Loan | 285,728 | 357,152 |
| | <u>\$ 18,515,728</u> | <u>\$ 18,882,152</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, 2014

| | Governmental Activities |
|---|------------------------------------|
| Assets | |
| Cash | \$ 4,331,373 |
| Receivables | |
| Accounts | 114,843 |
| Property taxes | 2,390,072 |
| Due from other governments | 424,645 |
| Due from grantor | 66,051 |
| Inventories | 89,063 |
| Other current assets | 20 |
| Capital assets, not being depreciated | |
| Land | 266,057 |
| Capital assets, net of accumulated depreciation | |
| Infrastructure | 22,779 |
| Buildings and improvements | 32,609,188 |
| Other capital assets | 446,191 |
| Total assets | 40,760,282 |
| Liabilities | |
| Bank overdraft | 1,270 |
| Accounts payable | 292,163 |
| Salaries payable | 294,824 |
| Insurance payable | 100,003 |
| Accrued interest payable | 152,874 |
| Noncurrent liabilities: | |
| Due within one year | 356,424 |
| Due in more than one year | 18,173,594 |
| Total liabilities | 19,371,152 |
| Deferred Inflows of Resources | |
| Unavailable - property taxes | 2,390,072 |
| Net Position | |
| Net investment in capital assets | 15,061,621 |
| Restricted for: | |
| Other local education reserves | 511,561 |
| Inventory | 89,063 |
| Unrestricted | 3,336,813 |
| Total net position | \$ 18,999,058 |

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, 2014

| <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 | \$ 5,297,818 | \$ 116,609 | \$ 654,509 | \$ - | \$ (4,526,700) |
| Alternate education | 135,358 | - | - | - | (135,358) |
| Special education | 637,121 | - | 245,244 | - | (391,877) |
| Vocational education | 246,788 | - | 17,531 | - | (229,257) |
| Student body education | 19,789 | - | - | - | (19,789) |
| Adult education | 5,882 | 450 | 313 | - | (5,119) |
| Support services | | | | | |
| Attendance | 119,246 | - | - | - | (119,246) |
| Health services | 158,142 | - | - | - | (158,142) |
| Other student support | 394,400 | - | 126,433 | - | (267,967) |
| Regular instruction | 804,307 | - | 286,087 | - | (518,220) |
| Special education | 93,332 | - | 37,441 | - | (55,891) |
| Vocational education | 17,095 | - | 6,058 | - | (11,037) |
| Board of Education | 166,929 | - | 9,070 | - | (157,859) |
| Office of Superintendent | 161,881 | - | - | - | (161,881) |
| Office of Principal | 578,859 | - | 2,302 | - | (576,557) |
| Fiscal services | 54,824 | - | - | - | (54,824) |
| Human services | 80,465 | - | - | - | (80,465) |
| Operation and maintenance of plant | 1,099,325 | - | - | - | (1,099,325) |
| Student transportation | 644,099 | 7,171 | 315,918 | - | (321,010) |
| Central and other | 17,787 | - | - | - | (17,787) |
| Non-instructional services | | | | | |
| Food service | 747,627 | 127,837 | 641,750 | - | 21,960 |
| Community services | 59,961 | 88,993 | - | - | 29,032 |
| Early Childhood Education | 407,637 | - | 407,637 | - | - |
| Education capital outlay | 1,427,002 | - | - | - | (1,427,002) |
| Education debt service | 933,751 | - | - | - | (933,751) |
| | <u>\$ 14,309,425</u> | <u>\$ 341,060</u> | <u>\$ 2,750,293</u> | <u>\$ -</u> | <u>(11,218,072)</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, 2014

| <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 | | | | 2,434,013 |
| | Sales taxes | | | | 816,680 |
| | Interstate telecommunications tax | | | | 749 |
| | Licenses and permits | | | | 503 |
| | Mixed drink tax | | | | 181 |
| | Grants and contributions not restricted to certain programs | | | | |
| | Basic Education Program | | | | 6,857,000 |
| | Other | | | | 92,238 |
| | Interest | | | | 3,819 |
| | Other miscellaneous revenues | | | | 491,514 |
| | Total general revenues | | | | 10,696,697 |
| | Change in net position | | | | (521,375) |
| | Net position, beginning | | | | 19,880,548 |
| | Prior period adjustment | | | | (360,115) |
| | Net position, beginning - Restated | | | | 19,520,433 |
| | Net position, ending | | | | \$ 18,999,058 |

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

TRENTON SPECIAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

| | <u>General Purpose School Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|--|--|---|
| Assets | | | |
| Cash | \$ 4,024,613 | \$ 306,760 | \$ 4,331,373 |
| Accounts receivable | 114,843 | - | 114,843 |
| Property taxes receivable | 2,390,072 | - | 2,390,072 |
| Due from other funds | 227,236 | - | 227,236 |
| Due from other governments | 105,712 | 318,933 | 424,645 |
| Due from grantor | 66,051 | - | 66,051 |
| Inventories | - | 89,063 | 89,063 |
| Other current assets | - | 20 | 20 |
| | <hr/> | <hr/> | <hr/> |
| Total assets | <u>\$ 6,928,527</u> | <u>\$ 714,776</u> | <u>\$ 7,643,303</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balance | | | |
| Liabilities | | | |
| Bank Overdraft | \$ - | \$ 1,270 | \$ 1,270 |
| Accounts payable | 278,129 | 14,034 | 292,163 |
| Salaries payable | 294,824 | - | 294,824 |
| Insurance payable | 100,003 | - | 100,003 |
| Due to other funds | - | 227,236 | 227,236 |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities | <u>672,956</u> | <u>242,540</u> | <u>915,496</u> |
| Deferred Inflows of Resources | | | |
| Unavailable revenue - insurance | 86,288 | - | 86,288 |
| Unavailable revenue - federal and state grants | 27,529 | 1,200 | 28,729 |
| Unavailable property taxes | 2,390,072 | - | 2,390,072 |
| | <hr/> | <hr/> | <hr/> |
| Total deferred inflows of resources | <u>2,503,889</u> | <u>1,200</u> | <u>2,505,089</u> |
| Fund balance | | | |
| Nonspendable | | | |
| Inventory | - | 89,063 | 89,063 |
| Restricted | | | |
| Education | 237,065 | 5,371 | 242,436 |
| Operation of non-instructional services | - | 269,125 | 269,125 |
| Committed | | | |
| Capital projects | - | 1,033 | 1,033 |
| Assigned | | | |
| Instruction - textbooks | 100,000 | - | 100,000 |
| Support services | 37,000 | - | 37,000 |
| Capital outlay | 1,244,571 | - | 1,244,571 |
| Debt service | 94,644 | - | 94,644 |
| Future budgets | 225,271 | - | 225,271 |
| Other purposes | 237,745 | 106,444 | 344,189 |
| Unassigned | 1,575,386 | - | 1,575,386 |
| | <hr/> | <hr/> | <hr/> |
| Total fund balance | <u>3,751,682</u> | <u>471,036</u> | <u>4,222,718</u> |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities, deferred inflows of resources and fund balance | <u>\$ 6,928,527</u> | <u>\$ 714,776</u> | <u>\$ 7,643,303</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, 2014**

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

| | |
|---|-----------------------------|
| Fund balance - total governmental funds (Page 14) | \$ 4,222,718 |
| Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in funds. | 33,344,215 |
| Receivables not available to pay for current expenditures and, therefore, are reported as unavailable in the funds. | 115,017 |
| 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 and discount | 233,134 |
| OPEB | (247,424) |
| Notes and bonds payable | <u>(18,515,728)</u> |
| Net position - governmental activities (Page 11) | <u>\$ 18,999,058</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, 2014

| | <u>General Purpose School Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|--|--|---|
| Revenues | | | |
| Local taxes | \$ 3,251,442 | \$ - | \$ 3,251,442 |
| Current charges for education services | 176,558 | - | 176,558 |
| Licenses and permits | 503 | - | 503 |
| Charges for services | - | 127,837 | 127,837 |
| Other local revenues | 308,915 | 316,387 | 625,302 |
| Federal and state funds | 7,900,403 | 1,568,480 | 9,468,883 |
| Commodities | - | 46,371 | 46,371 |
| Interest | 2,748 | 1,071 | 3,819 |
| Other income | - | 103 | 103 |
| Total revenues | <u>11,640,569</u> | <u>2,060,249</u> | <u>13,700,818</u> |
| Expenditures | | | |
| Current | | | |
| Instruction | 5,744,859 | 530,777 | 6,275,636 |
| Support services | 3,572,261 | 762,188 | 4,334,449 |
| Non-instructional services | 457,802 | 764,022 | 1,221,824 |
| Education capital outlay | 320,836 | 321,420 | 642,256 |
| Education debt service | | | |
| Principal | 366,424 | - | 366,424 |
| Interest | 917,245 | - | 917,245 |
| Total expenditures | <u>11,379,427</u> | <u>2,378,407</u> | <u>13,757,834</u> |
| Excess revenues over expenditures | 261,142 | (318,158) | (57,016) |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | 100,000 | 100,000 |
| Transfers out | (100,000) | - | (100,000) |
| | <u>(100,000)</u> | <u>100,000</u> | <u>-</u> |
| Net change in fund balance | 161,142 | (218,158) | (57,016) |
| Fund balance - beginning | 3,590,540 | 670,747 | 4,261,287 |
| Increase (decrease) in inventory | - | 18,447 | 18,447 |
| Fund balance - ending | <u>\$ 3,751,682</u> | <u>\$ 471,036</u> | <u>\$ 4,222,718</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, 2014**

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

| | |
|--|----------------------------|
| Net change in fund balances - total governmental funds (Page 16) | \$ (57,016) |
| <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 | 292,312 |
| Depreciation | (1,145,147) |
| <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> | |
| | 366,424 |
| <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> | |
| | (67,120) |
| <p>Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. The amount is the net effect of these differences in the treatment.</p> | |
| | (16,506) |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as current revenues in the funds.</p> | |
| | 87,231 |
| <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>18,447</u> |
| Change in net position of governmental activities (Page 13) | <u>\$ (521,375)</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, 2014

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance</u> |
|---|------------------|------------------|------------------|-------------------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Over</u> <u>(Under)</u> |
| Revenues | | | | |
| Local taxes | | | | |
| Property tax - current | \$ 2,238,780 | \$ 2,238,780 | \$ 2,265,922 | \$ 27,142 |
| Property tax - prior | 90,000 | 90,000 | 148,513 | 58,513 |
| Interest and penalty on delinquent tax | 18,000 | 18,000 | 16,395 | (1,605) |
| Payment in lieu of taxes | 3,000 | 3,000 | 3,183 | 183 |
| County sales tax | 785,000 | 785,000 | 816,680 | 31,680 |
| Interstate telecommunications tax | 600 | 600 | 749 | 149 |
| Total local taxes | <u>3,135,380</u> | <u>3,135,380</u> | <u>3,251,442</u> | <u>116,062</u> |
| Current charges for education services | | | | |
| Receipts from individual schools | 19,000 | 19,000 | 18,627 | (373) |
| Tuition | 4,500 | 4,500 | 450 | (4,050) |
| Community service fees | 44,400 | 44,400 | 52,328 | 7,928 |
| Transportation | 6,500 | 6,500 | 7,171 | 671 |
| Other charges for services | 97,773 | 97,773 | 97,982 | 209 |
| Total current charges for education services | <u>172,173</u> | <u>172,173</u> | <u>176,558</u> | <u>4,385</u> |
| Licenses and permits | <u>500</u> | <u>500</u> | <u>503</u> | <u>3</u> |
| Other local revenues | | | | |
| Interest on temporary investments | 4,000 | 4,000 | 2,748 | (1,252) |
| Rent for use of school facilities | 34,410 | 34,410 | 36,665 | 2,255 |
| E-Rate funding | 20,000 | 20,000 | 16,671 | (3,329) |
| Sale of equipment | - | - | 874 | 874 |
| Insurance recovery | - | 159,026 | 123,959 | (35,067) |
| Other local revenues | - | 3,610 | 33,634 | 30,024 |
| Contributions and gifts | - | 6,250 | 6,300 | 50 |
| Miscellaneous | - | 9,607 | 11,119 | 1,512 |
| Total other local revenues | <u>58,410</u> | <u>236,903</u> | <u>231,970</u> | <u>(4,933)</u> |
| State funds and federal passed through state | | | | |
| Basic education program | 6,721,000 | 6,721,000 | 6,857,000 | 136,000 |
| Driver education funds | 3,500 | 3,500 | 3,620 | 120 |
| Early childhood education funds | 407,637 | 407,637 | 407,637 | - |
| Career ladder program | 33,750 | 33,750 | 40,282 | 6,532 |
| Career ladder program - extended | 18,190 | 18,190 | 19,085 | 895 |
| School food service | 6,700 | 6,700 | 6,471 | (229) |
| Energy efficient school initiative | - | 10,000 | 9,070 | - |
| Other state education funds | 138,211 | 245,583 | 252,724 | 7,141 |
| Mixed drink tax | - | - | 181 | 181 |
| Other state grants | 84,200 | 85,410 | 85,938 | 528 |
| Other federal funds passed through state | <u>5,000</u> | <u>5,000</u> | <u>-</u> | <u>(5,000)</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, 2014

| | <u>Budget</u> | | <u>Actual</u> | Variance |
|--|-----------------|--------------|---------------|-------------------------|
| | <u>Original</u> | <u>Final</u> | | Over (Under) |
| Total state funds and federal passed through state | 7,418,188 | 7,536,770 | 7,682,008 | 146,168 |
| Federal funds received directly | | | | |
| P.L. 81-874 entitlement | 1,500 | 1,500 | - | (1,500) |
| Bond interest rebate | 237,257 | 237,257 | 218,395 | (18,862) |
| Total federal funds received directly | 238,757 | 238,757 | 218,395 | (20,362) |
| Total revenues | 11,023,408 | 11,320,483 | 11,560,876 | 241,323 |
| Expenditures | | | | |
| Instruction | | | | |
| Regular Education Program | | | | |
| Teachers | 3,240,358 | 3,221,273 | 3,202,255 | (19,018) |
| Career ladder program | 24,000 | 25,200 | 25,200 | - |
| Career ladder program - extended | 14,610 | 14,610 | 13,962 | (648) |
| Homebound teachers | 3,000 | 3,000 | 1,819 | (1,181) |
| Educational assistants | 94,045 | 94,045 | 77,796 | (16,249) |
| Other salaries and wages | 45,182 | 44,918 | 44,918 | - |
| Certified substitute teachers | 24,000 | 29,911 | 29,911 | - |
| Non-certified substitute teachers | 51,000 | 61,000 | 59,588 | (1,412) |
| Social security taxes | 216,765 | 203,591 | 193,856 | (9,735) |
| State retirement | 297,943 | 297,716 | 292,062 | (5,654) |
| Medical insurance | 410,954 | 406,384 | 404,792 | (1,592) |
| Unemployment | 15,000 | 15,000 | 3,699 | (11,301) |
| Medicare taxes | 50,695 | 50,654 | 45,920 | (4,734) |
| Other fringe benefits | 6,500 | 6,500 | 2,631 | (3,869) |
| Maintenance and repair - equipment | 35,000 | 45,314 | 45,314 | - |
| Other contracted services | 30,000 | 30,000 | 27,492 | (2,508) |
| Instructional supplies | 140,897 | 139,554 | 131,395 | (8,159) |
| Textbooks | 110,000 | 99,966 | 47,109 | (52,857) |
| Other supplies and materials | 3,000 | 3,000 | 1,604 | (1,396) |
| Fee waivers | 7,000 | 6,600 | 3,038 | (3,562) |
| Other charges | 15,000 | 22,900 | 16,124 | (6,776) |
| Capital outlay - equipment | 98,499 | 208,971 | 208,957 | (14) |
| Total regular education program | 4,933,448 | 5,030,107 | 4,879,442 | (150,665) |
| Alternate Instruction Program | | | | |
| Teachers | 100,015 | 100,015 | 99,713 | (302) |
| Educational assistants | 16,932 | 16,932 | 16,932 | - |
| Social security taxes | 7,251 | 7,251 | 7,051 | (200) |
| State retirement | 9,330 | 9,330 | 9,303 | (27) |
| Medical insurance | 4,008 | 4,008 | - | (4,008) |
| Medicare taxes | 1,696 | 1,696 | 1,649 | (47) |

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

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

For the Year Ended June 30, 2014

| | <u>Budget</u> | | <u>Actual</u> | Variance |
|--------------------------------------|-----------------|----------------|----------------|-------------------------|
| | <u>Original</u> | <u>Final</u> | | Over (Under) |
| Operating lease payments | 500 | 500 | 343 | (157) |
| Instructional supplies | 500 | 500 | - | (500) |
| Other supplies and materials | 500 | 500 | 367 | (133) |
| Total alternate instruction program | <u>140,732</u> | <u>140,732</u> | <u>135,358</u> | <u>(5,374)</u> |
| Special Education Program | | | | |
| Teachers | 269,270 | 290,926 | 290,926 | - |
| Career ladder program | - | 3,125 | 3,125 | - |
| Educational Assistants | 16,729 | 16,682 | 16,682 | - |
| Social security taxes | 17,856 | 16,027 | 16,027 | - |
| State retirement | 24,993 | 24,195 | 24,195 | - |
| Medical insurance | 32,019 | 29,536 | 29,536 | - |
| Unemployment compensation | 4,320 | - | - | - |
| Medicare taxes | 4,176 | 4,109 | 4,108 | (1) |
| Other Fringe Benefits | 1,123 | 1,433 | 1,433 | - |
| Contract with private agencies | 8,443 | 8,413 | 8,413 | - |
| Other supplies and materials | 1,500 | 597 | 596 | (1) |
| Other Contracted Services | 2,000 | 397 | 397 | - |
| Total special education program | <u>382,429</u> | <u>395,440</u> | <u>395,438</u> | <u>(2)</u> |
| Vocational Education Program | | | | |
| Teachers | 163,888 | 162,688 | 162,663 | (25) |
| Certified substitute teachers | 2,000 | 1,863 | 1,863 | - |
| Non-certified substitute teachers | 2,000 | 1,767 | 1,740 | (27) |
| Social security taxes | 10,409 | 9,509 | 9,473 | (36) |
| State retirement | 14,553 | 14,553 | 14,444 | (109) |
| Medical insurance | 13,321 | 15,519 | 15,519 | - |
| Medicare taxes | 2,434 | 2,234 | 2,216 | (18) |
| Contracts with other school systems | 8,500 | 8,500 | 8,472 | (28) |
| Maintenance and repair - equipment | 1,000 | - | - | - |
| Other contracted services | 1,000 | 440 | 440 | - |
| Instructional supplies | 8,500 | 6,108 | 5,863 | (245) |
| Other charges | 3,070 | 6,570 | 6,564 | (6) |
| Total vocational education program | <u>230,675</u> | <u>229,751</u> | <u>229,257</u> | <u>(494)</u> |
| Student Body Education Program | | | | |
| Other salaries and wages | 16,000 | 17,710 | 17,710 | - |
| Social security taxes | 992 | 964 | 964 | - |
| State retirement | 424 | 573 | 573 | - |
| Medical insurance | 578 | 293 | 293 | - |
| Medicare taxes | 232 | 249 | 249 | - |
| Total student body education program | <u>18,226</u> | <u>19,789</u> | <u>19,789</u> | <u>-</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, 2014

| | <u>Budget</u> | | <u>Actual</u> | Variance |
|-------------------------------|------------------|------------------|------------------|-------------------------|
| | <u>Original</u> | <u>Final</u> | | Over (Under) |
| Adult Education Program | | | | |
| Teachers | 3,000 | 3,000 | 1,000 | (2,000) |
| Social security taxes | 186 | 186 | 58 | (128) |
| State retirement | 266 | 266 | 10 | (256) |
| Medicare taxes | 44 | 44 | 14 | (30) |
| Other contracted services | 6,200 | 6,200 | 4,800 | (1,400) |
| Total adult education program | <u>9,696</u> | <u>9,696</u> | <u>5,882</u> | <u>(3,814)</u> |
| Total Instruction | <u>5,715,206</u> | <u>5,825,515</u> | <u>5,665,166</u> | <u>(160,349)</u> |
| Support Services | | | | |
| Students | | | | |
| Attendance | | | | |
| Supervisor/director | 36,964 | 36,976 | 36,976 | - |
| Career ladder program | 500 | 500 | 500 | - |
| Clerical personnel | 58,987 | 58,987 | 58,437 | (550) |
| Social security taxes | 5,980 | 5,980 | 5,184 | (796) |
| State retirement | 4,890 | 4,890 | 4,876 | (14) |
| Medical insurance | 9,481 | 9,527 | 9,527 | - |
| Medicare taxes | 1,399 | 1,341 | 1,212 | (129) |
| Communication | 500 | 500 | 300 | (200) |
| Travel | 2,500 | 2,500 | 1,718 | (782) |
| Other supplies and materials | 600 | 600 | 333 | (267) |
| In-service/staff development | 500 | 500 | 183 | (317) |
| Total attendance | <u>122,301</u> | <u>122,301</u> | <u>119,246</u> | <u>(3,055)</u> |
| Health Services | | | | |
| Medical personnel | 74,912 | 76,994 | 76,670 | (324) |
| Other salaries and wages | 17,212 | 19,772 | 16,729 | (3,043) |
| Social security taxes | 5,710 | 5,501 | 4,991 | (510) |
| State retirement | 4,458 | 4,188 | 2,063 | (2,125) |
| Medical insurance | 15,938 | 14,262 | 14,262 | - |
| Medicare taxes | 1,336 | 1,292 | 1,172 | (120) |
| Communications | 2,150 | 2,208 | 2,156 | (52) |
| Postal charges | 50 | 50 | 50 | - |
| Travel | 5,500 | 6,971 | 6,471 | (500) |
| Other contracted services | 6,500 | 11,455 | 9,398 | (2,057) |
| Drugs and medical supplies | 3,500 | 3,500 | 3,159 | (341) |
| Other supplies and materials | 17,276 | 19,769 | 19,068 | (701) |
| In-service/staff development | 700 | 700 | 513 | (187) |
| Other charges | 3,000 | 1,440 | 1,440 | - |
| Total health services | <u>158,242</u> | <u>168,102</u> | <u>158,142</u> | <u>(9,960)</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, 2014

| | <u>Budget</u> | | <u>Actual</u> | Variance |
|------------------------------------|-----------------|----------------|----------------|-------------------------|
| | <u>Original</u> | <u>Final</u> | | Over (Under) |
| Other Student Support | | | | |
| Career ladder program | 3,000 | 3,000 | 3,000 | - |
| Guidance personnel | 136,742 | 136,742 | 136,379 | (363) |
| Social workers | 31,930 | 31,774 | 31,774 | - |
| Clerical personnel | 2,200 | - | - | - |
| Other Salaries and Wages | - | 2,200 | 2,160 | (40) |
| Social security taxes | 10,378 | 10,416 | 10,045 | (371) |
| State retirement | 15,302 | 15,289 | 15,198 | (91) |
| Medical insurance | 11,185 | 9,480 | 9,312 | (168) |
| Medicare taxes | 2,427 | 2,459 | 2,381 | (78) |
| Communication | 400 | 400 | 321 | |
| Contracts with government agencies | 47,265 | 47,265 | 47,046 | (219) |
| Evaluation and testing | 10,000 | 10,000 | 5,226 | (4,774) |
| Travel | 4,700 | 4,500 | 1,654 | (2,846) |
| Other supplies and materials | 386 | 1,219 | 1,219 | - |
| In-service/staff development | 500 | 500 | - | (500) |
| Other charges | 5,300 | 6,471 | 5,671 | (800) |
| Total other student support | <u>281,715</u> | <u>281,715</u> | <u>271,386</u> | <u>(10,250)</u> |
| Total students | <u>562,258</u> | <u>572,118</u> | <u>548,774</u> | <u>(23,265)</u> |
| Instructional Staff | | | | |
| Regular Instruction Program | | | | |
| Supervisor/director | 38,043 | 38,043 | 37,964 | (79) |
| Career ladder program | 3,000 | 1,500 | 1,500 | - |
| Librarians | 137,847 | 137,847 | 135,856 | (1,991) |
| Materials supervisor | 36,964 | 36,977 | 36,977 | - |
| Instructional computer personnel | 73,123 | 73,123 | 60,334 | (12,789) |
| Other salaries and wages | 110,532 | 110,532 | 106,109 | (4,423) |
| Social security taxes | 24,770 | 24,757 | 21,311 | (3,446) |
| State retirement | 35,476 | 35,476 | 29,873 | (5,603) |
| Medical insurance | 41,488 | 33,688 | 27,411 | (6,277) |
| Medicare taxes | 5,793 | 5,793 | 4,984 | (809) |
| Communications | 5,500 | 5,500 | 4,171 | (1,329) |
| Travel | 45,800 | 45,542 | 11,110 | (34,432) |
| Library books/media | 17,302 | 17,302 | - | (17,302) |
| Other supplies and materials | 10,200 | 10,200 | 26,816 | 16,616 |
| In-service/staff development | 50,000 | 49,500 | 17,155 | (32,345) |
| Other charges | 4,000 | 4,000 | 834 | (3,166) |
| Total regular instruction program | <u>639,838</u> | <u>629,780</u> | <u>522,405</u> | <u>(107,375)</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, 2014

| | <u>Budget</u> | | <u>Actual</u> | Variance |
|--------------------------------------|--------------------|--------------------|--------------------|-------------------------|
| | <u>Original</u> | <u>Final</u> | | Over (Under) |
| Alternative Instruction Program | | | | |
| Travel | 1,000 | 1,000 | - | (1,000) |
| Special Education Program | | | | |
| Supervisor/director | 21,272 | 21,180 | 21,180 | - |
| Social security taxes | 1,319 | 1,123 | 1,123 | - |
| State retirement | 1,889 | 1,881 | 1,881 | - |
| Medical insurance | 2,659 | 2,659 | 2,659 | - |
| Unemployment | 319 | - | - | - |
| Medicare taxes | 308 | 263 | 263 | - |
| Other fringe benefits | 83 | 97 | 97 | - |
| Maintenance and repair services | 7,500 | 6,863 | 6,863 | - |
| Other contracted services | 12,000 | 29,529 | 21,784 | (7,745) |
| In-service/staff development | 800 | 24 | 24 | - |
| Total special education program | <u>48,149</u> | <u>63,619</u> | <u>55,874</u> | <u>(7,745)</u> |
| Vocational Education Program | | | | |
| Supervisor/director | 12,293 | 14,356 | 14,356 | - |
| Social security taxes | 762 | - | - | - |
| Medicare taxes | 178 | 202 | 202 | - |
| Travel | 500 | 99 | 99 | - |
| Total vocational education program | <u>13,733</u> | <u>14,657</u> | <u>14,657</u> | <u>-</u> |
| Total instructional staff | <u>702,720</u> | <u>709,056</u> | <u>592,936</u> | <u>(116,120)</u> |
| General Administration | | | | |
| Board of Education | | | | |
| Other fringe Benefits | 900 | 900 | 424 | (476) |
| Audit services | 17,800 | 17,800 | 17,798 | (2) |
| Dues and memberships | 8,400 | 8,400 | 8,180 | (220) |
| Legal services | 7,500 | 7,500 | 5,172 | (2,328) |
| Travel | 7,000 | 7,000 | 4,836 | (2,164) |
| Maintenance and repair | 400 | 400 | - | (400) |
| Other contracted services | 4,000 | 4,000 | 3,750 | (250) |
| Other supplies and materials | 10,000 | 10,000 | 8,401 | (1,599) |
| Liability insurance | 10,306 | 10,306 | 10,306 | - |
| Corporate surety bonds | 2,000 | 2,000 | 1,964 | (36) |
| Trustee commissions | 59,000 | 59,000 | 56,415 | (2,585) |
| Workers' compensation insurance | 51,000 | 51,000 | 44,537 | (6,463) |
| In-service/staff development | 2,500 | 2,500 | 1,176 | (1,324) |
| Criminal investigation of applicants | 2,000 | 2,000 | 378 | (1,622) |
| Other charges | 5,500 | 5,500 | 3,592 | (1,908) |
| Total board of education | <u>188,306</u> | <u>188,306</u> | <u>166,929</u> | <u>(21,377)</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, 2014

| | <u>Budget</u> | | <u>Actual</u> | Variance |
|--------------------------------|-----------------|----------------|----------------|-------------------------|
| | <u>Original</u> | <u>Final</u> | | Over (Under) |
| Office of Superintendent | | | | |
| Administrative officer | 101,316 | 102,041 | 102,041 | - |
| Career ladder program | 1,000 | 1,000 | 1,000 | - |
| Other salaries and wages | 12,251 | 12,251 | 12,251 | - |
| Social security taxes | 7,103 | 7,103 | 7,057 | (46) |
| State retirement | 10,174 | 10,238 | 10,238 | - |
| Life insurance | 56 | 56 | 56 | - |
| Medical insurance | 6,407 | 6,410 | 6,410 | - |
| Medicare taxes | 1,661 | 1,661 | 1,653 | (8) |
| Other fringe benefits | 1,200 | 1,200 | 1,200 | - |
| Communication | 8,000 | 7,208 | 2,877 | (4,331) |
| Dues and memberships | 4,600 | 4,600 | 3,841 | (759) |
| Postal charges | 50 | 50 | - | (50) |
| Travel | 7,700 | 7,700 | 7,023 | (677) |
| Office supplies | 800 | 800 | 277 | (523) |
| In-service/staff development | 900 | 900 | 381 | (519) |
| Other charges | 1,500 | 1,500 | 1,460 | (40) |
| Total office of superintendent | <u>164,718</u> | <u>164,718</u> | <u>157,765</u> | <u>(6,953)</u> |
| Total general administration | <u>353,024</u> | <u>353,024</u> | <u>324,694</u> | <u>(28,330)</u> |
| School Administration | | | | |
| Office of Principal | | | | |
| Principal(s) | 218,613 | 218,613 | 215,446 | (3,167) |
| Career ladder program | 3,250 | 2,050 | 2,020 | (30) |
| Assistant principal(s) | 153,998 | 153,998 | 140,354 | (13,644) |
| Accountants/Bookkeepers | 70,216 | 70,966 | 70,966 | - |
| Clerical personnel | 2,784 | 2,784 | 102 | (2,682) |
| Social security taxes | 27,829 | 26,772 | 22,096 | (4,676) |
| State retirement | 35,311 | 35,311 | 31,380 | (3,931) |
| Medical insurance | 52,640 | 52,947 | 52,947 | - |
| Medicare taxes | 6,508 | 6,508 | 5,539 | (969) |
| Communications | 15,700 | 15,700 | 9,775 | (5,925) |
| Dues and memberships | 2,360 | 2,360 | 868 | (1,492) |
| Operating lease payments | 7,050 | 7,050 | 3,891 | (3,159) |
| Postal charges | 2,722 | 2,722 | 892 | (1,830) |
| Travel | 7,500 | 6,500 | 3,453 | (3,047) |
| Other contracted services | 4,074 | 4,074 | 3,624 | (450) |
| Data processing supplies | 800 | 800 | 195 | (605) |
| Office supplies | 5,173 | 6,173 | 4,963 | (1,210) |
| In-service/staff development | 10,520 | 8,520 | 1,125 | (7,395) |
| Other charges | 6,628 | 9,838 | 9,223 | (615) |
| Total office of principal | <u>633,676</u> | <u>633,686</u> | <u>578,859</u> | <u>(54,827)</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, 2014

| | <u>Budget</u> | | <u>Actual</u> | Variance |
|------------------------------------|-----------------|----------------|----------------|-------------------------|
| | <u>Original</u> | <u>Final</u> | | Over (Under) |
| Business Administration | | | | |
| Fiscal Services | | | | |
| Supervisor/director | 28,569 | 28,569 | 28,569 | - |
| Accountants/bookkeepers | 341 | 341 | 206 | (135) |
| Clerical Personnel | 5,590 | 5,749 | 5,749 | - |
| Social security taxes | 2,139 | 2,139 | 1,536 | (603) |
| State retirement | 914 | 914 | 915 | 1 |
| Medical insurance | 7,961 | 6,398 | 6,047 | (351) |
| Medicare taxes | 500 | 500 | 359 | (141) |
| Advertising | 1,000 | 1,000 | 909 | (91) |
| Data processing | 700 | 700 | 348 | (352) |
| Dues and memberships | 60 | 160 | 139 | (21) |
| Operating lease payments | 768 | 768 | 744 | (24) |
| Postal charges | 2,000 | 2,000 | 1,220 | (780) |
| Travel | 1,600 | 1,600 | 825 | (775) |
| Data processing supplies | 500 | 400 | - | (400) |
| Office supplies | 3,500 | 3,904 | 3,904 | - |
| In-service/staff development | 300 | 300 | 225 | (75) |
| Other charges | 2,500 | 3,500 | 3,129 | (371) |
| Total fiscal services | <u>58,942</u> | <u>58,942</u> | <u>54,824</u> | <u>(4,118)</u> |
| Human Services | | | | |
| Supervisor/director | 49,730 | 49,730 | 49,730 | - |
| Clerical personnel | 20,626 | 20,626 | 20,626 | - |
| Social security taxes | 4,362 | 4,073 | 4,073 | - |
| State retirement | 1,864 | 1,864 | 1,864 | - |
| Medical insurance | - | 2,310 | 2,305 | (5) |
| Employer medicare | 1,020 | 955 | 953 | (2) |
| Dues and memberships | 60 | 70 | 70 | - |
| Travel | 1,600 | 1,178 | 494 | (684) |
| In-service/staff development | 400 | 390 | 350 | (40) |
| Total human services | <u>79,662</u> | <u>81,196</u> | <u>80,465</u> | <u>(731)</u> |
| Total business administration | <u>138,604</u> | <u>140,138</u> | <u>135,289</u> | <u>(4,849)</u> |
| Operation and Maintenance of Plant | | | | |
| Operation of Plant | | | | |
| Maintenance and repair | 500 | 500 | - | (500) |
| Other contracted services | 427,000 | 434,333 | 410,022 | (24,311) |
| Electricity | 317,000 | 315,000 | 314,130 | (870) |
| Natural gas | 87,000 | 96,238 | 96,157 | (81) |
| Water and sewer | 58,500 | 53,929 | 53,800 | (129) |
| Other supplies and materials | 2,100 | 2,100 | 182 | (1,918) |
| Boiler insurance | 2,537 | 2,537 | 2,537 | - |
| Building and contents insurance | 44,632 | 44,632 | 41,632 | (3,000) |

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, 2014

| | <u>Budget</u> | | <u>Actual</u> | Variance |
|---|------------------|------------------|------------------|-------------------------|
| | <u>Original</u> | <u>Final</u> | | Over (Under) |
| In-service/staff development | 4,000 | - | - | - |
| Other charges | - | 4,500 | 2,618 | (1,882) |
| Total operation of plant | <u>943,269</u> | <u>953,769</u> | <u>921,078</u> | <u>(32,691)</u> |
| Maintenance of Plant | | | | |
| Maintenance personnel | 68,768 | 68,768 | 68,188 | (580) |
| Other Salaries and Wages | 2,000 | 2,000 | 1,440 | (560) |
| Social security taxes | 4,388 | 4,388 | 3,744 | (644) |
| State retirement | 1,875 | 1,875 | 1,807 | (68) |
| Medical insurance | 7,600 | 7,600 | 6,068 | (1,532) |
| Medicare taxes | 1,026 | 1,026 | 876 | (150) |
| Communication | 1,400 | 1,400 | 1,245 | (155) |
| Laundry Service | - | 2,400 | 1,082 | (1,318) |
| Maintenance and repair - buildings | 35,800 | 35,635 | 34,054 | (1,581) |
| Maintenance and repair - equipment | 3,100 | 3,100 | 857 | (2,243) |
| Maintenance and repair - vehicles | 1,000 | 1,000 | - | (1,000) |
| Travel | 1,100 | 1,650 | 1,562 | (88) |
| Other contracted services | 22,900 | 19,715 | 15,920 | (3,795) |
| Equipment and machinery parts | 5,750 | 5,750 | 2,125 | (3,625) |
| Other supplies and materials | 42,250 | 39,350 | 26,277 | (13,073) |
| Vehicle and equipment insurance | 400 | 400 | 400 | - |
| In-service/staff development | 400 | 400 | 400 | - |
| Other charges | 8,600 | 11,400 | 11,302 | (98) |
| Total maintenance of plant | <u>208,357</u> | <u>207,857</u> | <u>177,347</u> | <u>(30,510)</u> |
| Total operation and maintenance of plant | <u>1,151,626</u> | <u>1,161,626</u> | <u>1,098,425</u> | <u>(63,201)</u> |
| Student Transportation | | | | |
| Transportation | | | | |
| Supervisor/director | 37,492 | 37,492 | 32,911 | (4,581) |
| Mechanics | 11,920 | 11,920 | 11,720 | (200) |
| Bus drivers | 78,387 | 78,792 | 78,281 | (511) |
| Clerical personnel | 1,384 | 1,384 | 1,382 | (2) |
| Other salaries and wages | 22,000 | 22,000 | 18,968 | (3,032) |
| Social security taxes | 9,374 | 9,368 | 7,741 | (1,627) |
| State retirement | 6,343 | 6,353 | 5,635 | (718) |
| Medical insurance | 4,717 | 4,747 | 4,747 | - |
| Unemployment compensation | 1,938 | 1,843 | - | (1,843) |
| Medicare taxes | 2,192 | 2,197 | 1,973 | (224) |
| Fringe benefits | 5,445 | 5,859 | 5,624 | (235) |
| Communication | 3,730 | 3,730 | 2,350 | (1,380) |
| Laundry service | 447 | 447 | 238 | (209) |
| Maintenance and repair - vehicles | - | 2,738 | 2,708 | (30) |
| Medical and dental | 2,031 | 2,031 | 1,709 | (322) |

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, 2014

| | <u>Budget</u> | | <u>Actual</u> | Variance Over |
|--|------------------|------------------|------------------|--------------------------|
| | <u>Original</u> | <u>Final</u> | | (Under) |
| Postal | 41 | 41 | 34 | (7) |
| Travel | 1,041 | 1,041 | 441 | (600) |
| Other contracted services | 912 | 912 | 407 | (505) |
| Diesel fuel | 57,000 | 56,237 | 52,063 | (4,174) |
| Garage supplies | 2,515 | 2,515 | 469 | (2,046) |
| Lubricants | 2,235 | 2,235 | 1,300 | (935) |
| Tires and tubes | 7,322 | 7,322 | 3,624 | (3,698) |
| Vehicle parts | 12,055 | 12,055 | 9,533 | (2,522) |
| Other supplies and materials | 483 | 483 | 275 | (208) |
| Vehicle and equipment insurance | 13,779 | 13,779 | 13,779 | - |
| In-service/staff development | 2,000 | 2,000 | 808 | (1,192) |
| Other charges | 6,670 | 6,670 | 2,277 | (4,393) |
| Transportation Equipment | - | 15,000 | 14,500 | (500) |
| Total transportation | <u>293,453</u> | <u>311,191</u> | <u>275,497</u> | <u>(35,694)</u> |
| Other | | | | |
| Central and Other | | | | |
| Operating lease payments | 9,000 | 9,000 | 6,736 | (2,264) |
| Other contracted services | 8,352 | 8,452 | 8,427 | (25) |
| Data processing supplies | 2,000 | 1,900 | - | (1,900) |
| Other supplies and materials | 2,000 | 2,000 | 1,826 | (174) |
| Other charges | 700 | 700 | 608 | (92) |
| Other equipment | 1,000 | 1,000 | 190 | (810) |
| Total central and other | <u>23,052</u> | <u>23,052</u> | <u>17,787</u> | <u>(5,265)</u> |
| Total support services | <u>3,858,413</u> | <u>3,903,891</u> | <u>3,572,261</u> | <u>(331,551)</u> |
| Operation of Non-Instructional Services | | | | |
| Community Services | | | | |
| Teachers | 2,000 | 2,000 | 880 | (1,120) |
| Other salaries and wages | 35,031 | 34,420 | 33,917 | (503) |
| Social security taxes | 2,299 | 2,299 | 1,875 | (424) |
| State retirement | 1,133 | 969 | 663 | (306) |
| Medical insurance | 3,150 | 3,355 | 3,355 | - |
| Medicare taxes | 512 | 512 | 439 | (73) |
| Travel | 140 | 140 | - | (140) |
| Food supplies | 4,516 | 4,927 | 4,927 | - |
| Other supplies and materials | 2,500 | 1,400 | 378 | (1,022) |
| Refunds | 150 | 150 | 75 | (75) |
| Other charges | 2,500 | 3,759 | 3,656 | (103) |
| Total community services | <u>53,931</u> | <u>53,931</u> | <u>50,165</u> | <u>(3,766)</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, 2014

| | <u>Budget</u> | | <u>Actual</u> | Variance |
|---|-------------------|-------------------|-------------------|-------------------------|
| | <u>Original</u> | <u>Final</u> | | Over (Under) |
| Early Childhood Education | | | | |
| Supervisor/director | 43,769 | 43,829 | 43,829 | - |
| Teachers | 149,668 | 149,357 | 149,357 | - |
| Clerical personnel | 11,180 | 11,101 | 11,101 | - |
| Educational assistants | 49,342 | 50,144 | 50,144 | - |
| Other salaries and wages | 22,732 | 22,064 | 22,064 | - |
| Non-certified substitute teachers | - | 4,380 | 4,380 | - |
| Social security taxes | 17,155 | 15,450 | 15,450 | - |
| State retirement | 20,539 | 19,853 | 19,853 | - |
| Medical insurance | 38,340 | 33,643 | 33,643 | - |
| Unemployment compensation | 4,150 | - | - | - |
| Medicare taxes | 4,012 | 3,613 | 3,613 | - |
| Other fringe benefits | 1,273 | 1,744 | 1,744 | - |
| Maintenance and repair - equipment | 3,500 | 2,632 | 2,632 | - |
| Travel | 4,500 | 3,447 | 3,447 | - |
| Other Contracted Services | 22,000 | 21,726 | 21,726 | - |
| Instructional supplies | 7,739 | 17,789 | 17,789 | - |
| Other Supplies and Materials | 7,738 | 6,865 | 6,865 | - |
| Total Early Childhood Education | <u>407,637</u> | <u>407,637</u> | <u>407,637</u> | <u>-</u> |
| Total operation of non-instructional services | <u>461,568</u> | <u>461,568</u> | <u>457,802</u> | <u>(3,766)</u> |
| Education Capital Outlay | | | | |
| Regular capital outlay | | | | |
| Building improvements | <u>162,150</u> | <u>327,103</u> | <u>320,836</u> | <u>(6,267)</u> |
| Education Debt Service | | | | |
| Principal on bonds | 366,424 | 366,424 | 295,000 | (71,424) |
| Principal on other loans | 71,424 | 71,424 | 71,424 | - |
| Interest on bonds | 917,246 | 917,246 | 917,245 | (1) |
| Total education debt service | <u>1,355,094</u> | <u>1,355,094</u> | <u>1,283,669</u> | <u>(71,425)</u> |
| Total expenditures | <u>11,552,431</u> | <u>11,873,171</u> | <u>11,299,734</u> | <u>(573,358)</u> |
| Revenues over (under) expenditures | (529,023) | (552,688) | 261,142 | 814,681 |

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, 2014

| | Budget | | Actual | Variance |
|--|---------------------|---------------------|---------------------|-------------------|
| | Original | Final | | Over (Under) |
| Other financing sources (uses) | | | | |
| Transfers in | 16,000 | 16,000 | - | (16,000) |
| Transfers out | - | - | (100,000) | 100,000 |
| Total other financing sources (uses) | 16,000 | 16,000 | (100,000) | 84,000 |
| Net change in fund balance | \$ (513,023) | \$ (536,688) | 161,142 | \$ 898,681 |
| Fund balance - beginning | | | 3,590,540 | |
| Fund balance - ending | | | \$ 3,751,682 | |
| Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures | | | | |
| Inflows/revenues: | | | | |
| Actual amounts (budgetary basis) | | | \$ 11,560,876 | \$ 241,323 |
| Differences - budget to GAAP: | | | | |
| Fringe benefits - noncash | | | 79,693 | 79,693 |
| Total Revenues as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | | | 11,640,569 | 321,016 |
| Outflows/expenditures: | | | | |
| Actual amounts (budgetary basis) | | | 11,299,734 | (573,358) |
| Differences - budget to GAAP: | | | | |
| Fringe benefits - noncash | | | 79,693 | 79,693 |
| Total Expenditures as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | | | 11,379,427 | (493,665) |
| Other financing sources (uses) | | | (100,000) | 84,000 |
| Net changes in fund balance | | | \$ 161,142 | \$ 898,681 |

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

**TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

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.

B. 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, 2014

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.

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, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and 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 the Trenton Special School District. The County collects the property taxes and sends the District its portion once a month. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied and mailed on October 1. The payment due dates are October 1 through February 28 and become delinquent on March 1. The property taxes are collected by the Trustee of Gibson

**TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

County and remitted to the District. District property tax revenues are recognized in the period for which they were levied.

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 |

Compensated Absences

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

Non-certified employees are entitled to one-half of one day of sick leave for each month employed. Sick leave days are accumulated from year to year, with no maximum total. Upon retirement non-certified employees’ unused sick leave is added to length of service for each employee. Non-

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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, 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 expensed in the year incurred.

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

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 net 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 items that qualify for reporting in this category as of June 30, 2014 are unavailable revenue as identified on pages 11 and 14.

Impact of Recently Issued Accounting Pronouncements

In March of 2012, the GASB issued statement no. 65 – *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for financial periods beginning after December 15, 2012. The implementation of GASB 65 has resulted in the classification of unavailable revenue to deferred inflows of resources as compared to previously being reported as a liability. It also requires bond issuance cost to be expensed in the year incurred rather than being reported as an asset and amortized over the life of the bonds. This has resulted in a prior period adjustment in the current year to remove bond issuance cost from the assets.

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*, and Statement 68, *Accounting and Financial Reporting for*

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Pensions—an amendment of GASB Statement No. 27. Statement 67, effective for fiscal years beginning after June 15, 2013, revises existing standards of financial reporting by state and local government pension plans and will be adopted by the pension plan itself. Statement 68 will affect the governments that participate as employers in these plans and is effective for fiscal years beginning after June 15, 2014. For governments to adopt Statement 68, the underlying pension plans must first adopt Statement 67. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations. Management is currently evaluating the impact that the adoption of Statement 68 will have on the District’s financial statements.

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 Fund 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.

**TRENTON SPECIAL SCHOOL DISTRICT
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Committed fund balance

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

Assigned fund balance

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

Unassigned fund balance

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

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.

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 (\$18,515,728), (\$247,424) and \$233,134 differences are as follows:

| | | |
|----------------------------|----|-----------------|
| School Bonds, Series 2012 | \$ | (1,165,000) |
| School Bonds, Series 2010A | | (5,965,000) |
| School Bonds, Series 2010B | | (11,100,000) |
| Energy Efficiency Loan | | (285,728) |
| | | (18,515,728) |
| OPEB | | (247,424) |
| Bond Premium | | 233,134 |
| | | \$ (18,530,018) |

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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 \$33,344,215 are as follows:

| | | |
|--|----|------------|
| Land | \$ | 266,057 |
| Infrastructure | | 22,779 |
| Buildings and improvements | | 32,609,188 |
| Other capital assets | | 446,191 |
| Total capital assets, net of accumulated depreciation | \$ | 33,344,215 |

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 \$366,424 are as follows:

| | | |
|----------------------------|----|---------|
| Principal repayments: | | |
| School Bonds, Series 2012 | \$ | 50,000 |
| School Bonds, Series 2010A | | 245,000 |
| Energy Efficiency Loan | | 71,424 |
| | \$ | 366,424 |

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 \$87,231 are as follows:

| | | |
|---|----|----------|
| Unavailable revenue as of June 30, 2013 | \$ | (27,786) |
| Unavailable revenue as of June 30, 2014 | | 115,017 |
| | \$ | 87,231 |

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

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the exception of the on-behalf payments and commodities.

4. The District's policy is to not allow expenditures to exceed budgetary amounts at the total function level.

NOTE 4 - DETAILED NOTES ON ACCOUNTS

A. Deposits and Investments

At June 30, 2014, 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 \$3,311,807 in the Tennessee Local Government Investment Pool (TLGIP). The TLGIP is collateralized by the State of Tennessee. Therefore, all funds deposited in the TLGIP are secure.

Custodial Credit Risk - The District's policies limit deposits and investments to those instruments allowed by applicable state laws as described in Note 1. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Board's agent in the Board's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the District to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2014, 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, 2014, there were no allowances for uncollectible accounts.

Property tax receivable is unavailable (fund statements and statement of net position) due to the 2014 tax levy not being due and payable until October 2014. Therefore, the funds are not available to the District as of June 30, 2014.

The following grant revenues are unavailable in the fund statements based on the district not receiving the funds within 60 days of year end or the funds have been received but not earned.

| | <u>Unavailable</u> |
|--------------------------|--------------------|
| General Purpose Fund | |
| FEMA - Public Assistance | \$ 27,529 |
| Insurance | 86,288 |
| Public Law Fund | |
| ARRA Race to the Top | 1,200 |
| | <u>\$ 115,017</u> |

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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, 2014, there was a transfer made from the General Purpose School Fund to the Public Law Fund for \$100,000 to be in compliance with the State to prevent negative cash balance in the Public Law Fund at year end.

At June 30, 2014, interfund balances consisted of the following:

| Due from: | Due to: General Purpose Fund |
|-----------------------|------------------------------------|
| Capital Projects Fund | \$ 17,236 |
| Public Law Fund | 210,000 |
| | \$ 227,236 |

D. Capital Assets

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

| | Beginning Balance | Increases | Decreases | Reclassification | Ending Balance |
|--|----------------------|--------------|-----------|------------------|-------------------|
| 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 | 424,452 | - | - | (158,395) | 266,057 |
| Capital assets being depreciated: | | | | | |
| Infrastructure | - | - | - | 26,575 | 26,575 |
| Buildings and Improvements | 41,263,573 | 213,976 | - | - | 41,477,549 |
| Other capital assets | 914,691 | 78,336 | - | 131,820 | 1,124,847 |
| Total capital assets being depreciated | 42,178,264 | 292,312 | - | 158,395 | 42,628,971 |
| Less accumulated depreciation for: | | | | | |
| Infrastructure | - | (3,796) | - | - | (3,796) |
| Buildings and Improvements | (7,802,599) | (1,065,762) | - | - | (8,868,361) |
| Other capital assets | (603,067) | (75,589) | - | - | (678,656) |
| Total accumulated depreciation | (8,405,666) | (1,145,147) | - | - | (9,550,813) |
| Total capital assets being depreciated | 33,772,598 | (852,835) | - | 158,395 | 33,078,158 |
| Governmental activities capital assets, net | \$ 34,197,050 | \$ (852,835) | \$ - | \$ - | \$ 33,344,215 |

**TRENTON SPECIAL SCHOOL DISTRICT
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Depreciation expense was charged to functions/programs of the District as follows:

| | |
|----------------------------|---------------------|
| Support services | \$ 58,294 |
| Non-instructional services | <u>1,086,853</u> |
| | <u>\$ 1,145,147</u> |

E. General Long-Term Debt

Bonds Payable

The 2012 Limited Tax School Refunding Bonds were issued in the amount of \$1,265,000 with 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. There was no economic gain or loss resulting from the transaction.

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, 2014, is as follows:

| | Beginning Balance | Additions | Payments | Ending Balance | Due in One Year |
|------------------------|----------------------|-----------|------------|-------------------|--------------------|
| 2010A Bonds | \$ 6,210,000 | \$ - | \$ 245,000 | \$ 5,965,000 | \$ 260,000 |
| 2010B Bonds | 11,100,000 | - | - | 11,100,000 | - |
| 2012 Bonds | 1,215,000 | - | 50,000 | 1,165,000 | 25,000 |
| Energy Efficiency Loan | 357,152 | - | 71,424 | 285,728 | 71,424 |
| Bond discount | (253,162) | - | (16,877) | (236,285) | - |
| Bond premium | 3,522 | - | 371 | 3,151 | - |
| Total obligation debt | 18,632,512 | - | 349,918 | 18,282,594 | 356,424 |
| OPEB | 180,304 | 67,120 | - | 247,424 | - |
| Total | \$ 18,812,816 | \$ 67,120 | \$ 349,918 | \$ 18,530,018 | \$ 356,424 |

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

**TRENTON SPECIAL SCHOOL DISTRICT
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| June 30, | Principal | Interest | Total |
|-------------|------------|------------|--------------|
| 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 | 420,032 | 878,983 | 1,299,015 |
| 2020 - 2024 | 2,470,000 | 4,209,590 | 6,679,590 |
| 2025 - 2029 | 3,245,000 | 3,746,186 | 6,991,186 |
| 2030 - 2034 | 4,200,000 | 2,826,145 | 7,026,145 |
| 2035 - 2039 | 5,375,000 | 1,401,096 | 6,776,096 |
| 2040 | 1,250,000 | 76,563 | 1,326,563 |

F. Designations of Fund Equity

The following funds had nonspendable, restricted, or assigned fund balances as of June 30, 2014:

| | General Purpose | Public Law | Capital Projects | Cafeteria | Bus Garage | Total |
|---|--------------------|------------------|---------------------|------------------|-----------------|--------------------|
| Nonspendable | | | | | | |
| Inventory | \$ - | \$ - | \$ - | \$ 33,005 | \$ 56,058 | \$ 89,063 |
| Restricted | | | | | | |
| Education | 237,065 | 5,371 | - | - | - | 242,436 |
| Operation of non- instructional services | - | - | - | 269,125 | - | 269,125 |
| Committed | | | | | | |
| Capital projects | - | - | 1,033 | - | - | 1,033 |
| Assigned | | | | | | |
| Instruction - textbooks | 100,000 | - | - | - | - | 100,000 |
| Support services | 37,000 | - | - | - | - | 37,000 |
| Capital outlay | 1,244,571 | - | - | - | - | 1,244,571 |
| Debt service | 94,644 | - | - | - | - | 94,644 |
| Future budgets | 225,271 | - | - | - | - | 225,271 |
| Other purposes | 237,745 | 100,000 | - | - | 6,444 | 344,189 |
| | <u>\$2,176,296</u> | <u>\$105,371</u> | <u>\$ 1,033</u> | <u>\$302,130</u> | <u>\$62,502</u> | <u>\$2,647,332</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

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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 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, 2014, 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, 2014, the Trenton Special School District's annual pension cost of \$35,010 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

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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.

Trend Information

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|--------------------------|------------------------------------|-------------------------------------|------------------------------|
| 6/30/2014 | \$ 35,010 | 100.00% | \$ - |
| 6/30/2013 | \$ 35,100 | 100.00% | \$ - |
| 6/30/2012 | \$ 38,071 | 100.00% | \$ - |

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 100.00% funded. The actuarial accrued liability for benefits was \$4.32 million, and the actuarial value of assets was \$4.32 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 \$1.27 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) |
|--------------------------------|--|--|------------------------------------|--------------------------|-------------------------------------|---|
| 7/1/2013 | \$ 4,324 | \$ 4,324 | \$ - | 100.00% | \$ 1,268 | 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.

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June 30, 2014

Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after 5 years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The maximum annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson 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, 2014, 2013, and 2012 were \$479,890, \$487,076, and \$480,321, 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'

**TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

premiums since the committee is not prescriptive on that issue. The District pays all of its retiree's premiums.

| | |
|---|--------------------------|
| ARC | \$ 158,000 |
| Interest on NPO | 8,114 |
| Adjustment to the ARC | <u>(7,897)</u> |
| Annual OPEB cost | 158,217 |
| Amount of contribution | <u>(91,097)</u> |
| Increase/decrease in NPO | 67,120 |
| Net OPEB obligation - beginning of year | <u>180,304</u> |
| Net OPEB obligation - end of year | <u><u>\$ 247,424</u></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 6/30/2014 | Teacher Group Plan | \$ 158,217 | 57.58% | \$ 247,424 |

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014, was as follows:

| | <u>Teacher Group Plan</u> |
|---|-------------------------------|
| Actuarial valuation date | 7/1/2014 |
| Actuarial accrued liability (AAL) | \$ 1,645,000 |
| Actuarial value of plan assets | - |
| Unfunded actuarial accrued liability (UAAL) | <u>1,645,000</u> |
| Actuarial Value of Assets as a % of the AAL | - |
| Covered payroll (active plan members) | \$ 6,725,266 |
| UAAL as a percentage of covered payroll | 24.46% |

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

**TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2014

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 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, 2014, the State made contributions of \$79,693.

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, 2014, were as follows:

| <u>Year Ended June 30,</u> | |
|----------------------------|------------------|
| 2015 | \$ 17,032 |
| 2016 | 10,099 |
| 2017 | <u>1,824</u> |
| | <u>\$ 28,955</u> |

The lease expenses for the year ended June 30, 2014 was \$17,032.

F. Prior Period Adjustment

As of June 30, 2014, a prior period adjustment was made in the District-Wide Statement of Activities, to close out bond issuance cost to net position in the amount of \$360,115. The adjustment was made to comply with GASB statement 65, which states that all bond issuance cost must be recognized as an expense in the year incurred.

REQUIRED SUPPLEMENTARY INFORMATION

**TRENTON SPECIAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF RETIREMENT FUNDING PROGRESS
June 30, 2014**

(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) |
|--------------------------------|--|--|------------------------------------|--------------------------|-------------------------------------|---|
| 7/1/2013 | \$ 4,324 | \$ 4,324 | \$ - | 100.00% | \$ 1,268 | 0.00% |
| 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% |

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, 2014**

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) |
|--------------------------------|---------------|--|---|--|--------------------------|---------------------------|---|
| 7/1/2013 | Teacher Group | \$ - | \$ 1,645,000 | \$ 1,645,000 | 0.00% | \$ 6,725,266 | 24.46% |
| 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.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

**TRENTON SPECIAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014**

| | Special Revenue | | | | Total |
|--|-----------------------------|--------------------------|--------------------------|-------------------------|--------------------------|
| | Capital Projects Fund | Public Law Fund | Cafeteria Fund | Bus Garage Fund | |
| Assets | | | | | |
| Cash | \$ 32,268 | \$ 5,332 | \$ 269,160 | \$ - | \$ 306,760 |
| Due from other governments | - | 311,219 | - | 7,714 | 318,933 |
| Inventories | - | - | 33,005 | 56,058 | 89,063 |
| Other current assets | - | 20 | - | - | 20 |
| Total assets | <u>\$ 32,268</u> | <u>\$ 316,571</u> | <u>\$ 302,165</u> | <u>\$ 63,772</u> | <u>\$ 714,776</u> |
| | | | | | |
| Liabilities, Deferred Inflows of Resources and Fund Balance | | | | | |
| Liabilities | | | | | |
| Bank Overdraft | \$ - | \$ - | \$ - | \$ 1,270 | \$ 1,270 |
| Accounts payable | 13,999 | - | 35 | - | 14,034 |
| Due to other funds | 17,236 | 210,000 | - | - | 227,236 |
| Total liabilities | <u>31,235</u> | <u>210,000</u> | <u>35</u> | <u>1,270</u> | <u>242,540</u> |
| | | | | | |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue - federal and state grants | - | 1,200 | - | - | 1,200 |
| | | | | | |
| Fund Balance | | | | | |
| Nonspendable | | | | | |
| Inventory | - | - | 33,005 | 56,058 | 89,063 |
| Restricted | | | | | |
| Education | - | 5,371 | - | - | 5,371 |
| Operation of non-instructional services | - | - | 269,125 | - | 269,125 |
| Committed | | | | | |
| Capital projects | 1,033 | - | - | - | 1,033 |
| Assigned | | | | | |
| Assigned for other purposes | - | 100,000 | - | 6,444 | 106,444 |
| Total fund balance | <u>1,033</u> | <u>105,371</u> | <u>302,130</u> | <u>62,502</u> | <u>471,036</u> |
| | | | | | |
| Total liabilities, deferred inflows of resources and fund balance | <u>\$ 32,268</u> | <u>\$ 316,571</u> | <u>\$ 302,165</u> | <u>\$ 63,772</u> | <u>\$ 714,776</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, 2014

| | <u>Special Revenue</u> | | | | <u>Total</u> |
|---|--------------------------------------|--------------------------------|---------------------------|--------------------------------|-------------------|
| | <u>Capital Projects Fund</u> | <u>Public Law Fund</u> | <u>Cafeteria Fund</u> | <u>Bus Garage Fund</u> | |
| Revenues | | | | | |
| Local revenue | \$ - | \$ - | \$ - | \$ 316,387 | \$ 316,387 |
| Charges for services | - | - | 127,837 | - | 127,837 |
| Federal and state funds | - | 973,101 | 595,379 | - | 1,568,480 |
| Commodities | - | - | 46,371 | - | 46,371 |
| Interest | 1,051 | - | 20 | - | 1,071 |
| Other income | 103 | - | - | - | 103 |
| Total revenues | <u>1,154</u> | <u>973,101</u> | <u>769,607</u> | <u>316,387</u> | <u>2,060,249</u> |
| Expenditures | | | | | |
| Instruction | | | | | |
| Regular instruction | - | 271,563 | - | - | 271,563 |
| Special education | - | 241,683 | - | - | 241,683 |
| Vocational education | - | 17,531 | - | - | 17,531 |
| Support services | | | | | |
| Other student support | - | 123,014 | - | - | 123,014 |
| Regular instruction | - | 281,902 | - | - | 281,902 |
| Special education | - | 37,458 | - | - | 37,458 |
| Vocational education | - | 2,438 | - | - | 2,438 |
| Transportation | - | - | - | 317,376 | 317,376 |
| Non-instructional services | | | | | |
| Food service | - | - | 764,022 | - | 764,022 |
| Capital outlay | 321,420 | - | - | - | 321,420 |
| Total expenditures | <u>321,420</u> | <u>975,589</u> | <u>764,022</u> | <u>317,376</u> | <u>2,378,407</u> |
| Revenues over (under) expenditures | (320,266) | (2,488) | 5,585 | (989) | (318,158) |
| Other Financing Sources (Uses) | | | | | |
| Operating transfers in | - | 100,000 | - | - | 100,000 |
| Net change in fund balance | (320,266) | 97,512 | 5,585 | (989) | (218,158) |
| Fund balance - beginning | 321,299 | 7,859 | 280,150 | 61,439 | 670,747 |
| Increase (decrease) in reserves | - | - | 16,395 | 2,052 | 18,447 |
| Fund balance - ending | <u>\$ 1,033</u> | <u>\$ 105,371</u> | <u>\$ 302,130</u> | <u>\$ 62,502</u> | <u>\$ 471,036</u> |

See independent auditor's report.

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

For the Year Ended June 30, 2014

| | <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 | \$ 1,047,864 | \$ 1,285,723 | \$ 973,101 | \$ (312,622) |
| Total Revenues | <u>1,047,864</u> | <u>1,285,723</u> | <u>973,101</u> | <u>(312,622)</u> |
| Expenditures | | | | |
| Instruction | | | | |
| Regular instruction | 174,119 | 318,830 | 271,563 | (47,267) |
| Special education | 287,240 | 282,355 | 241,683 | (40,672) |
| Vocational education | 18,497 | 17,531 | 17,531 | - |
| Support services | | | | |
| Other student support | 154,216 | 140,308 | 123,014 | (17,294) |
| Regular instruction | 367,195 | 472,604 | 281,902 | (190,702) |
| Special education | 32,834 | 38,976 | 37,458 | (1,518) |
| Vocational education | 1,325 | 2,438 | 2,438 | - |
| Transportation | 1,889 | 1,889 | - | (1,889) |
| Total expenditures | <u>1,037,315</u> | <u>1,274,931</u> | <u>975,589</u> | <u>(299,342)</u> |
| Revenues over (under) expenditures | 10,549 | 10,792 | (2,488) | (13,280) |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in | - | - | 100,000 | 100,000 |
| Operating transfers out | <u>(10,549)</u> | <u>(10,792)</u> | - | <u>10,792</u> |
| | <u>(10,549)</u> | <u>(10,792)</u> | <u>100,000</u> | <u>110,792</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 97,512 | <u>\$ 97,512</u> |
| Fund balance - beginning | | | <u>7,859</u> | |
| Fund balance - ending | | | <u>\$ 105,371</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, 2014**

| | <u>Budget</u> | | <u>Actual</u> | Variance Over (Under) |
|--|----------------------------|----------------------------|---------------------|--------------------------------------|
| | <u>Original</u> | <u>Final</u> | | <u>(Under)</u> |
| Revenues | | | | |
| Student lunches | \$ 115,000 | \$ 115,000 | \$ 102,358 | \$ (12,642) |
| Adult lunches | 29,000 | 29,000 | 24,564 | (4,436) |
| Breakfast sales | 17,000 | 17,000 | 915 | (16,085) |
| State matching | 7,271 | 7,271 | 7,190 | (81) |
| USDA lunch funds | 409,198 | 409,198 | 373,348 | (35,850) |
| USDA breakfast funds | 230,000 | 230,000 | 214,841 | (15,159) |
| Commodities | - | - | 46,371 | 46,371 |
| Interest earned | 486 | 486 | 20 | (466) |
| Total revenues | <u>807,955</u> | <u>807,955</u> | <u>769,607</u> | <u>(38,348)</u> |
| Expenditures | | | | |
| Supervisor/director | 20,142 | 20,357 | 20,357 | - |
| Clerical personnel | 2,292 | 2,292 | 2,292 | - |
| Cafeteria personnel | 222,176 | 222,176 | 214,821 | (7,355) |
| Other salaries | 5,000 | 7,277 | 7,277 | - |
| Employee benefits | 51,659 | 52,096 | 49,041 | (3,055) |
| Communication | 1,500 | 1,500 | 28 | (1,472) |
| Equipment maintenance | 5,000 | 8,178 | 8,085 | (93) |
| Travel and transportation | 5,200 | 6,843 | 4,561 | (2,282) |
| Other contracted services | 3,000 | 3,765 | 3,765 | - |
| Food services | 400,000 | 400,000 | 340,464 | (59,536) |
| Commodities | - | - | 46,371 | 46,371 |
| Uniforms | 1,600 | 1,600 | 1,277 | (323) |
| Utilities | 26,000 | 26,000 | 23,387 | (2,613) |
| In-service training | 4,000 | 4,247 | 4,247 | - |
| Supplies | 40,000 | 40,000 | 31,323 | (8,677) |
| Other charges | 20,000 | 20,000 | 6,726 | (13,274) |
| Capital outlay - equipment | 259,129 | 250,368 | - | (250,368) |
| Total expenditures | <u>1,066,698</u> | <u>1,066,699</u> | <u>764,022</u> | <u>(302,677)</u> |
| Net change in fund balance | <u>\$ (258,743)</u> | <u>\$ (258,744)</u> | <u>5,585</u> | <u>\$ 264,329</u> |
| Fund Balance - beginning | | | 280,150 | |
| Increase (Decrease) in Reserve for Inventory | | | <u>16,395</u> | |
| Fund Balance - ending | | | <u>\$ 302,130</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, 2014

| | <u>Budget</u> | | <u>Actual</u> | Variance |
|--|--------------------|--------------------------|---------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | | Over |
| | | | | (Under) |
| Revenues | | | | |
| Local Revenues | <u>\$ 337,775</u> | <u>\$ 337,775</u> | <u>\$ 316,387</u> | <u>\$(21,388)</u> |
| Expenditures | | | | |
| Salaries - mechanics | 113,894 | 113,894 | 113,894 | - |
| Salaries - other | 13,444 | 13,444 | 13,444 | - |
| Employee benefits | 24,937 | 24,937 | 22,281 | (2,656) |
| Travel | 400 | 400 | - | (400) |
| Communications | 3,200 | 3,200 | 3,155 | (45) |
| Laundry service | 2,400 | 2,400 | 2,316 | (84) |
| Medical and dental services | 300 | 300 | 225 | (75) |
| Other contracted services | 4,000 | 4,000 | 3,955 | (45) |
| Postal charges | 400 | 400 | 331 | (69) |
| Garage supplies | 5,000 | 5,000 | 4,558 | (442) |
| Fuel and lubricants | 12,000 | 12,629 | 12,629 | - |
| Other supplies and materials | 800 | 800 | 756 | (44) |
| Tires and tubes | 42,000 | 41,371 | 30,855 | (10,516) |
| Repair parts for vehicles | 88,000 | 88,000 | 85,787 | (2,213) |
| Insurance on vehicles | 3,000 | 3,000 | 3,000 | - |
| Other charges | <u>24,000</u> | <u>25,458</u> | <u>20,190</u> | <u>(5,268)</u> |
| Total expenditures | <u>337,775</u> | <u>339,233</u> | <u>317,376</u> | <u>(21,857)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ (1,458)</u> | <u>(989)</u> | <u>\$ 469</u> |
| Fund balance - beginning | | | 61,439 | |
| Increase (decrease) in reserve for inventory | | | <u>2,052</u> | |
| Fund balance - ending | | | <u>\$ 62,502</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, 2014

| | <u>Budget</u> | | <u>Actual</u> | Variance |
|-----------------------------------|----------------------------|----------------------------|-------------------------|-------------------------|
| | <u>Original</u> | <u>Final</u> | | Over (Under) |
| Revenues | | | | |
| Other local revenues | | | | |
| Investment income | \$ 120 | \$ 120 | \$ 1,051 | \$ 931 |
| Other income | <u>-</u> | <u>-</u> | <u>103</u> | <u>103</u> |
| Total revenues | <u>120</u> | <u>120</u> | <u>1,154</u> | <u>1,034</u> |
| Expenditures | | | | |
| Non-instructional services | | | | |
| Capital outlay | | | | |
| Building improvements | <u>321,420</u> | <u>321,420</u> | <u>321,420</u> | <u>-</u> |
| Total expenditures | <u>321,420</u> | <u>321,420</u> | <u>321,420</u> | <u>-</u> |
| Net change in fund balance | <u>\$ (321,300)</u> | <u>\$ (321,300)</u> | <u>(320,266)</u> | <u>\$ 1,034</u> |
| Fund Balance - beginning | | | <u>321,299</u> | |
| Fund Balance - ending | | | <u>\$ 1,033</u> | |

See independent auditor's report.

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

June 30, 2014

| 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 |
| 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 |
| | \$ 1,165,000 | \$ 160,588 | \$ 5,965,000 | \$ 2,106,907 | \$ 11,100,000 | \$ 14,471,944 | \$ 285,728 | \$ - | \$ 18,515,728 | \$ 16,739,443 | \$ 35,255,171 |

See independent auditor's report.

TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF INTERFUND TRANSFERS - ALL FUNDS
For the Year Ended June 30, 2014

| Operating Transfers | | | | | |
|---------------------|------------------|-------------------|-----------------|------------------|-------------------|
| Transfer In | Budget | Actual | Transfer Out | Budget | Actual |
| General Purpose | <u>\$ 16,000</u> | <u>\$ -</u> | Public Law Fund | <u>\$ 10,792</u> | <u>\$ -</u> |
| Public Law Fund | <u>\$ -</u> | <u>\$ 100,000</u> | General Purpose | <u>\$ -</u> | <u>\$ 100,000</u> |

See independent auditor's report.

**TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF SALARIES AND BONDS**
For the Year Ended June 30, 2014

| | <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, 2014**

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> |
|--------------------------------|-------------------------------|-------------------------------|--------------|
| 2014 | \$ 111,816,013 | \$2.13 | \$ 2,381,681 |
| 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, 2014:

| | | | |
|------|----------------|----------|--------------|
| 2015 | \$ 114,499,949 | \$2.0874 | \$ 2,390,072 |
|------|----------------|----------|--------------|

See independent auditor's report.

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

| Grantor Agency/ Pass-through Agency/ Program Name and Number | CFDA # | Expenditures |
|---|---------------|-----------------------|
| U.S. Department of Agriculture | | |
| <i>Tennessee Department of Agriculture</i> | | |
| Child Nutrition Cluster: | | |
| National School Lunch Program - Commodities | 10.555* | 46,371 |
| School Breakfast Program | 10.553* | 214,841 |
| National School Lunch Program | 10.555* | <u>373,348</u> |
| | | <u>634,560</u> |
| Total Department of Agriculture | | <u>634,560</u> |
| U.S. Department of Labor | | |
| <i>Passed through Dyersburg State</i> | | |
| WIA Youth Activities - JTG | 17.259 | <u>14,691</u> |
| Total Department of Labor | | <u>14,691</u> |
| U.S. Department of Education | | |
| <i>Tennessee Department of Education</i> | | |
| Career and Technical Education - Basic Grants to States | | |
| Carl Perkins | 84.048 | 26,496 |
| Carl Perkins IV Reserve Grant | 84.048A | <u>256</u> |
| | | <u>26,752</u> |
| Title I, Grants to Local Education Agencies | | |
| Title I Focus | 84.010 | 122,862 |
| Title I | 84.010 | <u>318,040</u> |
| | | <u>440,902</u> |
| Special Education - Grants to States | | |
| IDEA | 84.027* | 245,525 |
| IDEA Discretionary | 84.027* | <u>27,233</u> |
| | | <u>272,758</u> |
| Special Education - Preschool Grants | | |
| IDEA Preschool | 84.173* | <u>7,667</u> |
| School Climate Grant | 84.184Y | <u>12,929</u> |

See independent auditor's report.

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

| Grantor Agency/ Pass-through Agency/ Program Name and Number | CFDA # | Expenditures |
|---|---------------|----------------------------|
| Safe and Drug Free Schools and Communities - State Grants Drug Free | 84.186 | <u>3,546</u> |
| Twenty-First Century Community Learning Centers | 84.287C | <u>70,000</u> |
| Rural and Low-Income School Program Title VI, Rural Education | 84.358 | <u>23,887</u> |
| English Language Acquisition Grants Title III, Part A | 84.365 | <u>7,639</u> |
| Improving Teacher Quality State Grants Title II, Part A Training | 84.367 | <u>54,886</u> |
| State Fiscal Stabilization Fund ARRA Race to the Top | 84.395 | <u>108,470</u> |
| Total Department of Education | | <u>1,029,436</u> |
| Total Federal Awards | | <u>\$ 1,678,687</u> |

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.

See independent auditor's report.

**TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2014**

| Grantor Agency/ Program Name | Expenditures |
|--|--------------------------|
| Tennessee Department of Education | |
| Child Nutrition State Match | \$ 7,190 |
| ACT testing | 3,294 |
| Child care food | 6,528 |
| Early Childhood Grant - Pilot | 407,637 |
| Drivers Education | 3,620 |
| Energy Efficiency School Initiative | 9,070 |
| Technology grant | 107,372 |
| SSMS | 3,609 |
| Safe Schools | 8,200 |
| Coordinated School Health | 105,000 |
| Career Ladder | 40,282 |
| Career Ladder Extended Contract | 19,085 |
| Arts Student Ticket Subsidy | 1,210 |
| Internet Connectivity | 3,857 |
| Family Resource Center | <u>29,612</u> |
| Total State Financial Assistance | <u>\$ 755,566</u> |

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



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Offices in Tennessee & Kentucky

227 Oil Well Rd.
Jackson, TN 38305

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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, 2014, 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 January 12, 2015.

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.

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

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

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.

In addition, we noted a matter involving the internal control and its operation that we reported to management of the District in a separate letter dated January 12, 2015.

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
January 12, 2015

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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www.atacpa.net

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, 2014. 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, 2014.

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
January 12, 2015

TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

SECTION I – Summary of Auditor’s Results

Financial Statements

| | | |
|---|-------------|-----------------------|
| Type of auditor's report issued | Unmodified | |
| Internal control over financial reporting: | | |
| Material weakness(es) identified? | _____ yes | _____ X no |
| Significant deficiency(ies) identified? | _____ yes | _____ X none reported |
| Noncompliance material to financial statements noted? | _____ X yes | _____ no |

Federal Awards

| | | |
|---------------------------------------|-----------|-----------------------|
| Internal control over major programs: | | |
| Material weakness(es) identified? | _____ yes | _____ X no |
| Significant deficiencies identified? | _____ yes | _____ X none reported |

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

| | |
|-----------|------------|
| _____ yes | _____ X no |
|-----------|------------|

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

10.555
10.553
10.555

Child Nutrition Cluster:
National School Lunch Program - Commodities
School Breakfast Program
National School Lunch Program

84.010
84.010
85.010

Special Education Cluster:
IDEA
IDEA Discretionary
IDEA Preschool

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

\$ 300,000

Auditee qualified as low-risk auditee?

| | |
|-----------|------------|
| _____ yes | _____ X no |
|-----------|------------|

TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

SECTION II – Financial Statement Findings

2013-001 – Exceeding Budgeted Expenditures (Noncompliance)

Condition: The District exceeded the budget for General Purpose School Fund transfer expenditures by \$100,000. The District, in effort to comply with the State’s recommendation of a one time transfer from the General Purpose School Fund to the Public Law Fund to avoid a deficit cash balance in the Public Law Fund, transferred \$310,000 from the General Purpose School Fund to the Public Law Fund. The District considered this transfer a loan and maintained the funds as a due to General Purpose School Fund and due from Public Law Fund. However, \$210,000 was considered short term and reimbursed shortly after year end when the funds were received from the Grant. \$100,000 remains in the fund to prevent negative cash, as recommended by the State. Since the \$100,000 is remaining in the fund, auditors considered and reclassified as a transfer. Since this was not properly recorded, there was no respective budgeted revenue in the Public Law Fund or budgeted expenditure in the General Fund which resulted in the District exceeding the budget by that amount.

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: Trenton Special School District will properly record the \$100,000 loan as a transfer from General Purpose to Federal Projects. Future long-term loans will be recorded as transfers instead of a due to and due from funds.

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, 2014

FINANCIAL STATEMENTS FINDINGS

| Finding Number | Finding Title | Status |
|-----------------------|---------------------------------|---------------|
| 2013-001 | Exceeding Budgeted Expenditures | Repeated |

FEDERAL AWARD FINDINGS AND QUESTION COSTS

None reported.

TRENTON SPECIAL SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
June 30, 2014

The Trenton Special School District respectfully submits the following corrective action plan for the year ended June 30, 2014.

Name and address of independent public accounting firm:

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

Audit period:

June 30, 2014

The finding from the June 30, 2014, 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 (Noncompliance)

Condition: The District exceeded the budget for General Purpose School Fund transfer expenditures by \$100,000. The District, in effort to comply with the State's recommendation of a one time transfer from the General Purpose School Fund to the Public Law Fund to avoid a deficit cash balance in the Public Law Fund, transferred \$310,000 from the General Purpose School Fund to the Public Law Fund. The District considered this transfer a loan and maintained the funds as a due to General Purpose School Fund and due from Public Law Fund. However, \$210,000 was short term and reimbursed shortly after year end when the funds were received from the State Grants and \$100,000 remains in the fund to prevent negative cash, as recommended by the State. Since the \$100,000 is remaining in the fund, auditors considered and reclassified as a transfer. Since this was not properly recorded, there was no respective budgeted revenue in the Public Law Fund or budgeted expenditure in the General Fund which resulted in the District exceeding the budget by that amount.

Response: Trenton Special School District will properly record the \$100,000 loan as a transfer from General Purpose to Federal Projects. Future long-term loans will be recorded as transfers instead of a due to and due from funds.