

TRENTON SPECIAL SCHOOL DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2015

**TRENTON SPECIAL SCHOOL DISTRICT
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INTRODUCTORY SECTION

**TRENTON SPECIAL SCHOOL DISTRICT
DIRECTORY
June 30, 2015**

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 (through June 30, 2015)
Tamela Smith, General Accounting Finance Director (as of July 1, 2015)
Lisa Seiber, Bookkeeper - Public Law and Cafeteria

COUNSEL

J. Mark Johnson, Attorney

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION

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



Certified Public Accountants
Offices in Tennessee & Kentucky

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trenton Special School District (the District) as of and for the year ended June 30, 2015, 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, 2015, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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 55 through 60 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 8, 2016, 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 8, 2016

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, 2015. 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). The implementation of Governmental Accounting Standards Board (GASB) Statements No. 68 and 71, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27* and *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment GASB Statement No. 68*, during 2015 causes some financial information reported in the MD&A for 2015 and 2014 not to be comparable.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at June 30, 2015 by \$17,163,950. Of this amount, \$1,899,700 (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 \$4,541,408. Approximately 50.21% of this total amount, \$2,280,024, is unassigned in the general purpose fund.
- At the end of the current fiscal year, unassigned fund balance for the general purpose fund was \$2,280,024 or 20.21% of total general purpose fund expenditures.
- The District's total debt decreased by \$356,424. This decrease is due to the annual required debt payments.
- The District's total capital assets decreased by \$897,900. 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, 2015, the District's governmental funds reported combined fund balances of \$4,541,408, an increase of \$318,690 in comparison with the prior year. Approximately 50.21% of this amount \$2,280,024 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 \$72,593, 2) legally required to be maintained intact \$0, 3) restricted for particular purposes \$464,506, 4) committed for particular purposes \$0, or 5) assigned for particular purposes \$1,724,285.

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, 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$17,163,950 at the close of the fiscal year ended June 30, 2015.

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, 2015	Governmental Activities June 30, 2014
Assets		
Current and other	\$ 7,919,040	\$ 7,416,067
Capital assets - net of accumulated depreciation	<u>32,446,315</u>	<u>33,344,215</u>
Total assets	<u>40,365,355</u>	<u>40,760,282</u>
Deferred outflows of resources	<u>582,199</u>	<u>-</u>
Liabilities		
Long-term liabilities	18,272,653	18,530,018
Other liabilities	<u>768,337</u>	<u>841,134</u>
Total liabilities	<u>19,040,990</u>	<u>19,371,152</u>
Deferred inflows of resources	<u>4,742,614</u>	<u>2,390,072</u>
Net position		
Net investment in capital assets	14,495,570	15,061,621
Restricted	768,680	600,624
Unrestricted	<u>1,899,700</u>	<u>3,336,813</u>
Total net position	<u>\$ 17,163,950</u>	<u>\$ 18,999,058</u>

The above provides a summary of the District's net position for 2015 and 2014.

During the current fiscal year, the District's total net position decreased by \$1,835,108 (including a \$1,995,029 decrease for a net position restatement related to the implementation of GASB Statements No. 68 and 71).

The following summary shows the changes in net position for fiscal years 2015 and 2014.

The District's Changes in Net Position	Governmental Activities <u>June 30, 2015</u>	Governmental Activities <u>June 30, 2014</u>
Revenues		
Program revenues		
Charges for services	\$ 249,388	\$ 341,060
Operating grants and contributions	2,713,722	2,750,293
General revenues		
Property taxes	2,419,667	2,434,013
Sales taxes	856,213	816,680
Interstate telecommunications tax	709	749
Licenses and permits	473	503
Mixed drink tax	183	181
Grants and contributions not restricted to specific programs:		
Basic Education Program	6,901,000	6,857,000
Other	154,273	92,238
Pension income - implemenation of GASB Nos. 68 and 71	41,372	-
Interest	2,743	3,819
Other miscellaneous revenues	357,291	491,514
Total revenues	<u>13,697,034</u>	<u>13,788,050</u>
Expenses		
Instruction	5,752,600	6,342,756
Support Services	4,338,637	4,390,691
Non-instructional services	3,445,876	3,575,978
Total expenses	<u>13,537,113</u>	<u>14,309,425</u>
Increase (decrease) in net position	<u>159,921</u>	<u>(521,375)</u>
Net position, beginning	18,999,058	19,880,548
Restatement of net position	(1,995,029)	-
Prior period adjustment	-	(360,115)
Net position, beginning - restated	<u>17,004,029</u>	<u>19,520,433</u>
Net position, ending	<u>\$ 17,163,950</u>	<u>\$ 18,999,058</u>

Governmental activities. Governmental activities decreased the District's net position by \$1,835,108 (including a \$1,995,029 decrease for a net position restatement related to the implementation of GASB Statement No. 68 and 71).

Total governmental activities' revenue for the fiscal year was \$13,697,034. 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 \$11,663,810 in revenues and \$11,279,765 in expenditures. In the non-major funds, the capital projects fund had \$32 in revenues and \$1,065 in expenditures, the public law fund had \$937,413 in revenues and \$937,558 in expenditures, the cafeteria fund had \$805,232 in revenues and \$852,142 in expenditures, and the bus garage fund had \$336,981 in revenues and \$337,778 in expenditures.

Revenue by Source - Governmental Funds

Total governmental revenues allocated by each revenue type.

	June 30, 2015		June 30, 2014	
	Amount	Percent	Amount	Percent
Program revenues				
Charges for services	\$ 249,388	1.82%	\$ 341,060	2.47%
Operating grants and contributions	2,713,722	19.81%	2,750,293	19.95%
General revenues				
Property taxes	2,419,667	17.67%	2,434,013	17.65%
Sales taxes	856,213	6.25%	816,680	5.92%
Interstate telecommunications tax	709	0.01%	749	0.01%
Licenses and permits	473	0.00%	503	0.01%
Mixed drink tax	183	0.00%	181	0.00%
Grants and contributions not restricted to specific programs	7,055,273	51.51%	6,949,238	50.40%
Pension income	41,372	0.30%	-	0.00%
Interest	2,743	0.02%	3,819	0.03%
Other local revenue	357,291	2.61%	491,514	3.56%
Total revenues	<u>\$ 13,697,034</u>	<u>100.00%</u>	<u>\$ 13,788,050</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 \$4,541,408. Of this amount, \$2,280,024 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 \$2,280,024.

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 20.21% of the total general purpose fund expenditures, while total fund balances represents 36.67% 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, 2015		
	Original	Final	Difference
Revenues			
Taxes	\$ 3,149,353	\$ 3,149,353	\$ -
Intergovernmental	7,817,714	7,977,094	159,380
Miscellaneous	230,473	252,623	22,150
Total revenues	<u>11,197,540</u>	<u>11,379,070</u>	<u>181,530</u>
Expenses			
Instruction	5,813,875	5,800,155	(13,720)
Support Services	3,876,552	3,903,765	27,213
Non-instructional services	2,005,721	2,173,618	167,897
Total expenditures	<u>11,696,148</u>	<u>11,877,538</u>	<u>181,390</u>
Deficiency of revenues under expenditures	<u>\$ (498,608)</u>	<u>\$ (498,468)</u>	<u>\$ 140</u>

In 2015, 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, 2015 and 2014, amounts to \$32,446,315 and \$33,344,215 (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, 2015, the District had total bonded debt and a loan outstanding of \$18,159,304. All debt is backed by the full faith and credit of the government.

	June 30, 2015	June 30, 2014
School Bonds, Series 2010A	\$ 5,705,000	\$ 5,965,000
School Bonds, Series 2010B	11,100,000	11,100,000
School Bonds, Series 2012	1,140,000	1,165,000
Energy Efficiency Loan	214,304	285,728
	<u>\$ 18,159,304</u>	<u>\$ 18,515,728</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, 2015

	Governmental Activities
Assets	
Cash	\$ 4,475,325
Receivables	
Accounts	155,106
Property taxes	2,503,059
Due from other governments	481,296
Inventories	72,593
Net pension asset	231,581
Other current assets	80
Capital assets, not being depreciated	
Land	266,057
Capital assets, net of accumulated depreciation	
Infrastructure	18,982
Buildings and improvements	31,785,709
Other capital assets	375,567
Total assets	40,365,355
Deferred Outflows of Resources	
Pension related deferred outflows	582,199
Total deferred outflows of resources	582,199
Liabilities	
Bank overdraft	5,944
Accounts payable	84,046
Salaries payable	301,119
Retirement contributions payable - employer and employee portions	130,595
Insurance payable	93,759
Accrued interest payable	152,874
Noncurrent liabilities:	
Due within one year	376,424
Due in more than one year	17,896,229
Total liabilities	19,040,990
Deferred Inflows of Resources	
Pension related deferred inflows	2,239,555
Unavailable - property taxes	2,503,059
Total deferred inflows of resources	4,742,614
Net Position	
Net investment in capital assets	14,495,570
Restricted for:	
Other local education reserves	464,506
Net pension asset	231,581
Inventory	72,593
Unrestricted	1,899,700
Total net position	\$ 17,163,950

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, 2015

<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	\$ 4,750,810	\$ 22,807	\$ 547,906	\$ -	\$ (4,180,097)
Alternate education	127,848	-	-	-	(127,848)
Special education	648,913	-	272,585	-	(376,328)
Vocational education	199,358	-	16,771	-	(182,587)
Student body education	21,071	-	-	-	(21,071)
Adult education	4,600	450	531	-	(3,619)
Support services					
Attendance	118,716	-	-	-	(118,716)
Health services	152,955	-	-	-	(152,955)
Other student support	490,399	-	228,621	-	(261,778)
Regular instruction	677,593	-	164,835	-	(512,758)
Special education	75,299	-	42,363	-	(32,936)
Vocational education	24,170	-	7,225	-	(16,945)
Board of Education	176,927	-	930	-	(175,997)
Office of Superintendent	153,107	-	-	-	(153,107)
Office of Principal	562,765	-	2,147	-	(560,618)
Fiscal services	59,450	-	-	-	(59,450)
Human services	80,951	-	-	-	(80,951)
Operation and maintenance of plant	1,087,368	-	-	-	(1,087,368)
Student transportation	658,414	14,140	336,646	-	(307,628)
Central and other	20,523	-	-	-	(20,523)
Non-instructional services					
Food service	848,581	119,690	685,524	-	(43,367)
Community services	198,313	92,301	-	-	(106,012)
Early Childhood Education	386,562	-	407,638	-	21,076
Education capital outlay	1,076,001	-	-	-	(1,076,001)
Education debt service	936,419	-	-	-	(936,419)
	<u>\$ 13,537,113</u>	<u>\$ 249,388</u>	<u>\$ 2,713,722</u>	<u>\$ -</u>	<u>(10,574,003)</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, 2015

<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				2,419,667
	Sales taxes				856,213
	Interstate telecommunications tax				709
	Licenses and permits				473
	Mixed drink tax				183
	Grants and contributions not restricted to certain programs				
	Basic Education Program				6,901,000
	Other				154,273
	Pension income - implementation of GASB Nos. 68 and 71				41,372
	Interest				2,743
	Other miscellaneous revenues				<u>357,291</u>
	Total general revenues				<u>10,733,924</u>
	Change in net position				159,921
	Net position, beginning				18,999,058
	Restatement of net position - implementation of GASB Statement No. 68 and 71				<u>(1,995,029)</u>
	Net position, beginning - restated				<u>17,004,029</u>
	Net position, ending				<u>\$ 17,163,950</u>

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

TRENTON SPECIAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	<u>General Purpose School Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 4,302,827	\$ 172,498	\$ 4,475,325
Accounts receivable	155,106	-	155,106
Property taxes receivable	2,503,059	-	2,503,059
Due from other funds	37,132	112	37,244
Due from other governments	277,787	203,509	481,296
Inventories	-	72,593	72,593
Other current assets	-	80	80
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 7,275,911</u>	<u>\$ 448,792</u>	<u>\$ 7,724,703</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance			
Liabilities			
Negative cash balance	\$ -	\$ 5,944	\$ 5,944
Accounts payable	84,011	35	84,046
Salaries payable	301,119	-	301,119
Insurance payable	93,759	-	93,759
Retirement contributions payable	130,595	-	130,595
Due to other funds	112	37,132	37,244
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>609,596</u>	<u>43,111</u>	<u>652,707</u>
Deferred Inflows of Resources			
Unavailable revenue - federal and state grants	27,529	-	27,529
Unavailable property taxes	2,503,059	-	2,503,059
	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	<u>2,530,588</u>	<u>-</u>	<u>2,530,588</u>
Fund balance			
Nonspendable			
Inventory	-	72,593	72,593
Restricted			
Education	237,065	5,226	242,291
Operation of non-instructional services	-	222,215	222,215
Assigned			
Instruction - textbooks	100,000	-	100,000
Support services	37,000	-	37,000
Capital outlay	1,123,868	-	1,123,868
Debt service	94,644	-	94,644
Future budgets	146,772	-	146,772
Other purposes	116,354	105,647	222,001
Unassigned	2,280,024	-	2,280,024
	<hr/>	<hr/>	<hr/>
Total fund balance	<u>4,135,727</u>	<u>405,681</u>	<u>4,541,408</u>
	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 7,275,911</u>	<u>\$ 448,792</u>	<u>\$ 7,724,703</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, 2015**

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

Fund balance - total governmental funds (Page 14)	\$ 4,541,408
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in funds.	32,446,315
Receivables not available to pay for current expenditures and, therefore, are reported as unavailable in the funds.	27,529
Some payables are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest	(152,874)
Deferred outflows of resources related to pensions in which the consumption of net position will occur in future periods, therefore, it is not reported in the funds	582,199
Deferred inflows of resources related to pensions in which the acquisition of net position will occur in future periods, therefore, it is not reported in the funds	(2,239,555)
Net pension asset is not a financial resource in the current period and, therefore, are not reported as an asset in the funds	231,581
Long-term liabilities are not due in the the current period and, therefore, are not reported in the funds:	
Bond premium and discount	208,559
OPEB	(321,908)
Notes and bonds payable	<u>(18,159,304)</u>
Net position - governmental activities (Page 11)	<u>\$ 17,163,950</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, 2015

	<u>General Purpose School Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Local taxes	\$ 3,276,589	\$ -	\$ 3,276,589
Current charges for education services	188,176	-	188,176
Licenses and permits	473	-	473
Charges for services	-	119,690	119,690
Other local revenues	248,533	336,981	585,514
Federal and state funds	7,947,346	1,550,167	9,497,513
Commodities	-	67,560	67,560
Interest	2,693	50	2,743
Other income	-	5,210	5,210
Total revenues	<u>11,663,810</u>	<u>2,079,658</u>	<u>13,743,468</u>
Expenditures			
Current			
Instruction	5,519,147	506,604	6,025,751
Support services	3,650,452	768,732	4,419,184
Non-instructional services	604,332	852,142	1,456,474
Education capital outlay	237,565	1,065	238,630
Education debt service			
Principal	356,424	-	356,424
Interest	911,845	-	911,845
Total expenditures	<u>11,279,765</u>	<u>2,128,543</u>	<u>13,408,308</u>
Net change in fund balance	384,045	(48,885)	335,160
Fund balance - beginning	3,751,682	471,036	4,222,718
Increase (decrease) in inventory	<u>-</u>	<u>(16,470)</u>	<u>(16,470)</u>
Fund balance - ending	<u>\$ 4,135,727</u>	<u>\$ 405,681</u>	<u>\$ 4,541,408</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, 2015

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

Net change in fund balances - total governmental funds (Page 16)	\$ 335,160
<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	265,791
Depreciation	(1,163,373)
Disposals	(318)
<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>	
	356,424
<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>	
	(74,484)
<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>	
	(24,575)
<p>The actuarially determined pension revenue does not consume current financial resources and, therefore, is not reported in the governmental funds. It is reported as revenue in the statement of activities.</p>	
	41,372
<p>The payment of pension contributions consumes current financial resources in the governmental funds. These transactions do not have any effect on the net position, but are considered deferred outflows of resources.</p>	
	527,882
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as current revenues in the funds.</p>	
	(87,488)
<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>(16,470)</u>
Change in net position of governmental activities (Page 13)	<u>\$ 159,921</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, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues				
Local taxes				
Property tax - current	\$ 2,238,703	\$ 2,238,703	\$ 2,298,752	\$ 60,049
Property tax - prior	90,000	90,000	105,267	15,267
Interest and penalty on delinquent tax	17,000	17,000	12,902	(4,098)
Payment in lieu of taxes	3,000	3,000	2,746	(254)
County sales tax	800,000	800,000	856,213	56,213
Interstate telecommunications tax	650	650	709	59
Total local taxes	<u>3,149,353</u>	<u>3,149,353</u>	<u>3,276,589</u>	<u>127,236</u>
Current charges for education services				
Receipts from individual schools	19,000	19,000	22,807	3,807
Community service fees	47,700	48,375	54,976	6,601
Transportation	6,500	6,500	14,140	7,640
Other charges for services	97,773	97,773	96,253	(1,520)
Total current charges for education services	<u>170,973</u>	<u>171,648</u>	<u>188,176</u>	<u>16,528</u>
Licenses and permits	500	500	473	(27)
Other local revenues				
Interest on temporary investments	3,000	3,000	2,693	(307)
Rent for use of school facilities	34,500	34,500	37,325	2,825
E-Rate funding	17,000	17,000	11,258	(5,742)
Sale of equipment	-	-	3,966	3,966
Insurance recovery	-	17,222	105,378	88,156
Other local revenues	-	1,775	-	(1,775)
Contributions and gifts	-	2,478	2,479	1
Miscellaneous	5,000	5,000	7,220	2,220
Total other local revenues	<u>59,500</u>	<u>80,975</u>	<u>170,319</u>	<u>89,344</u>
State funds and federal passed through state				
Basic education program	6,900,000	6,900,000	6,901,000	1,000
Driver education funds	3,500	3,500	6,110	2,610
Early childhood education funds	407,637	407,637	407,637	-
Career ladder program	40,000	40,000	37,561	(2,439)
Career ladder program - extended	18,000	18,000	17,920	(80)
School food service	6,500	6,500	6,442	(58)
Energy efficient school initiative	930	930	930	-
Other state education funds	195,390	195,390	197,832	2,442
Mixed drink tax	-	-	183	183
Other state grants	6,500	165,880	151,359	(14,521)

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, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Total state funds and federal passed through state	<u>7,578,457</u>	<u>7,737,837</u>	<u>7,726,974</u>	<u>(10,863)</u>
Federal funds received directly				
P.L. 81-874 entitlement	1,500	1,500	435	(1,065)
Bond interest rebate	<u>237,257</u>	<u>237,257</u>	<u>219,937</u>	<u>(17,320)</u>
Total federal funds received directly	<u>238,757</u>	<u>238,757</u>	<u>220,372</u>	<u>(18,385)</u>
Total revenues	<u>11,197,540</u>	<u>11,379,070</u>	<u>11,582,903</u>	<u>203,833</u>
Expenditures				
Instruction				
Regular Education Program				
Teachers	3,286,336	3,272,806	3,147,700	(125,106)
Career ladder program	25,000	22,800	21,960	(840)
Career ladder program - extended	14,610	14,610	7,680	(6,930)
Homebound teachers	3,000	3,000	828	(2,172)
Educational assistants	96,121	96,121	85,067	(11,054)
Certified substitute teachers	30,000	48,700	48,681	(19)
Non-certified substitute teachers	60,000	64,600	64,608	8
Social security taxes	217,937	217,937	187,465	(30,472)
State retirement	304,743	304,743	284,516	(20,227)
Medical insurance	417,272	417,272	386,994	(30,278)
Unemployment	12,000	12,000	66	(11,934)
Medicare taxes	50,968	50,968	44,836	(6,132)
Other fringe benefits	6,500	6,500	3,140	(3,360)
Maintenance and repair - equipment	40,000	29,000	29,044	44
Other contracted services	32,000	32,000	31,699	(301)
Instructional supplies	158,779	159,729	143,155	(16,574)
Textbooks	100,000	72,700	50,265	(22,435)
Other supplies and materials	3,000	3,000	984	(2,016)
Fee waivers	7,000	7,000	2,253	(4,747)
Other charges	18,500	27,028	21,243	(5,785)
Capital outlay - equipment	<u>98,214</u>	<u>115,214</u>	<u>103,488</u>	<u>(11,726)</u>
Total regular education program	<u>4,981,980</u>	<u>4,977,728</u>	<u>4,665,672</u>	<u>(312,056)</u>
Alternate Instruction Program				
Teachers	101,173	100,773	99,647	(1,126)
Educational assistants	17,282	17,282	17,282	-
Social security taxes	7,344	7,094	7,116	22
State retirement	9,830	9,830	9,793	(37)
Medical insurance	-	2,100	2,040	(60)
Medicare taxes	1,718	1,668	1,664	(4)

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, 2015

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
Operating lease payments	500	100	99	(1)
Instructional supplies	500	-	-	-
Other supplies and materials	500	-	-	-
Total alternate instruction program	<u>138,847</u>	<u>138,847</u>	<u>137,641</u>	<u>(1,206)</u>
Special Education Program				
Teachers	304,282	243,582	240,961	(2,621)
Career ladder program	-	2,200	1,985	(215)
Educational Assistants	-	25,700	25,602	(98)
Social security taxes	17,207	17,207	15,301	(1,906)
State retirement	25,088	25,088	22,976	(2,112)
Medical insurance	37,569	26,925	26,622	(303)
Unemployment compensation	4,163	163	-	(163)
Medicare taxes	4,412	4,412	3,578	(834)
Other Fringe Benefits	1,082	1,082	1,155	73
Contract with private agencies	8,445	8,445	7,605	(840)
Other supplies and materials	-	4,000	-	(4,000)
Instructional supplies	500	500	-	(500)
Other Contracted Services	<u>25,000</u>	<u>70,000</u>	<u>66,666</u>	<u>3,334</u>
Total special education program	<u>427,748</u>	<u>429,304</u>	<u>412,451</u>	<u>(10,185)</u>
Vocational Education Program				
Teachers	167,608	157,984	142,526	(15,458)
Certified substitute teachers	2,000	2,000	587	(1,413)
Non-certified substitute teachers	2,000	2,000	1,560	(440)
Social security taxes	10,640	10,640	8,343	(2,297)
State retirement	15,152	15,152	12,893	(2,259)
Medical insurance	15,780	15,780	11,400	(4,380)
Medicare taxes	2,488	2,488	1,948	(540)
Contracts with other school systems	8,500	8,500	7,605	(895)
Maintenance and repair - equipment	500	500	-	(500)
Other contracted services	1,000	1,000	560	(440)
Instructional supplies	7,500	5,950	5,326	(624)
Other charges	<u>7,000</u>	<u>7,000</u>	<u>4,057</u>	<u>(2,943)</u>
Total vocational education program	<u>240,168</u>	<u>228,994</u>	<u>196,805</u>	<u>(32,189)</u>
Student Body Education Program				
Other salaries and wages	17,500	17,500	18,381	881
Social security taxes	1,085	1,085	1,061	(24)
State retirement	693	843	825	(18)
Medical insurance	600	600	546	(54)
Medicare taxes	<u>254</u>	<u>254</u>	<u>258</u>	<u>4</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, 2015**

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
Total student body education program	20,132	20,282	21,071	789
Adult Education Program				
Other contracted services	5,000	5,000	4,600	(400)
Total Instruction	5,813,875	5,800,155	5,438,240	(355,247)
Support Services				
Students				
Attendance				
Supervisor/director	37,606	37,606	37,605	(1)
Career ladder program	500	500	500	-
Clerical personnel	59,437	59,437	59,187	(250)
Social security taxes	6,048	6,048	5,169	(879)
State retirement	5,798	5,798	5,789	(9)
Medical insurance	10,704	10,704	11,686	982
Medicare taxes	1,414	1,414	1,209	(205)
Communication	500	500	500	-
Travel	2,500	2,500	2,500	-
Other supplies and materials	600	600	120	(480)
In-service/staff development	500	500	240	(260)
Total attendance	125,607	125,607	124,505	(1,102)
Health Services				
Medical personnel	77,281	77,281	76,469	(812)
Other salaries and wages	18,492	22,060	19,924	(2,136)
Social security taxes	5,938	5,607	5,326	(281)
State retirement	5,412	5,300	3,497	(1,803)
Medical insurance	14,484	16,851	15,750	(1,101)
Medicare taxes	1,387	1,315	1,257	(58)
Communications	2,150	2,138	2,051	(87)
Postal charges	50	9	9	-
Travel	8,500	5,272	4,987	(285)
Other contracted services	6,200	7,505	7,511	6
Drugs and medical supplies	3,500	3,500	3,476	(24)
Other supplies and materials	13,229	13,627	13,439	(188)
In-service/staff development	700	700	374	(326)
Other charges	2,500	2,383	2,382	(1)
Total health services	159,823	163,548	156,452	(7,096)

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, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Other Student Support				
Career ladder program	3,000	3,000	3,000	-
Guidance personnel	144,258	141,458	141,075	(383)
Social workers	31,777	31,777	33,087	1,310
Other Salaries and Wages	2,200	2,200	2,160	(40)
Social security taxes	11,238	11,238	10,320	(918)
State retirement	16,185	16,185	15,929	(256)
Medical insurance	8,411	11,211	11,297	86
Medicare taxes	2,628	2,628	2,459	(169)
Communication	400	400	279	(121)
Contracts with government agencies	47,764	47,764	46,562	(1,202)
Evaluation and testing	13,520	13,520	10,910	(2,610)
Travel	4,700	4,700	1,491	(3,209)
Other supplies and materials	500	500	393	(107)
In-service/staff development	500	500	-	(500)
Other charges	7,226	7,226	5,751	(1,475)
Other equipment	-	6,630	-	(6,630)
Total other student support	<u>294,307</u>	<u>300,937</u>	<u>284,713</u>	<u>(16,224)</u>
Total students	<u>579,737</u>	<u>590,092</u>	<u>565,670</u>	<u>(24,422)</u>
Instructional Staff				
Regular Instruction Program				
Supervisor/director	38,193	38,193	38,193	-
Career ladder program	1,500	1,500	1,500	-
Librarians	138,191	138,191	137,830	(361)
Materials supervisor	37,605	37,605	37,606	1
Instructional computer personnel	76,937	76,937	76,937	-
Other salaries and wages	106,588	106,588	106,588	-
Social security taxes	24,739	24,739	22,612	(2,127)
State retirement	36,071	36,071	32,130	(3,941)
Medical insurance	35,136	35,136	35,351	215
Medicare taxes	5,786	5,786	5,288	(498)
Communications	5,500	5,500	4,088	(1,412)
Travel	40,400	40,400	7,218	(33,182)
Library books/media	28,652	29,152	29,117	(35)
Other supplies and materials	2,000	2,000	21,069	19,069
In-service/staff development	53,500	53,500	10,140	(43,360)
Other charges	4,000	4,000	962	(3,038)
Total regular instruction program	<u>634,798</u>	<u>635,298</u>	<u>566,629</u>	<u>(68,669)</u>
Alternative Instruction Program				
Travel	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</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, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Special Education Program				
Supervisor/director	21,487	21,487	21,202	(285)
Social security taxes	1,332	1,332	1,095	(237)
State retirement	1,943	1,943	1,917	(26)
Medical insurance	2,602	2,602	2,604	2
Unemployment	322	322	-	(322)
Medicare taxes	311	311	256	(55)
Other fringe benefits	84	84	91	7
Maintenance and repair services	7,000	7,000	7,078	78
Other contracted services	2,000	2,000	1,844	(156)
In-service/staff development	800	800	-	(800)
Total special education program	<u>37,881</u>	<u>37,881</u>	<u>36,087</u>	<u>(1,794)</u>
Vocational Education Program				
Supervisor/director	11,063	21,763	21,750	(13)
Social security taxes	686	-	-	-
Medicare taxes	160	320	315	(5)
Travel	500	1,500	990	(510)
Total vocational education program	<u>12,409</u>	<u>23,583</u>	<u>23,055</u>	<u>(528)</u>
Total instructional staff	<u>686,088</u>	<u>697,762</u>	<u>625,771</u>	<u>(71,991)</u>
General Administration				
Board of Education				
Other fringe Benefits	900	900	43	(857)
Audit services	18,400	18,400	18,331	(69)
Dues and memberships	8,500	8,500	7,984	(516)
Legal services	7,500	10,000	10,000	-
Travel	7,000	6,825	5,196	(1,629)
Maintenance and repair	400	400	-	(400)
Other contracted services	4,000	4,000	3,750	(250)
Other supplies and materials	10,000	7,000	2,565	(4,435)
Liability insurance	10,861	11,036	11,036	-
Corporate surety bonds	2,200	2,200	1,899	(301)
Trustee commissions	59,000	59,000	56,651	(2,349)
Workers' compensation insurance	53,000	53,000	50,690	(2,310)
In-service/staff development	2,500	2,500	2,685	185
Criminal investigation of applicants	2,000	2,000	484	(1,516)
Other charges	5,500	6,000	5,613	(387)
Total board of education	<u>191,761</u>	<u>191,761</u>	<u>176,927</u>	<u>(14,834)</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, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Office of Superintendent				
Administrative officer	104,412	104,412	104,412	-
Career ladder program	1,000	1,000	1,000	-
Other salaries and wages	12,412	12,412	12,417	5
Social security taxes	7,305	7,305	7,079	(226)
State retirement	10,651	10,651	10,652	1
Life insurance	56	56	56	-
Medical insurance	7,128	7,128	4,783	(2,345)
Medicare taxes	1,708	1,708	1,656	(52)
Other fringe benefits	1,200	1,200	1,200	-
Communication	6,000	6,000	2,733	(3,267)
Dues and memberships	4,600	4,600	4,304	(296)
Postal charges	50	50	-	(50)
Travel	7,700	7,700	7,466	(234)
Office supplies	800	800	120	(680)
In-service/staff development	900	900	235	(665)
Other charges	1,500	1,500	1,530	30
Total office of superintendent	<u>167,422</u>	<u>167,422</u>	<u>159,643</u>	<u>(7,779)</u>
Total general administration	<u>359,183</u>	<u>359,183</u>	<u>336,570</u>	<u>(22,613)</u>
School Administration				
Office of Principal				
Principal(s)	226,930	226,930	223,744	(3,186)
Career ladder program	2,100	2,100	1,500	(600)
Assistant principal(s)	141,924	141,924	69,247	(72,677)
Accountants/Bookkeepers	71,016	71,016	141,860	70,844
Social security taxes	27,402	27,402	24,029	(3,373)
State retirement	36,346	36,346	35,885	(461)
Medical insurance	55,320	55,320	56,432	1,112
Medicare taxes	6,409	6,409	5,627	(782)
Communications	13,500	13,500	9,658	(3,842)
Dues and memberships	2,000	2,000	943	(1,057)
Operating lease payments	6,700	6,700	4,194	(2,506)
Postal charges	2,450	2,450	1,470	(980)
Travel	7,500	7,500	6,522	(978)
Other contracted services	3,822	3,822	2,475	(1,347)
Data processing supplies	800	800	214	(586)
Office supplies	5,373	5,373	4,184	(1,189)
In-service/staff development	8,000	8,000	1,691	(6,309)
Other charges	8,858	10,158	8,975	(1,183)
Total office of principal	<u>626,450</u>	<u>627,750</u>	<u>598,650</u>	<u>(29,100)</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, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Business Administration				
Fiscal Services				
Supervisor/director	28,739	32,239	32,280	41
Accountants/bookkeepers	344	344	206	(138)
Clerical Personnel	5,640	5,640	5,639	(1)
Social security taxes	2,153	2,153	1,841	(312)
State retirement	1,375	1,375	1,510	135
Medical insurance	7,836	7,836	7,412	(424)
Medicare taxes	503	503	431	(72)
Advertising	1,000	1,000	999	(1)
Data processing	700	700	346	(354)
Dues and memberships	150	180	180	-
Operating lease payments	768	768	744	(24)
Postal charges	2,000	2,000	1,576	(424)
Travel	1,300	1,300	859	(441)
Data processing supplies	500	500	340	(160)
Office supplies	3,500	3,500	3,471	(29)
In-service/staff development	300	300	215	(85)
Other charges	3,500	3,500	2,911	(589)
Total fiscal services	<u>60,308</u>	<u>63,838</u>	<u>60,960</u>	<u>(2,878)</u>
Human Services				
Supervisor/director	49,980	49,980	49,980	-
Clerical personnel	20,852	20,852	20,851	(1)
Social security taxes	4,392	4,392	4,129	(263)
State retirement	2,805	2,805	2,805	-
Medical insurance	4,008	4,008	3,643	(365)
Employer medicare	1,027	1,027	966	(61)
Dues and memberships	75	75	35	(40)
Travel	1,600	1,600	1,162	(438)
In-service/staff development	400	400	185	(215)
Total human services	<u>85,139</u>	<u>85,139</u>	<u>83,756</u>	<u>(1,383)</u>
Total business administration	<u>145,447</u>	<u>148,977</u>	<u>144,716</u>	<u>(4,261)</u>
Operation and Maintenance of Plant				
Operation of Plant				
Maintenance and repair	500	500	-	(500)
Other contracted services	427,930	427,930	397,548	(30,382)
Electricity	317,000	316,080	303,751	(12,329)
Natural gas	96,000	84,000	75,021	(8,979)
Water and sewer	56,500	56,750	51,293	(5,457)
Other supplies and materials	2,100	2,100	703	(1,397)

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, 2015**

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
Boiler insurance	2,649	2,649	2,649	-
Building and contents insurance	46,606	46,606	43,606	(3,000)
Other charges	4,140	4,140	2,820	(1,320)
Total operation of plant	<u>953,425</u>	<u>940,755</u>	<u>877,391</u>	<u>(63,364)</u>
Maintenance of Plant				
Maintenance personnel	72,038	72,038	74,322	2,284
Social security taxes	4,466	4,466	4,013	(453)
State retirement	2,853	2,853	2,809	(44)
Medical insurance	6,420	7,420	7,371	(49)
Medicare taxes	1,045	1,045	939	(106)
Communication	1,400	1,400	1,490	90
Laundry Service	1,300	1,300	1,259	(41)
Maintenance and repair - buildings	36,000	39,000	36,024	(2,976)
Maintenance and repair - equipment	3,100	3,100	719	(2,381)
Maintenance and repair - vehicles	1,000	1,000	974	(26)
Travel	1,100	1,100	-	(1,100)
Other contracted services	22,900	31,430	31,844	414
Equipment and machinery parts	5,750	5,750	2,894	(2,856)
Other supplies and materials	41,250	41,250	36,157	(5,093)
Vehicle and equipment insurance	800	800	800	-
In-service/staff development	400	400	200	(200)
Other charges	12,000	12,000	10,071	(1,929)
Total maintenance of plant	<u>213,822</u>	<u>226,352</u>	<u>211,886</u>	<u>(14,466)</u>
Total operation and maintenance of plant	<u>1,167,247</u>	<u>1,167,107</u>	<u>1,089,277</u>	<u>(77,830)</u>
Student Transportation				
Transportation				
Supervisor/director	32,934	32,934	32,936	2
Mechanics	11,441	11,441	10,926	(515)
Bus drivers	79,552	80,452	79,491	(961)
Clerical personnel	1,327	1,327	1,331	4
Other salaries and wages	20,000	20,000	20,694	694
Social security taxes	9,007	9,057	8,486	(571)
State retirement	7,425	7,305	7,282	(23)
Medical insurance	5,313	5,313	5,329	16
Unemployment compensation	1,879	1,793	1,985	192
Medicare taxes	2,107	2,119	5,218	3,099
Fringe benefits	5,238	5,324	-	(5,324)
Communication	3,735	3,735	1,731	(2,004)
Laundry service	447	447	214	(233)
Medical and dental	3,560	3,560	3,313	(247)
Postal	40	40	23	(17)
Travel	1,040	1,040	87	(953)

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, 2015**

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
Other contracted services	902	902	401	(501)
Diesel fuel	57,000	43,652	40,284	(3,368)
Garage supplies	2,493	2,493	663	(1,830)
Lubricants	2,281	2,281	1,499	(782)
Tires and tubes	7,137	7,137	5,895	(1,242)
Vehicle parts	11,668	24,668	24,452	(216)
Other supplies and materials	479	479	191	(288)
Vehicle and equipment insurance	13,997	13,997	13,997	-
In-service/staff development	2,000	2,000	673	(1,327)
Other charges	6,564	6,564	2,174	(4,390)
Total transportation	<u>289,566</u>	<u>290,060</u>	<u>269,275</u>	<u>(20,785)</u>
Other				
Central and Other				
Operating lease payments	8,000	8,000	7,432	(568)
Other contracted services	11,524	11,524	11,523	(1)
Data processing supplies	1,110	1,110	332	(778)
Other supplies and materials	2,000	2,000	1,111	(889)
Other charges	200	200	125	(75)
Total central and other	<u>22,834</u>	<u>22,834</u>	<u>20,523</u>	<u>(2,311)</u>
Total support services	<u>3,876,552</u>	<u>3,903,765</u>	<u>3,650,452</u>	<u>(253,313)</u>
Operation of Non-Instructional Services				
Community Services				
Supervisor/director	-	10,000	10,000	-
Teachers	1,500	54,288	54,288	-
Clerical personnel	-	2,420	2,419	(1)
Educational Assistants	-	9,152	9,152	-
Other salaries and wages	36,500	44,735	44,196	(539)
Certified substitute teachers	-	862	863	1
Non-certified substitute teachers	-	1,610	1,610	-
Social security taxes	2,356	7,391	7,099	(292)
State retirement	1,445	8,045	8,003	(42)
Medical insurance	4,000	5,200	5,120	(80)
Medicare taxes	552	1,729	1,660	(69)
Maintenance and Repair - Equipment	-	1,000	1,000	-
Travel	200	3,221	3,134	(87)
Other contracted services	-	4,575	4,575	-
Food supplies	4,826	7,469	7,843	374
Instructional supplies	-	21,460	21,460	-
Other supplies and materials	1,739	4,965	3,968	(997)
Refunds	150	150	-	(150)
In service/staff development	-	580	580	-
Other charges	3,350	5,316	9,725	4,409
Other Equipment	-	13,125	-	(13,125)
Total community services	<u>56,618</u>	<u>207,293</u>	<u>196,695</u>	<u>(10,598)</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, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Early Childhood Education				
Supervisor/director	44,430	43,880	43,875	(5)
Teachers	153,063	148,513	148,487	(26)
Clerical personnel	11,220	11,220	11,281	61
Educational assistants	50,846	50,646	50,622	(24)
Other salaries and wages	22,642	20,692	20,679	(13)
Non-certified substitute teachers	4,200	1,850	1,835	(15)
Social security taxes	17,493	15,243	15,229	(14)
State retirement	21,609	21,079	21,075	(4)
Medical insurance	38,393	38,393	38,274	(119)
Medicare taxes	4,092	3,592	3,561	(31)
Other fringe benefits	1,100	1,230	1,230	-
Maintenance and repair - equipment	3,500	2,650	2,624	(26)
Travel	3,500	1,700	1,676	(24)
Other Contracted Services	14,749	21,649	21,956	307
Instructional supplies	5,500	10,000	9,956	(44)
Other Supplies and Materials	5,300	6,900	6,864	(36)
Other Equipment	6,000	8,400	8,413	13
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>464,255</u>	<u>614,930</u>	<u>604,332</u>	<u>(10,598)</u>
Education Capital Outlay				
Regular capital outlay				
Building improvements	<u>273,197</u>	<u>290,419</u>	<u>237,565</u>	<u>(52,854)</u>
Education Debt Service				
Principal on bonds	285,000	285,000	285,000	-
Principal on other loans	71,424	71,424	71,424	-
Interest on bonds	911,845	911,845	911,845	-
Total education debt service	<u>1,268,269</u>	<u>1,268,269</u>	<u>1,268,269</u>	<u>-</u>
Total expenditures	<u>11,696,148</u>	<u>11,877,538</u>	<u>11,198,858</u>	<u>(672,012)</u>
Net change in fund balance	<u>\$ (498,608)</u>	<u>\$ (498,468)</u>	<u>384,045</u>	<u>\$ 875,845</u>
Fund balance - beginning			<u>3,751,682</u>	
Fund balance - ending			<u>\$ 4,135,727</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, 2015

	Budget			Variance Over (Under)
	Original	Final	Actual	
Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures				
Inflows/revenues:				
Actual amounts (budgetary basis)			\$ 11,582,903	\$ 203,833
Differences - budget to GAAP:				
Fringe benefits - noncash			80,907	80,907
Total Revenues as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			11,663,810	284,740
Outflows/expenditures:				
Actual amounts (budgetary basis)			11,198,858	(672,012)
Differences - budget to GAAP:				
Fringe benefits - noncash			80,907	80,907
Total Expenditures as Reported on Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			11,279,765	(591,105)
Net changes in fund balance			\$ 384,045	\$ 875,845

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

TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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 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.

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

June 30, 2015

Non-certified employees are entitled to one-half of one day of sick leave for each month employed. Sick leave days are accumulated from year to year, with no maximum total. Upon retirement non-certified employees' unused sick leave is added to length of service for each employee. Non-certified employees receive \$20 per unused sick day upon discontinued employment. A reserve for unused sick days has been apportioned for this purpose. Noncertified employees receive two personal days per year.

On-Behalf Payments for Fringe Benefits

The District receives on-behalf payments from the State of Tennessee to be used for postemployment health insurance benefits for employees not yet eligible for Medicare. Such payments are recorded as intergovernmental revenue and instruction expenses/expenditures in the GAAP basis district-wide and general purpose fund financial statements, but are not budgeted and, therefore, are not included in the general purpose fund budgetary basis financial statements.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts, 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 items that qualify for reporting in this category as of June 30, 2015 are pension related deferred outflows as identified on page 11.

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, 2015 are unavailable revenue as identified on pages 11 and 14 and pension related deferred inflows as listed on page 11.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Legacy Pension Plan, Teacher Retirement Plan, and the District's participation in the Public Employee Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plans' fiduciary net position have been

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

June 30, 2015

determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Legacy Pension Plan, Teacher Retirement Plan, and the District's participation in the Public Employee Retirement Plan, respectively. Investments are reported at fair value.

Impact of Recently Issued Accounting Pronouncements

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*, and Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Statement 67, effective for fiscal years beginning after June 15, 2013, revises existing standards of financial reporting by state and local government pension plans and will be adopted by the pension plan itself. Statement 68 will affect the governments that participate as employers in these plans and is effective for fiscal years beginning after June 15, 2014. For governments to adopt Statement 68, the underlying pension plans must first adopt Statement 67. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations. The implementation of this statement resulted in a restatement of beginning net position for (\$2,509,929). Net pension asset and deferred inflows and outflows of resources on the government wide statement are now reported.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require the beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. The implementation of this statement resulted in a \$514,900 restatement of net position in the government wide statement of activities to report the beginning deferred outflows of resources.

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

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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.

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

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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 (\$18,159,304), (\$321,908) and \$208,559 differences are as follows:

School Bonds, Series 2012	\$	(1,140,000)
School Bonds, Series 2010A		(5,705,000)
School Bonds, Series 2010B		(11,100,000)
Energy Efficiency Loan		(214,304)
		(18,159,304)
OPEB		(321,908)
Bond Premium		208,559
	\$	(18,272,653)

Another element of that reconciliation explains that "capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$32,446,315 are as follows:

Land	\$	266,057
Infrastructure		18,982
Buildings and improvements		31,785,709
Other capital assets		375,567
		32,446,315
Total capital assets, net of accumulated depreciation	\$	32,446,315

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

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“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 \$356,424 are as follows:

Principal repayments:	
School Bonds, Series 2012	\$ 25,000
School Bonds, Series 2010A	260,000
Energy Efficiency Loan	<u>71,424</u>
	<u>\$ 356,424</u>

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 (\$87,488) are as follows:

Unavailable revenue as of June 30, 2014	\$ (115,017)
Unavailable revenue as of June 30, 2015	<u>27,529</u>
	<u>\$ (87,488)</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

1. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
2. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
3. Budgets are adopted on a basis consistent with generally accepted accounting principles with the exception of the on-behalf payments and commodities.
4. The District’s policy is to not allow expenditures to exceed budgetary amounts at the total function level. The District had two functions that were not in compliance with the policy as of June 30, 2015. Under the General Fund, the category level of Instruction, and the function level Student Body Education, expenditures exceeded the budget by \$789. Under the Capital Projects Fund, total expenditures exceeded the budget by \$32.

NOTE 4 - DETAILED NOTES ON ACCOUNTS

A. Deposits and Investments

At June 30, 2015, 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 \$3,714,496 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

TRENTON SPECIAL SCHOOL DISTRICT
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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, 2015, 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, 2015, there were no allowances for uncollectible accounts.

Property tax receivable is unavailable (fund statements and statement of net position) due to the 2015 tax levy not being due and payable until October 2015. Therefore, the funds are not available to the District as of June 30, 2015.

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	<u>\$ 27,529</u>

C. Interfund Balances

Interfund balances consist of amounts owed to the General Purpose School Fund and the Public Law Fund for insurance and other shared administrative expenses, and owed to the General Purpose School Fund from the Public Law Fund to be in compliance with the State to prevent negative cash balance in the Public Law Fund at year end. The amounts were repaid in July of 2015.

At June 30, 2015, interfund balances consisted of the following:

Due from:	<u>Due to:</u>		
	<u>General Purpose</u>		
	Fund	Public Law Fund	Total
General Purpose Fund	\$ -	\$ 112	\$ 112
Public Law Fund	36,000	-	36,000
Bus Garage Fund	1,132	-	1,132
	<u>\$ 37,132</u>	<u>\$ 112</u>	<u>\$ 37,244</u>

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D. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 266,057	\$ -	\$ -	\$ 266,057
Capital assets being depreciated:				
Infrastructure	26,575	-	-	26,575
Buildings and Improvements	41,477,549	265,791	-	41,743,340
Other capital assets	1,124,847	-	38,125	1,086,722
Total capital assets being depreciated	42,628,971	265,791	38,125	42,856,637
Less accumulated depreciation for:				
Infrastructure	(3,796)	(3,797)	-	(7,593)
Buildings and Improvements	(8,868,361)	(1,089,270)	-	(9,957,631)
Other capital assets	(678,656)	(70,306)	(37,807)	(711,155)
Total accumulated depreciation	(9,550,813)	(1,163,373)	(37,807)	(10,676,379)
Total capital assets being depreciated	33,078,158	(897,582)	318	32,180,258
Governmental activities capital assets, net	\$ 33,344,215	\$ (897,582)	\$ 318	\$ 32,446,315

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

Support services	\$ 50,590
Non-instructional services	1,112,783
	\$ 1,163,373

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

TRENTON SPECIAL SCHOOL DISTRICT
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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	\$ 5,965,000	\$ -	\$ 260,000	\$ 5,705,000	\$ 280,000
2010B Bonds	11,100,000	-	-	11,100,000	-
2012 Bonds	1,165,000	-	25,000	1,140,000	25,000
Energy Efficiency Loan	285,728	-	71,424	214,304	71,424
Bond discount	(236,285)	-	(24,946)	(211,339)	-
Bond premium	3,151	-	371	2,780	-
Total obligation debt	18,282,594	-	331,849	17,950,745	376,424
OPEB	247,424	74,484	-	321,908	-
Total	<u>\$ 18,530,018</u>	<u>\$ 74,484</u>	<u>\$ 331,849</u>	<u>\$ 18,272,653</u>	<u>\$ 376,424</u>

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

June 30,	Principal	Interest	Total
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	440,000	866,633	1,306,633
2021 - 2025	2,610,000	4,141,846	6,751,846
2026 - 2030	3,415,000	3,608,866	7,023,866
2031 - 2035	4,425,000	2,570,357	6,995,357
2036 - 2040	5,650,000	1,071,878	6,721,878
	<u>\$ 18,159,304</u>	<u>\$ 15,827,598</u>	<u>\$ 33,986,902</u>

F. Designations of Fund Equity

The following funds had nonspendable, restricted, or assigned fund balances as of June 30, 2015:

TRENTON SPECIAL SCHOOL DISTRICT
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	General Purpose	Public Law	Cafeteria	Bus Garage	Total
Nonspendable					
Inventory	\$ -	\$ -	\$ 27,236	\$ 45,357	\$ 72,593
Restricted					
Education	237,065	5,226	-	-	242,291
Operation of non- instructional services	-	-	222,215	-	222,215
Assigned					
Instruction - textbooks	100,000	-	-	-	100,000
Support services	37,000	-	-	-	37,000
Capital outlay	1,123,868	-	-	-	1,123,868
Debt service	94,644	-	-	-	94,644
Future budgets	146,772	-	-	-	146,772
Other purposes	116,354	100,000	-	5,647	222,001
	<u>\$ 1,855,703</u>	<u>\$ 105,226</u>	<u>\$ 249,451</u>	<u>\$ 51,004</u>	<u>\$ 2,261,384</u>

NOTE 5 – OTHER INFORMATION

A. Insurance Coverage

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

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

B. Pensions

Teacher Legacy Pension Plan of Tennessee Consolidated Retirement System

Plan description

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Trenton Special School District are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue

TRENTON SPECIAL SCHOOL DISTRICT NOTES TO THE FINANCIAL STATEMENTS

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providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEA5) after June 30, 2014. The Teacher Retirement Plan is a separate cost sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Trenton Special School District for the year ended June 30, 2015 to the Teacher Legacy Pension Plan were \$467,844 which is 9.02 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension asset

At June 30, 2014, the Trenton Special School District reported an asset of \$22,373 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an

**TRENTON SPECIAL SCHOOL DISTRICT
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actuarial valuation as of that date. Trenton Special School District's proportion of the net pension liability was based on Trenton Special School District's employer contributions to the pension plan during the year ended June 30, 2014 relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014 measurement date, Trenton Special School District's proportion was 0.137686 percent. The proportion measured as of June 30, 2013 was 0.141372 percent.

Pension income

For the year ended June 30, 2015, Trenton Special School District recognized a pension income of \$27,853.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, Trenton Special School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 54,317	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,843,422
Changes in proportion of Net Pension Liability (Asset)	-	51,991
Contributions subsequent to the measurement date of June 30, 2014	467,844	-
Total	\$ 522,161	\$ 1,895,413

Trenton Special School District employer contributions of \$467,844, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2016	\$ (460,468)
2017	(460,468)
2018	(460,468)
2019	(460,468)
2020	388
Thereafter	388

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Actuarial assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Infaltion	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market internaltional equityity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<hr/> 100%

The long-term expected rate of return on pension plan investments was established by the TCRS

**TRENTON SPECIAL SCHOOL DISTRICT
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Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate

The following presents Trenton Special School District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Trenton Special School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Trenton Special School District's proportionate share of the net pension liability (asset)	\$ 3,773,519	\$ (22,373)	\$ (3,164,961)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan

At June 30, 2015, Trenton Special School District reported a payable of \$69,799 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

Teacher Retirement Plan of Tennessee Consolidated Retirement System

Plan description

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Trenton Special School District are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014 are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost sharing multiple employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a

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publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015 to the Teacher Retirement Plan were \$4,485 which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liabilities

Since the measurement date is June 30, 2014, which is prior to the July 1, 2014 inception of the Teacher Retirement Plan, there is not a net pension liability to report at June 30, 2015.

Pension Expense

Since the measurement date is June 30, 2014, Trenton Special School District did not recognize a pension expense at June 30, 2015.

**TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, Trenton Special School District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date of June 30, 2014	\$ <u>4,485</u>	\$ <u>-</u>

Trenton Special School District's employer contributions of \$4,485 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2016.

Payable to the Pension Plan

At June 30, 2015, Trenton Special School District reported a payable of \$2,445 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

Political Subdivision Pension Plan

Plan description

Employees of Trenton Special School District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the

TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	48
Inactive employees entitled to but not yet receiving benefits	70
Active employees	59
	177
	177

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of *salary*. Trenton Special School District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Trenton Special School District were \$55,553 based on a rate of 3.96% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Trenton Special School District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Trenton Special School District's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The

TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	Long Term Expected Real Rate of Return	Target Allocation
U.S. Equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<hr/> 100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Trenton Special School District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 6/30/13	\$ 4,193,656	\$ 4,010,193	\$ 183,463
Changes for the year:			
Service cost	117,392	-	117,392
Interest	316,153	-	316,153
Differences between expected and actual experience	(70,100)	-	(70,100)
Contributions- employer	-	35,010	(35,010)
Contributions- employees	-	66,056	(66,056)
Net investment income	-	657,370	(657,370)
Benefit payments, including refunds of employee contrubutions	(191,347)	(191,347)	-
Administrative expense	-	(2,320)	2,320
Net changes	<u>172,098</u>	<u>564,769</u>	<u>(392,671)</u>
Balance at 6/30/14	<u>\$ 4,365,754</u>	<u>\$ 4,574,962</u>	<u>\$ (209,208)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of Trenton Special School District calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's net pension liability (asset)	\$ 332,091	\$ (209,208)	\$ (663,027)

**TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension income

For the year ended June 30, 2015, Trenton Special School District recognized pension income of \$13,519.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, Trenton Special School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 56,080
Net difference between projected and actual earnings on pension plan investments	-	288,062
Contributions subsequent to the measurement date of June 30, 2014	55,553	-
Total	\$ 55,553	\$ 344,142

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2016	\$ (86,036)
2017	(86,036)
2018	(86,036)
2019	(86,036)
2020	-
Thereafter	-

Payable to the Pension Plan

At June 30, 2015, Trenton Special School District reported a payable of \$7,841 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

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

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

June 30, 2015

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

Funding Policy

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

ARC	\$ 164,000
Interest on NPO	11,134
Adjustment to the ARC	(10,837)
Annual OPEB cost	<u>164,297</u>
Amount of contribution	<u>(89,813)</u>
Increase/decrease in NPO	74,484
Net OPEB obligation - beginning of year	<u>247,424</u>
Net OPEB obligation - end of year	<u><u>\$ 321,908</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 6/30/2015	Teacher Group Plan	\$ 164,297	54.66%	\$ 321,908

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015, was as follows:

	<u>Teacher Group Plan</u>
Actuarial valuation date	7/1/2013
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)	\$ 6,703,550
UAAL as a percentage of covered payroll	24.54%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the

TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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, 2013, actuarial valuation for the Local Education plan, the Projected Unit Credit actuarial cost method was used and the actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent initially. The rate decreased to 8.75 percent in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5 percent by fiscal year 2021. The annual healthcare premium trend rate for the Medicare Supplement plan was 6.50 percent initially. The rate reduced to 6.25 percent for fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5 percent 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, 2015, the State made contributions of \$80,907.

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, 2015, were as follows:

<u>Year Ended June 30,</u>	
2016	\$ 10,099
2017	<u>1,824</u>
	<u>\$ 11,923</u>

The lease expenses for the year ended June 30, 2015 was \$17,032.

TRENTON SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

F. Restatement of beginning net position – GASB Statements No. 68 and 71 implementation

As of July 1, 2014, a restatement of beginning net position was made for net pension asset and the deferred outflows for contributions made subsequent to the previous years measurement date due to the District implementing GASB Statements No. 68 and 71, *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27*, and *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The implementation of GASB Statements No. 68 and 71 resulted in the District restating July 1, 2014 net position by (\$1,995,029) in the governmental activities with a measurement date of June 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET
TEACHER LEGACY PENSION PLAN OF TCRS
Fiscal Year Ended June 30*

	2014
District's proportion of the net pension asset	0.137686%
District's proportionate share of the net pension asset	\$ 22,373
District's covered employee payroll	\$ 5,404,173
District's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.41%
Plan fiduciary net position as a percentage of the total pension liability	100.08%

* The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
TEACHER LEGACY PENSION PLAN OF TCRS
Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution (ADC)	\$ 479,890	\$ 467,844
Contributions in relation to the actuarially determined contributions	<u>479,890</u>	<u>467,844</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,404,173	\$ 5,188,554
Contributions as a percentage covered-employee payroll	8.88%	9.02%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**TRENTON SPECIAL SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 TEACHER RETIREMENT PLAN OF TCRS
 Fiscal Year Ending June 30**

	2015
Actuarially determined contribution (ADC)	\$ 2,803
Contributions in relation to the actuarially determined contributions	4,485
Contribution deficiency (excess)	\$ (1,682)
Covered-employee payroll	\$ 112,136
Contributions as a percentage covered-employee payroll	4.00%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TRENTON SPECIAL SCHOOL DISTRICT'S
NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year Ending June 30

	2014
Total pension liability	
Service cost	\$ 117,392
Interest	316,153
Changes in benefit terms	-
Difference between actual & expected experience	(70,100)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(191,347)
Net change in total pension liability	172,098
Total pension liability - beginning	4,193,656
Total pension liability - ending (a)	\$ 4,365,754
 Plan fiduciary net position	
Contributions - employer	\$ 35,010
Contributions - employee	66,056
Net investment income	657,370
Benefit payments, including refunds of employee contributions	(191,347)
Administrative expense	(2,320)
Net change in plan fiduciary net position	564,769
Plan fiduciary net position - beginning	4,010,193
Plan fiduciary net position - ending (b)	\$ 4,574,962
 Net Pension Liability (Asset) - ending (a) - (b)	\$ (209,208)
 Plan fiduciary net position as a percentage of total pension liability	104.79%
 Covered - employee payroll	\$ 1,321,093
 Net pension liability (asset) as a percentage of covered-employee payroll	15.84%

This is a 10-year schedule; however the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF TRENTON SPECIAL SCHOOL DISTRICT'S CONTRIBUTIONS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 35,010	\$ 55,553
Contributions in relation to the actuarially determined contributions	<u>35,010</u>	<u>55,553</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
Covered-employee payroll	\$ 1,321,093	\$ 1,402,860
Contributions as a percentage covered-employee payroll	2.65%	3.96%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule:

Valuation Date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	4 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

See independent auditor's report.

**TRENTON SPECIAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - POST EMPLOYMENT HEALTHCARE PLAN
June 30, 2015**

(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.

SUPPLEMENTARY AND OTHER INFORMATION SECTION

**TRENTON SPECIAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015**

	<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>	
Assets					
Cash	\$ -	\$ 85	\$ 172,413	\$ -	\$ 172,498
Due from other funds	-	112	-	-	112
Due from other governments	-	141,029	49,760	12,720	203,509
Inventories	-	-	27,236	45,357	72,593
Other current assets	-	-	77	3	80
Total assets	<u>\$ -</u>	<u>\$ 141,226</u>	<u>\$ 249,486</u>	<u>\$ 58,080</u>	<u>\$ 448,792</u>
Liabilities and Fund Balance					
Liabilities					
Negative cash balance	\$ -	\$ -	\$ -	\$ 5,944	\$ 5,944
Accounts payable	-	-	35	-	35
Due to other funds	-	36,000	-	1,132	37,132
Total liabilities	<u>-</u>	<u>36,000</u>	<u>35</u>	<u>7,076</u>	<u>43,111</u>
Fund Balance					
Nonspendable					
Inventory	-	-	27,236	45,357	72,593
Restricted					
Education	-	5,226	-	-	5,226
Operation of non-instructional services	-	-	222,215	-	222,215
Assigned					
Assigned for other purposes	-	100,000	-	5,647	105,647
Total fund balance	<u>-</u>	<u>105,226</u>	<u>249,451</u>	<u>51,004</u>	<u>405,681</u>
Total liabilities fund balance	<u>\$ -</u>	<u>\$ 141,226</u>	<u>\$ 249,486</u>	<u>\$ 58,080</u>	<u>\$ 448,792</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, 2015

	<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	\$ -	\$ -	\$ -	\$ 336,981	\$ 336,981
Charges for services	-	-	119,690	-	119,690
Federal and state funds	-	937,413	612,754	-	1,550,167
Commodities	-	-	67,560	-	67,560
Interest	32	-	18	-	50
Other income	-	-	5,210	-	5,210
Total revenues	<u>32</u>	<u>937,413</u>	<u>805,232</u>	<u>336,981</u>	<u>2,079,658</u>
Expenditures					
Instruction					
Regular instruction	-	220,569	-	-	220,569
Special education	-	269,264	-	-	269,264
Vocational education	-	16,771	-	-	16,771
Support services					
Other student support	-	235,870	-	-	235,870
Regular instruction	-	151,606	-	-	151,606
Special education	-	42,363	-	-	42,363
Vocational education	-	1,115	-	-	1,115
Transportation	-	-	-	337,778	337,778
Non-instructional services					
Food service	-	-	852,142	-	852,142
Capital outlay	1,065	-	-	-	1,065
Total expenditures	<u>1,065</u>	<u>937,558</u>	<u>852,142</u>	<u>337,778</u>	<u>2,128,543</u>
Revenues over (under) expenditures	(1,033)	(145)	(46,910)	(797)	(48,885)
Fund balance - beginning	1,033	105,371	302,130	62,502	471,036
Increase (decrease) in reserves	-	-	(5,769)	(10,701)	(16,470)
Fund balance - ending	<u>\$ -</u>	<u>\$ 105,226</u>	<u>\$ 249,451</u>	<u>\$ 51,004</u>	<u>\$ 405,681</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, 2015

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
Revenues				
Federal and State funds	<u>\$ 1,112,454</u>	<u>\$ 1,135,118</u>	<u>\$ 937,413</u>	<u>\$ (197,705)</u>
Expenditures				
Instruction				
Regular instruction	218,481	232,082	220,569	(11,513)
Special education	303,045	305,522	269,264	(36,258)
Vocational education	15,608	16,771	16,771	-
Support services				
Other student support	237,645	251,656	235,870	(15,786)
Regular instruction	283,432	275,782	151,606	(124,176)
Special education	53,128	52,190	42,363	(9,827)
Vocational education	1,115	1,115	1,115	-
Total expenditures	<u>1,112,454</u>	<u>1,135,118</u>	<u>937,558</u>	<u>(197,560)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(145)	<u>\$ (145)</u>
Fund balance - beginning			<u>105,371</u>	
Fund balance - ending			<u>\$ 105,226</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, 2015**

	<u>Budget</u>		<u>Actual</u>	Variance Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Revenues				
Student lunches	\$ 120,000	\$ 120,000	\$ 95,332	\$ (24,668)
Adult lunches	30,000	30,000	23,646	(6,354)
Breakfast sales	17,000	17,000	712	(16,288)
State matching	7,271	7,271	7,158	(113)
USDA lunch funds	450,000	450,000	385,988	(64,012)
USDA breakfast funds	225,000	225,000	219,608	(5,392)
Commodities	-	-	67,560	67,560
Interest earned	100	100	18	(82)
Other income	-	5,210	5,210	-
Total revenues	<u>849,371</u>	<u>854,581</u>	<u>805,232</u>	<u>(49,349)</u>
Expenditures				
Supervisor/director	20,186	20,186	20,427	241
Clerical personnel	2,292	2,292	2,317	25
Cafeteria personnel	222,251	222,251	211,857	(10,394)
Other salaries	5,000	5,000	6,772	1,772
Employee benefits	58,642	58,642	61,378	2,736
Communication	1,500	1,500	-	(1,500)
Equipment maintenance	8,500	8,500	9,812	1,312
Travel and transportation	7,000	7,000	2,669	(4,331)
Other contracted services	4,000	4,000	4,265	265
Food services	425,000	426,250	390,030	(36,220)
Commodities	-	-	61,842	61,842
Uniforms	2,000	2,000	1,279	(721)
Utilities	26,000	26,000	23,333	(2,667)
In-service training	5,000	5,000	3,841	(1,159)
Supplies	42,000	43,500	36,130	(7,370)
Other charges	20,000	20,000	11,893	(8,107)
Capital outlay - equipment	250,368	252,828	4,297	(248,531)
Total expenditures	<u>1,099,739</u>	<u>1,104,949</u>	<u>852,142</u>	<u>(252,807)</u>
Net change in fund balance	<u>\$ (250,368)</u>	<u>\$ (250,368)</u>	<u>(46,910)</u>	<u>\$ 203,458</u>
Fund Balance - beginning			302,130	
Increase (Decrease) in Reserve for Inventory			<u>(5,769)</u>	
Fund Balance - ending			<u>\$ 249,451</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, 2015

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over
				(Under)
Revenues				
Local revenues	<u>\$ 342,704</u>	<u>\$ 342,704</u>	<u>\$ 336,981</u>	<u>\$ (5,723)</u>
Expenditures				
Salaries - mechanics	114,119	110,619	110,530	(89)
Salaries - other	13,468	13,468	13,524	56
Employee benefits	27,943	24,541	24,082	(459)
Travel	400	900	885	(15)
Communications	3,400	3,400	3,488	88
Laundry service	2,500	2,500	2,173	(327)
Medical and dental services	600	600	475	(125)
Other contracted services	4,074	4,074	4,074	-
Postal charges	400	400	235	(165)
Garage supplies	5,000	6,700	6,775	75
Fuel and lubricants	13,000	15,200	15,220	20
Other supplies and materials	800	1,900	1,984	84
Tires and tubes	42,000	47,200	47,232	32
Repair parts for vehicles	88,000	86,500	86,455	(45)
Insurance on vehicles	3,000	3,000	3,000	-
Other charges	<u>24,000</u>	<u>21,700</u>	<u>17,646</u>	<u>(4,054)</u>
Total expenditures	<u>342,704</u>	<u>342,702</u>	<u>337,778</u>	<u>(4,924)</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u><u>\$ 2</u></u>	(797)	<u><u>\$ (799)</u></u>
Fund balance - beginning			62,502	
Increase (decrease) in reserve for inventory			<u>(10,701)</u>	
Fund balance - ending			<u>\$ 51,004</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, 2015

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
Revenues				
Other local revenues				
Investment income	\$ -	\$ -	\$ 32	\$ 32
Total revenues	<u>-</u>	<u>-</u>	<u>32</u>	<u>32</u>
Expenditures				
Non-instructional services				
Capital outlay				
Building improvements	<u>1,033</u>	<u>1,033</u>	<u>1,065</u>	<u>32</u>
Total expenditures	<u>1,033</u>	<u>1,033</u>	<u>1,065</u>	<u>32</u>
Net change in fund balance	<u><u>\$ (1,033)</u></u>	<u><u>\$ (1,033)</u></u>	<u><u>(1,033)</u></u>	<u><u>\$ -</u></u>
Fund Balance - beginning			<u>1,033</u>	
Fund Balance - ending			<u>\$ -</u>	

See independent auditor's report.

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

June 30, 2015

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
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
	\$ 1,140,000	\$ 140,154	\$ 5,705,000	\$ 1,893,376	\$ 11,100,000	\$ 13,794,068	\$ 214,304	\$ -	\$ 18,159,304	\$ 15,827,598	\$ 33,986,902

See independent auditor's report.

TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF BONDS
For the Year Ended June 30, 2015

	<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, 2015**

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>
2015	\$ 114,499,949	\$2.0874	\$ 2,390,072
2014	111,816,013	\$2.1300	2,381,681
2013	112,362,220	\$2.1300	2,393,315
2012	106,265,554	\$2.1300	2,263,456
2011	104,619,721	\$2.1300	2,228,400
2010	104,451,432	\$1.8900	1,974,132
2009	92,550,884	\$2.0400	1,888,038
2008	91,880,323	\$2.0400	1,874,359
2007	90,784,195	\$2.0400	1,851,998
2006	89,525,867	\$1.7500	1,566,703
2005	89,365,355	\$1.7500	1,563,894

The following tax was levied on January 1, 2015:

2016	\$ 115,882,381	\$2.1600	\$ 2,503,059
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See independent auditor's report.

TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Grantor Agency/ Pass-through Agency/ Program Name and Number	CFDA #	Contract #	Expenditures
U.S. Department of Agriculture			
<i>Tennessee Department of Agriculture</i>			
Child Nutrition Cluster:			
National School Lunch Program - Commodities	10.555*	N/A	\$ 61,841
School Breakfast Program	10.553*	N/A	219,608
National School Lunch Program	10.555*	N/A	390,109
Commodity rebate	10.555*	N/A	<u>1,598</u>
			<u>673,156</u>
Total Department of Agriculture			<u>673,156</u>
U.S. Department of Labor			
<i>Passed through Dyersburg State</i>			
WIA Youth Activities - JTG	17.259	14-12-300-043-YTHFT	<u>14,174</u>
Total Department of Labor			<u>14,174</u>
U.S. Department of Education			
<i>Tennessee Department of Education</i>			
Career and Technical Education - Basic Grants to States			
Carl Perkins	84.048	V048A140042	22,854
Title I, Grants to Local Education Agencies			
Title I Focus	84.010*	S010A140042	85,078
Title I	84.010*	S010A140042	<u>385,119</u>
			<u>470,197</u>
Special Education Cluster (IDEA)			
Special Education - Grants to States			
IDEA	84.027	H027A140052	243,134
IDEA Discretionary	84.027	ED# 3067	<u>61,513</u>
			<u>304,647</u>
Special Education - Preschool Grants			
IDEA Preschool	84.173	H173A140095	<u>8,281</u>
Total program			<u>312,928</u>
Title I - P.L. 874 (Impact Aid)	84.041	N/A	<u>435</u>

See independent auditor's report.

TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Grantor Agency/ Pass-through Agency/ Program Name and Number	CFDA #	Contract #	Expenditures
School Climate Grant	84.184Y	ED# 2583	<u>9,971</u>
Twenty-First Century Community Learning Center	84.287C	192-14-01-039	<u>142,286</u>
Rural and Low-Income School Program Title VI, Rural Educator	84.358	S358B140042	<u>24,296</u>
English Language Acquisition Grants Title III, Part A	84.365	S365A140042	<u>1,403</u>
Improving Teacher Quality State Grant: Title II, Part A Training	84.367	S367A140040	<u>78,348</u>
State Fiscal Stabilization Fund ARRA Race to the Top	84.395	S395A100032	<u>3,387</u>
Total Department of Education			<u>1,066,105</u>
Total Federal Awards			<u>\$ 1,753,435</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, 2015

Grantor Agency/ Program Name	Expenditures
Tennessee Department of Education	
Child Nutrition State Match	\$ 7,158
ACT testing	1,918
Child care food	6,666
Early Childhood Grant - Pilot	407,637
Drivers Education	6,110
Energy Efficiency School Initiative	930
Safe Schools	1,108
Coordinated School Health	105,000
Career Ladder	37,561
Career Ladder Extended Contract	17,920
Arts Student Ticket Subsidy	1,300
Internet Connectivity	3,898
Family Resource Center	<u>29,612</u>
Total State Financial Assistance	<u>\$ 626,818</u>

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

American Institute of Certified Public Accountants
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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, 2015, 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 8, 2016.

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 no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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 8, 2016.

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 8, 2016

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AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
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Independent Auditor's Report 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 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, 2015. 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, 2015.

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 8, 2016

TRENTON SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

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

Federal Awards

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

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

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
84.010

Child Nutrition Cluster:
National School Lunch Program - Commodities
School Breakfast Program
National School Lunch Program
Title I, Grants to Local Education Agencies

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, 2015

SECTION II – Financial Statement Findings

None reported.

SECTION III – Federal Award Findings and Questioned Costs

None reported.

TRENTON SPECIAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

FINANCIAL STATEMENTS FINDINGS

Finding Number	Finding Title	Status
2014-001	Exceeding Budgeted Expenditures (Original finding # 2013-001)	Corrected

FEDERAL AWARD FINDINGS AND QUESTION COSTS

None reported.