

STATE OF TENNESSEE

ANNUAL FINANCIAL REPORT
OF
PARIS SPECIAL SCHOOL DISTRICT

SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2004



COMPTROLLER OF THE TREASURY

Department of Audit

Division of County Audit

ANNUAL FINANCIAL REPORT
PARIS SPECIAL SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2004

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Audit Highlights

Annual Financial Report
Paris Special School District
For the Year Ended June 30, 2004

Scope

We have audited the financial statements of the major fund and the aggregate remaining fund information of Paris Special School District as of and for the year ended June 30, 2004.

Results

Our report on Paris Special School District's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in one finding and recommendation, which we have reviewed with Paris Special School District management. The detailed finding and recommendation are included in the Single Audit Report.

The following is a summary of the audit finding:

OFFICE OF DIRECTOR OF SCHOOLS:

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

State of Tennessee
Comptroller of the Treasury
Department of Audit
Division of County Audit

INTRODUCTORY SECTION

Paris Special School District Officials
June 30, 2004

Paul B. Doyle, Director of Schools and
Assistant Secretary - Treasurer

Board of Directors:

Richard Edwards, President
David Travis, Vice-President
Amy Cathey, Secretary-Treasurer
Jane Etheridge
Bill Jelks
Christy Minor
Robert Sleadd

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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INDEPENDENT AUDITOR'S REPORT

December 3, 2004

Paris Special School District Director of Schools
and Board of Directors
Paris, Tennessee

To the Director of Schools and Board of Directors:

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Paris Special School District, as of and for the year ended June 30, 2004, as shown on pages 11 through 26, which collectively comprise a portion of the district's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Paris Special School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the district's governmental activities are not reasonably determinable.

As described in Note I, the Paris Special School District has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require local governments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Paris Special School District as of June 30, 2004, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Paris Special School District as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

The budgetary comparison information on pages 29 through 31 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Paris Special School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, miscellaneous schedules, and statistical table are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical table have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

As described in Note I, the Paris Special School District prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with standards adopted by the Comptroller of the Treasury of the State of Tennessee. This results in a change in the format and content of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated December 3, 2004, on our consideration of the Paris Special School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Very truly yours,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and includes a long horizontal flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Paris Special School District
Balance Sheet
Governmental Funds
June 30, 2004

	Major Fund	Nonmajor Funds Other Govern- mental Funds	Total Govern- mental Funds
<u>ASSETS</u>			
Cash	\$ 124,059	\$ 164,383	\$ 288,442
Investments	1,173,738	363,885	1,537,623
Due from Other Governments	584,654	29,166	613,820
Property Taxes Receivable	2,725,912	319,469	3,045,381
Allowance for Uncollectible Property Taxes	(55,692)	(6,815)	(62,507)
Total Assets	<u>\$ 4,552,671</u>	<u>\$ 870,088</u>	<u>\$ 5,422,759</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 50,230	\$ 5,268	\$ 55,498
Payroll Deductions Payable	137,260	21,373	158,633
Due to State of Tennessee	237	0	237
Deferred Revenue - Current Property Taxes	2,474,816	283,329	2,758,145
Deferred Revenue - Delinquent Property Taxes	186,080	27,939	214,019
Other Deferred Revenues	108,556	0	108,556
Total Liabilities	<u>\$ 2,957,179</u>	<u>\$ 337,909</u>	<u>\$ 3,295,088</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 134,969	\$ 804	\$ 135,773
Reserved for Career Ladder - Extended Contract	36,258	0	36,258
Reserved for Career Ladder Program	8,842	0	8,842
Reserved for Title I Grants to Local Education Agencies	0	10,956	10,956
Reserved for Innovative Education Program Strategies	0	408	408
Reserved for Special Education - Grants to States	0	3,985	3,985
Other Federal Reserves	0	8,485	8,485
Unreserved, Reported In:			
General Fund	1,415,423	0	1,415,423
Special Revenue Funds	0	160,923	160,923
Debt Service Fund	0	208,834	208,834
Capital Projects Fund	0	137,784	137,784
Total Fund Balances	<u>\$ 1,595,492</u>	<u>\$ 532,179</u>	<u>\$ 2,127,671</u>
Total Liabilities and Fund Balances	<u>\$ 4,552,671</u>	<u>\$ 870,088</u>	<u>\$ 5,422,759</u>

The notes to the financial statements are an integral part of this statement.

Exhibit B

Paris Special School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004

	Major Fund General Purpose School	Nonmajor Funds Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 3,262,334	\$ 282,181	\$ 3,544,515
Licenses and Permits	1,098	0	1,098
Charges for Current Services	157,342	193,846	351,188
Other Local Revenues	213,866	4,065	217,931
State of Tennessee	4,775,030	9,876	4,784,906
Federal Government	162,631	1,029,601	1,192,232
Total Revenues	<u>\$ 8,572,301</u>	<u>\$ 1,519,569</u>	<u>\$ 10,091,870</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,996,243	\$ 621,047	\$ 5,617,290
Support Services	2,388,451	73,064	2,461,515
Operation of Non-Instructional Services	123,155	558,613	681,768
Capital Outlay	95,972	0	95,972
Debt Service:			
Principal	1,249,492	110,000	1,359,492
Interest	153,304	128,215	281,519
Other Debt Service	0	588	588
Capital Projects	0	1,585	1,585
Total Expenditures	<u>\$ 9,006,617</u>	<u>\$ 1,493,112</u>	<u>\$ 10,499,729</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (434,316)</u>	<u>\$ 26,457</u>	<u>\$ (407,859)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 3,683	\$ 0	\$ 3,683
Transfers Out	0	(3,683)	(3,683)
Total Other Financing Sources (Uses)	<u>\$ 3,683</u>	<u>\$ (3,683)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (430,633)	\$ 22,774	\$ (407,859)
Fund Balance, July 1, 2003	<u>2,026,125</u>	<u>509,405</u>	<u>2,535,530</u>
Fund Balance, June 30, 2004	<u>\$ 1,595,492</u>	<u>\$ 532,179</u>	<u>\$ 2,127,671</u>

The notes to the financial statements are an integral part of this statement.

**PARIS SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2004**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Paris Special School District are not presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. In June 1999, the GASB unanimously approved Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Some of the significant changes in the statement include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of a government’s overall financial position and results of operations
- Government-wide financial statements prepared using full accrual accounting for all of a government’s activities, including infrastructure (roads, bridges, etc.)
- A change in the fund financial statements to focus on the major funds

Paris Special School District has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. Paris Special School District has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Paris Special School District’s auditor to issue an adverse opinion on the district’s financial statements.

Although Paris Special School District’s financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

The following are the more significant accounting policies of Paris Special School District:

A. Reporting Entity

Paris Special School District is a public municipal corporation governed by an elected seven-member board. As required by GAAP, these financial statements present Paris Special School District. There are no component units of the district that meet the criteria for being reported as part of the district's reporting entity. The district operates the public school system in the district and receives funding from local, state, and federal government sources.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Fund financial statements of Paris Special School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental categories. Paris Special School District has no proprietary funds or fiduciary funds to report. An emphasis is placed on major funds within the governmental categories.

Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are segregated into single columns on the fund financial statements.

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 become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the district considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Paris Special School District considers grant and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the Education Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to

accrual and have been recognized as revenues of the current period. Applicable business taxes and state-shared excise taxes are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the district receives cash.

Paris Special School District reports the following major governmental fund:

General Purpose School Fund – This is the school district’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, Paris Special School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund – The Education Debt Service Fund accounts for the accumulation of resources and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Fund – The Education Capital Projects Fund is used to account for the construction and equipping of public schools in the district.

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

1. **Deposits and Investments**

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the district’s own legally issued bonds or notes; the State Treasurer’s Investment Pool; and repurchase agreements.

The Paris Special School District maintains a cash and internal investment pool that is used by all funds. Each fund’s portion of this pool is displayed on the balance sheets as Cash and Investments. Most income from these pooled investments is assigned to the General Purpose School Fund. Paris Special School District has adopted a policy of reporting U. S. Treasury obligations, U. S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer’s Investment Pool are reported at cost. The State Treasurer’s Investment Pool is not

registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either interfund loans receivable-current/interfund loans payable-current (the current portion of interfund loans) or interfund loans receivable-long-term/interfund loans payable-long-term (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds.

Long-term interfund loans or advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property tax receivables are shown with an allowance for uncollectibles. The uncollectible property taxes is equal to 1.2 percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current

fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Paris Special School District does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, Paris Special School District does not present government-wide statements.

4. Compensated Absences

The general policy of the Paris Special School District (with the exception of sick leave for teachers) does not allow for the accumulation of sick and vacation days beyond year-end. General policy for all professional personnel (teachers) permits the unlimited accumulation of unused sick leave days. The granting of sick leave has no guaranteed payment attached and therefore requires no accrual or recording.

5. Long-term Obligations

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including notes and bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences, claims and judgments, special termination benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

Governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received

on debt issuances are 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.

6. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The General Purpose School Fund has a designation for gift program of \$47 at June 30, 2004.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Total cash and investments for all funds are as follows for Paris Special School District:

	<u>Exhibit A - Governmental Funds</u>
Cash	\$ 288,442
Investments	<u>1,537,623</u>
Total	<u><u>\$ 1,826,065</u></u>

Cash on the balance sheets includes cash on hand and demand deposits and is analyzed as follows:

	<u>Exhibit A - Governmental Funds</u>
Cash on Hand	\$ 25
Cash in Bank	<u>288,417</u>
Total	<u><u>\$ 288,442</u></u>

Investments on the balance sheets consist entirely of amounts invested in the State Treasurer's Investment Pool and are stated at cost as of June 30, 2004.

Deposits – All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in

the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for the purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the district.

The carrying amount of Paris Special School District's deposits with financial institutions was \$288,417, and the bank balance was \$1,005,302. These deposits are categorized as follows to give an indication of the level of risk assumed at year-end. Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's agent or trust department in the entity's name. Category 3 includes deposits uncollateralized or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name. Category 1 deposits were \$1,005,302.

Investments – The district is authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the district's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The district may make investments with longer maturities if various restrictions set out in state law are followed. The district is also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

Pooled investments are separately categorized as follows to give an indication of the level of risk assumed at year-end. Category 1 includes investments

that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the entity's name. Funds invested in the State Treasurer's Investment Pool are not required to be categorized by generally accepted accounting principles.

Pooled investments with a reported amount and fair value of \$1,537,623 consisted entirely of funds deposited with the State Treasurer's Investment Pool.

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2004, consisted of the following amounts:

	<u>Transfers In</u>
	General Purpose School Fund
Transfers Out	
Nonmajor governmental fund	\$ 3,683
Total	\$ 3,683

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

C. Long-term Debt

Since Paris Special School District is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but Paris Special School District is not presenting government-wide financial statements.

General Obligation Bonds and Notes

The district issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the district. General obligation bonds outstanding were issued for original terms of up to 20 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2004, will be retired from the General Purpose School Fund or the Education Debt Service Fund.

General obligation bonds outstanding as of June 30, 2004, are as follows:

Type	Interest Rate	Amount
General Obligation Bonds - Refunding	3 to 4.45%	\$2,463,750
General Obligation Bonds	4.05 to 5.05	2,585,000

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2004, including interest payments of \$1,417,502, are presented in the following table:

Year Ending June 30	Bonds	
	Principal	Interest
2005	\$ 563,750	\$ 222,415
2006	585,625	203,948
2007	618,125	180,179
2008	656,250	154,773
2009	675,000	125,762
2010-2014	925,000	399,376
2015-2018	1,025,000	131,049
Total	<u>\$ 5,048,750</u>	<u>\$ 1,417,502</u>

There is \$208,834 available in the Education Debt Service Fund to service long-term debt.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Bonds</u>	<u>Note</u>
Governmental Activities:		
Balance, July 1, 2003	\$ 5,595,625	\$ 812,617
Additions	0	0
Deductions	546,875	812,617
Balance, June 30, 2004	<u>\$ 5,048,750</u>	<u>\$ 0</u>
Balance Due Within One Year	<u>\$ 563,750</u>	<u>\$ 0</u>

Defeasance of Prior Debt

In prior years, Henry County, Tennessee, defeased certain outstanding general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and the defeased bonds are not included in the district's financial statements. At June 30, 2004, the following outstanding bonds are considered defeased:

	<u>Amount</u>
School Series, 1994	\$322,500
School Series, 1995	341,250

III. OTHER INFORMATION

A. Risk Management

Employee Health Insurance

Employees of the Paris Special School District participate in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-302, Tennessee Code Annotated (TCA), all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

Workers' Compensation Insurance

The Paris Special School District participates in the Tennessee School Boards Workers' Compensation Trust (TSBWCT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of

member school systems. The district pays an annual premium to the TSBWCT for its workers' compensation insurance coverage. The creation of the TSBWCT provides for it to be self-sustaining through member premiums.

Liability, Property, and Casualty

The Paris Special School District participates in the Tennessee School Boards Liability Trust (TSBLT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school systems. The district pays an annual premium to the TSBLT for its general liability, property, and casualty insurance coverage. The creation of the TSBLT provides for it to be self-sustaining through member premiums. The TSBLT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

B. Accounting Changes

At the beginning of the year, Paris Special School District adopted certain provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. As previously discussed under the Summary of Significant Accounting Policies, Paris Special School District elected to only implement the provisions of Statement 34 that relate to the fund financial statements. These provisions eliminated the general long-term debt account group and narrowed the definition for the fiduciary fund types.

At the beginning of the year, Paris Special School District also adopted the provisions of GASB Interpretation 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. The provisions of Interpretation 6 are applicable to governmental funds following the modified accrual basis of accounting. Under these provisions, fund liabilities and expenditures are accrued for the matured portion of long-term indebtedness (the portion that has come due). Fund liabilities and expenditures for compensated absences and claims and judgments are recognized to the extent that the liabilities have matured (come due for payment). Paris Special School District was already following these provisions in governmental fund financial statements. Therefore, Interpretation 6 had no effect on the governmental fund financial statements.

C. Contingent Liabilities

The Paris Special School District's attorney advised of one claim pending against the district. The attorney further noted that the district has workers' compensation coverage in this matter and the claim should have no impact on the financial statements of the Paris Special School District.

D. Retirement Commitments

Plan Description

Employees of Paris Special School District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service, or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Paris Special School District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Paris Special School District requires employees to contribute 5.0 percent of earnable compensation. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2004, was 3.74 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Paris Special School District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2004, Paris Special School District's annual pension cost of \$45,600 to TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 2001, actuarial valuation using the frozen entry age actuarial cost

method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Paris Special School District's unfunded actuarial accrued liability is amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2001, was 14 years. An actuarial valuation was performed as of July 1, 2003, which established contribution rates effective July 1, 2004.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2004	\$ 45,600	100%	\$ 0
June 30, 2003	45,222	100	0
June 30, 2002	47,151	100	0

Required Supplementary Information

Schedule of Funding Progress for Paris Special School District

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2003	\$ 2,326	\$ 2,326	\$ 0	100%	\$ 1,194	0%
6/30/2001	2,035	2,035	0	100	1,161	0
6/30/1999	1,701	1,701	0	100	943	0

SCHOOL TEACHERS

Plan Description

The Paris Special School District contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

Funding Policy

Most teachers are required by state statute to contribute 5.0 percent of their salaries to the plan. The employer contribution rate for the Paris Special School District is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2004, was 3.39 percent of annual covered payroll. The employer contribution requirement for Paris Special School District is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2004, 2003, and 2002, were \$144,622, \$141,784, and \$148,191, respectively, equal to the required contributions for each year.

E. Purchasing Laws

Purchasing procedures for the Paris Special School District are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the Board of Directors, through its executive committee (director of schools and chairman of the Board of Directors), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases estimated to exceed \$5,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit C

Paris Special School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Purpose School Fund
For the Year Ended June 30, 2004

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2003	Add: Encumbrances 6/30/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,262,334	\$ 0	\$ 0	\$ 3,262,334	\$ 3,097,957	\$ 3,208,957	\$ 53,377
Licenses and Permits	1,098	0	0	1,098	900	900	198
Charges for Current Services	157,342	0	0	157,342	122,893	149,393	7,949
Other Local Revenues	213,866	0	0	213,866	131,800	201,930	11,936
State of Tennessee	4,775,030	0	0	4,775,030	4,673,995	4,643,745	131,285
Federal Government	162,631	0	0	162,631	66,161	124,161	38,470
Total Revenues	\$ 8,572,301	\$ 0	\$ 0	\$ 8,572,301	\$ 8,093,706	\$ 8,329,086	\$ 243,215
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 4,641,757	\$ (99,695)	\$ 32,676	\$ 4,574,738	\$ 4,449,392	\$ 4,629,342	\$ 54,604
Special Education Program	299,711	0	0	299,711	304,977	300,493	782
Student Body Education Program	54,775	(23,595)	0	31,180	31,700	32,660	1,480
<u>Support Services</u>							
Attendance	4,553	0	0	4,553	4,608	4,608	55
Health Services	42,814	0	0	42,814	42,442	43,617	803
Other Student Support	159,277	(1,294)	80	158,063	165,935	159,735	1,672
Regular Instruction Program	366,388	0	100	366,488	342,809	368,234	1,746
Special Education Program	21,197	0	0	21,197	25,773	21,208	11
Board of Education	134,253	0	0	134,253	140,615	133,115	(1,138)
Director of Schools	140,278	0	0	140,278	142,344	141,244	966
Office of the Principal	381,077	0	0	381,077	375,199	384,874	3,797
Fiscal Services	85,384	0	344	85,728	86,966	86,966	1,238
Operation of Plant	549,335	(1,387)	944	548,892	556,762	550,262	1,370
Maintenance of Plant	160,236	(2,427)	4,921	162,730	176,015	173,015	10,285
Transportation	343,659	(1,915)	1,220	342,964	345,215	348,215	5,251
<u>Operation of Non-Instructional Services</u>							
Community Services	123,155	0	200	123,355	96,443	124,393	1,038
<u>Capital Outlay</u>							
Regular Capital Outlay	95,972	(32,638)	94,484	157,818	68,750	157,950	132

(Continued)

Exhibit C

Paris Special School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Purpose School Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2003	Add: Encumbrances 6/30/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Principal</u>							
Education	\$ 1,249,492	\$ 0	\$ 0	\$ 1,249,492	\$ 694,075	\$ 1,252,775	\$ 3,283
<u>Interest</u>							
Education	153,304	0	0	153,304	152,456	150,256	(3,048)
Total Expenditures	\$ 9,006,617	\$ (162,951)	\$ 134,969	\$ 8,978,635	\$ 8,202,476	\$ 9,062,962	\$ 84,327
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (434,316)	\$ 162,951	\$ (134,969)	\$ (406,334)	\$ (108,770)	\$ (733,876)	\$ 327,542
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 3,683	\$ 0	\$ 0	\$ 3,683	\$ 4,796	\$ 2,296	\$ 1,387
Total Other Financing Sources (Uses)	\$ 3,683	\$ 0	\$ 0	\$ 3,683	\$ 4,796	\$ 2,296	\$ 1,387
Net Change in Fund Balance							
Fund Balance, July 1, 2003	\$ 2,026,125	\$ (162,951)	\$ 0	\$ 1,863,174	\$ 1,849,250	\$ 1,850,116	\$ 13,058
Fund Balance, June 30, 2004	\$ 1,595,492	\$ 0	\$ (134,969)	\$ 1,460,523	\$ 1,745,276	\$ 1,118,536	\$ 341,987

PARIS SPECIAL SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2004

BUDGETARY INFORMATION

The district is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Board of Education and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction Program, Special Education Program, Student Body Education Program, Attendance, etc.). Management may make revisions within major categories, but only the governing body may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The district's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary statement.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

School Federal Projects Fund – The School Federal Projects Fund is used to account for restricted federal revenues which must be expended on specific education programs.

Central Cafeteria Fund – The Central Cafeteria Fund is used to account for the cafeteria operations in each of the schools. The primary sources of funding are federal revenues for the school lunch program and sales to students and adults.

Education Debt Service Fund

The Education Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Education Capital Projects Fund

The Education Capital Projects Fund is used to account for the construction and equipping of public schools in the district.

Exhibit D-1

Paris Special School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

	<u>Special Revenue Funds</u>			<u>Debt</u>	<u>Capital</u>	<u>Nonmajor</u>
	<u>School</u>	<u>Central</u>	<u>Total</u>	<u>Service</u>	<u>Projects</u>	
	<u>Federal</u>	<u>Cafeteria</u>		<u>Education</u>	<u>Education</u>	<u>Funds</u>
	<u>Projects</u>			<u>Debt</u>	<u>Capital</u>	
				<u>Service</u>	<u>Projects</u>	
<u>ASSETS</u>						
Cash	\$ 43,115	\$ 4,409	\$ 47,524	\$ 91,028	\$ 25,831	\$ 164,383
Investments	0	136,454	136,454	115,478	111,953	363,885
Due from Other Governments	0	28,224	28,224	942	0	29,166
Property Taxes Receivable	0	0	0	319,469	0	319,469
Allowance for Uncollectible Property Taxes	0	0	0	(6,815)	0	(6,815)
Total Assets	<u>\$ 43,115</u>	<u>\$ 169,087</u>	<u>\$ 212,202</u>	<u>\$ 520,102</u>	<u>\$ 137,784</u>	<u>\$ 870,088</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 4,556	\$ 712	\$ 5,268	\$ 0	\$ 0	\$ 5,268
Payroll Deductions Payable	13,921	7,452	21,373	0	0	21,373
Deferred Revenue - Current Property Taxes	0	0	0	283,329	0	283,329
Deferred Revenue - Delinquent Property Taxes	0	0	0	27,939	0	27,939
Total Liabilities	<u>\$ 18,477</u>	<u>\$ 8,164</u>	<u>\$ 26,641</u>	<u>\$ 311,268</u>	<u>\$ 0</u>	<u>\$ 337,909</u>
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 804	\$ 0	\$ 804	\$ 0	\$ 0	\$ 804
Reserved for Title I Grants to Local Education Agencies	10,956	0	10,956	0	0	10,956
Reserved for Innovative Education Program Strategies	408	0	408	0	0	408
Reserved for Special Education - Grants to States	3,985	0	3,985	0	0	3,985
Other Federal Reserves	8,485	0	8,485	0	0	8,485
Unreserved	0	160,923	160,923	208,834	137,784	507,541
Total Fund Balances	<u>\$ 24,638</u>	<u>\$ 160,923</u>	<u>\$ 185,561</u>	<u>\$ 208,834</u>	<u>\$ 137,784</u>	<u>\$ 532,179</u>
Total Liabilities and Fund Balances	<u>\$ 43,115</u>	<u>\$ 169,087</u>	<u>\$ 212,202</u>	<u>\$ 520,102</u>	<u>\$ 137,784</u>	<u>\$ 870,088</u>

Exhibit D-2

Paris Special School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2004

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Debt Service	Education Capital Projects	
<u>Revenues</u>						
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 282,181	\$ 0	\$ 282,181
Charges for Current Services	0	193,846	193,846	0	0	193,846
Other Local Revenues	0	1,548	1,548	1,278	1,239	4,065
State of Tennessee	0	9,876	9,876	0	0	9,876
Federal Government	663,908	365,693	1,029,601	0	0	1,029,601
Total Revenues	\$ 663,908	\$ 570,963	\$ 1,234,871	\$ 283,459	\$ 1,239	\$ 1,519,569
<u>Expenditures</u>						
Current:						
Instruction	\$ 621,047	\$ 0	\$ 621,047	\$ 0	\$ 0	\$ 621,047
Support Services	67,428	0	67,428	5,636	0	73,064
Operation of Non-Instructional Services	0	558,613	558,613	0	0	558,613
Debt Service:						
Principal	0	0	0	110,000	0	110,000
Interest	0	0	0	128,215	0	128,215
Other Debt Service	0	0	0	588	0	588
Capital Projects	0	0	0	0	1,585	1,585
Total Expenditures	\$ 688,475	\$ 558,613	\$ 1,247,088	\$ 244,439	\$ 1,585	\$ 1,493,112
Excess (Deficiency) of Revenues Over Expenditures						
	\$ (24,567)	\$ 12,350	\$ (12,217)	\$ 39,020	\$ (346)	\$ 26,457
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (3,683)	\$ 0	\$ (3,683)	\$ 0	\$ 0	\$ (3,683)
Total Other Financing Sources (Uses)	\$ (3,683)	\$ 0	\$ (3,683)	\$ 0	\$ 0	\$ (3,683)
Net Change in Fund Balances						
	\$ (28,250)	\$ 12,350	\$ (15,900)	\$ 39,020	\$ (346)	\$ 22,774
Fund Balance, July 1, 2003	52,888	148,573	201,461	169,814	138,130	509,405
Fund Balance, June 30, 2004	\$ 24,638	\$ 160,923	\$ 185,561	\$ 208,834	\$ 137,784	\$ 532,179

Exhibit D-3

Paris Special School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
School Federal Projects Fund
For the Year Ended June 30, 2004

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2003	Add: Encumbrances 6/30/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 663,908	\$ 0	\$ 0	\$ 663,908	\$ 678,468	\$ 656,468	\$ 7,440
Total Revenues	\$ 663,908	\$ 0	\$ 0	\$ 663,908	\$ 678,468	\$ 656,468	\$ 7,440
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 405,408	\$ (4,531)	\$ 0	\$ 400,877	\$ 375,727	\$ 407,852	\$ 6,975
Special Education Program	215,639	(1,298)	544	214,885	232,121	233,121	18,236
<u>Support Services</u>							
Other Student Support	9,823	0	0	9,823	9,823	9,823	0
Regular Instruction Program	51,400	(3,698)	260	47,962	49,509	48,980	1,018
Special Education Program	4,740	0	0	4,740	5,471	5,471	731
Transportation	1,465	0	0	1,465	1,021	1,501	36
Total Expenditures	\$ 688,475	\$ (9,527)	\$ 804	\$ 679,752	\$ 673,672	\$ 706,748	\$ 26,996
Excess (Deficiency) of Revenues Over Expenditures	\$ (24,567)	\$ 9,527	\$ (804)	\$ (15,844)	\$ 4,796	\$ (50,280)	\$ 34,436
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (3,683)	\$ 0	\$ 0	\$ (3,683)	\$ (4,796)	\$ (4,796)	\$ 1,113
Total Other Financing Sources (Uses)	\$ (3,683)	\$ 0	\$ 0	\$ (3,683)	\$ (4,796)	\$ (4,796)	\$ 1,113
Net Change in Fund Balance	\$ (28,250)	\$ 9,527	\$ (804)	\$ (19,527)	\$ 0	\$ (55,076)	\$ 35,549
Fund Balance, July 1, 2003	52,888	(9,527)	0	43,361	42,905	55,076	(11,715)
Fund Balance, June 30, 2004	\$ 24,638	\$ 0	\$ (804)	\$ 23,834	\$ 42,905	\$ 0	\$ 23,834

Exhibit D-4

Paris Special School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Actual and Budget
Central Cafeteria Fund
For the Year Ended June 30, 2004

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 193,846	\$ 192,450	\$ 192,450	\$ 1,396
Other Local Revenues	1,548	3,100	1,450	98
State of Tennessee	9,876	10,050	9,850	26
Federal Government	365,693	330,100	364,100	1,593
Total Revenues	<u>\$ 570,963</u>	<u>\$ 535,700</u>	<u>\$ 567,850</u>	<u>\$ 3,113</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 558,613	\$ 535,700	\$ 570,750	\$ 12,137
Total Expenditures	<u>\$ 558,613</u>	<u>\$ 535,700</u>	<u>\$ 570,750</u>	<u>\$ 12,137</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 12,350	\$ 0	\$ (2,900)	\$ 15,250
Net Change in Fund Balance	\$ 12,350	\$ 0	\$ (2,900)	\$ 15,250
Fund Balance, July 1, 2003	148,573	148,163	148,163	410
Fund Balance, June 30, 2004	<u>\$ 160,923</u>	<u>\$ 148,163</u>	<u>\$ 145,263</u>	<u>\$ 15,660</u>

Exhibit D-5

Paris Special School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Actual and Budget
Education Debt Service Fund
For the Year Ended June 30, 2004

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 282,181	\$ 274,308	\$ 273,308	\$ 8,873
Other Local Revenues	1,278	1,900	1,150	128
Total Revenues	<u>\$ 283,459</u>	<u>\$ 276,208</u>	<u>\$ 274,458</u>	<u>\$ 9,001</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 5,636	\$ 5,300	\$ 5,700	\$ 64
<u>Principal</u>				
Education	110,000	110,000	110,000	0
<u>Interest</u>				
Education	128,215	128,215	128,215	0
<u>Other Debt Service</u>				
Education	588	500	500	(88)
Total Expenditures	<u>\$ 244,439</u>	<u>\$ 244,015</u>	<u>\$ 244,415</u>	<u>\$ (24)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 39,020</u>	<u>\$ 32,193</u>	<u>\$ 30,043</u>	<u>\$ 8,977</u>
Net Change in Fund Balance	\$ 39,020	\$ 32,193	\$ 30,043	\$ 8,977
Fund Balance, July 1, 2003	169,814	175,655	175,655	(5,841)
Fund Balance, June 30, 2004	<u>\$ 208,834</u>	<u>\$ 207,848</u>	<u>\$ 205,698</u>	<u>\$ 3,136</u>

Exhibit D-6

Paris Special School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Actual and Budget
Education Capital Projects Fund
For the Year Ended June 30, 2004

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 1,239	\$ 2,075	\$ 1,175	\$ 64
Total Revenues	\$ 1,239	\$ 2,075	\$ 1,175	\$ 64
<u>Expenditures</u>				
<u>Capital Projects</u>				
Education Capital Projects	\$ 1,585	\$ 138,130	\$ 136,630	\$ 135,045
Total Expenditures	\$ 1,585	\$ 138,130	\$ 136,630	\$ 135,045
Excess (Deficiency) of Revenues Over Expenditures	\$ (346)	\$ (136,055)	\$ (135,455)	\$ 135,109
Net Change in Fund Balance	\$ (346)	\$ (136,055)	\$ (135,455)	\$ 135,109
Fund Balance, July 1, 2003	138,130	138,131	138,131	(1)
Fund Balance, June 30, 2004	\$ 137,784	\$ 2,076	\$ 2,676	\$ 135,108

MISCELLANEOUS SCHEDULES

Exhibit E-1

Paris Special School District
Schedule of Changes in General Long-term Note and Bonds
For the Year Ended June 30, 2004

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2003	Paid and/or Matured During Period	Outstanding 6/30/2004
<u>NOTE PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
School Construction and Renovation	\$2,300,000	4.98 %	05/14/96	04/22/04	\$ 812,617	\$ 812,617	\$ 0
Total Notes Payable					<u>\$ 812,617</u>	<u>\$ 812,617</u>	<u>\$ 0</u>
<u>GENERAL BONDED DEBT</u>							
<u>Payable through General Purpose School Fund</u>							
School Refunding Bonds, Series 1998	1,897,500	4 to 4.45	08/15/98	05/01/09	\$ 1,815,000	\$ 13,125	\$ 1,801,875
School Refunding Bonds, Series 2002	1,119,375	3	09/15/02	05/01/07	1,085,625	423,750	661,875
Total Payable through General Purpose School Fund					<u>\$ 2,900,625</u>	<u>\$ 436,875</u>	<u>\$ 2,463,750</u>
<u>Payable through Education Debt Service Fund</u>							
School Bonds, Series 1998	3,000,000	4.05 to 5.05	02/01/98	06/01/18	\$ 2,695,000	\$ 110,000	\$ 2,585,000
Total Bonds Payable					<u>\$ 5,595,625</u>	<u>\$ 546,875</u>	<u>\$ 5,048,750</u>

Paris Special School District
Schedule of Bond and Interest Requirements by Year
General Bonded Debt

Year	Bond Requirements	Interest Requirements	Total Requirements
7-1-04 to 6-30-05	\$ 563,750	\$ 222,415	\$ 786,165
7-1-05 6-30-06	585,625	203,948	789,573
7-1-06 6-30-07	618,125	180,179	798,304
7-1-07 6-30-08	656,250	154,773	811,023
7-1-08 6-30-09	675,000	125,762	800,762
7-1-09 6-30-10	150,000	95,575	245,575
7-1-10 6-30-11	175,000	88,675	263,675
7-1-11 6-30-12	175,000	80,450	255,450
7-1-12 6-30-13	200,000	72,138	272,138
7-1-13 6-30-14	225,000	62,538	287,538
7-1-14 6-30-15	250,000	51,512	301,512
7-1-15 6-30-16	250,000	39,138	289,138
7-1-16 6-30-17	250,000	26,512	276,512
7-1-17 6-30-18	275,000	13,887	288,887
Total	<u>\$ 5,048,750</u>	<u>\$ 1,417,502</u>	<u>\$ 6,466,252</u>

Paris Special School District
Schedule of Investments - All Funds
June 30, 2004

<u>Fund and Type</u>	<u>Amount</u>
<u>General Purpose School Fund</u> State Treasurer's Investment Pool	<u>\$ 1,173,738</u>
<u>Central Cafeteria Fund</u> State Treasurer's Investment Pool	<u>\$ 136,454</u>
<u>Education Debt Service Fund</u> State Treasurer's Investment Pool	<u>\$ 115,478</u>
<u>Education Capital Projects Fund</u> State Treasurer's Investment Pool	<u>\$ 111,953</u>
Total Investments	<u><u>\$ 1,537,623</u></u>

Paris Special School District
Schedule of Transfers - All Funds
For the Year Ended June 30, 2004

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect Costs	<u>\$ 3,683</u>
Total Transfers			<u><u>\$ 3,683</u></u>

Exhibit E-5

Paris Special School District
Schedule of Salary and Official Bond of Principal Official
For the Year Ended June 30, 2004

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Paris Special School District Board of Education	\$99,962 ^{(1),(2)}	\$301,800	Fidelity and Deposit Company of Maryland
Employees' Blanket Bond	---	---	150,000	Tennessee School Boards Liability Trust

⁽¹⁾ Includes \$2,250 tax shelter annuity, \$1,800 dental insurance allowance, \$1,500 life insurance allowance for current year, \$1,500 life insurance allowance for prior year, and \$1,000 chief executive officer supplement.

⁽²⁾ Does not include \$6,240 vehicle allowance.

Exhibit E-6

Paris Special School District
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2004

	General Purpose School	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total
		School Federal Projects	Central Cafeteria	Education Debt Service	Education Capital Projects	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,605,189	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,605,189
Trustee's Collections - Prior Year	90,469	0	0	0	0	90,469
Circuit/Clerk & Master Collections - Prior Years	18,257	0	0	0	0	18,257
Interest and Penalty	17,221	0	0	0	0	17,221
Pick-up Taxes	835	0	0	0	0	835
Payments in Lieu of Taxes - T.V.A.	1,408	0	0	0	0	1,408
Payments in Lieu of Taxes - Local Utilities	22,927	0	0	0	0	22,927
Payments in Lieu of Taxes - Other	65,008	0	0	0	0	65,008
<u>County Local Option Taxes</u>						
Local Option Sales Tax	1,022,399	0	0	0	0	1,022,399
Business Tax	47,391	0	0	0	0	47,391
<u>Statutory Local Taxes</u>						
Bank Excise Tax	24,870	0	0	0	0	24,870
Interstate Telecommunications Tax	1,438	0	0	0	0	1,438
<u>City/School District Property Taxes</u>						
Current Property Tax	301,801	0	0	247,852	0	549,653
Prior Year's Property Tax	17,894	0	0	13,708	0	31,602
Interest and Penalty	2,992	0	0	2,516	0	5,508
Pick-up Taxes	1	0	0	1	0	2
Payments in Lieu of Taxes	22,234	0	0	18,104	0	40,338
Total Local Taxes	\$ 3,262,334	\$ 0	\$ 0	\$ 282,181	\$ 0	\$ 3,544,515
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 1,098	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,098
Total Licenses and Permits	\$ 1,098	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,098

(Continued)

Exhibit E-6

Paris Special School District
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	General Purpose School	Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total
		School Federal Projects	Central Cafeteria	Education Debt Service	Education Capital Projects	
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Tuition - Regular Day Students	\$ 12,575	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,575
Lunch Payments - Children	0	0	148,405	0	0	148,405
Lunch Payments - Adults	0	0	28,069	0	0	28,069
Income from Breakfast	0	0	8,454	0	0	8,454
Special Milk Sales	0	0	3,898	0	0	3,898
A la carte Sales	0	0	5,020	0	0	5,020
Receipts from Individual Schools	17,332	0	0	0	0	17,332
Community Service Fees - Children	127,435	0	0	0	0	127,435
Total Charges for Current Services	\$ 157,342	\$ 0	\$ 193,846	\$ 0	\$ 0	\$ 351,188
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 19,167	\$ 0	\$ 1,548	\$ 1,278	\$ 1,239	\$ 23,232
Lease/Rentals	138	0	0	0	0	138
Miscellaneous Refunds	16,516	0	0	0	0	16,516
<u>Nonrecurring Items</u>						
Insurance Recovery	150,130	0	0	0	0	150,130
Sale of Equipment	50	0	0	0	0	50
Damages Recovered from Individuals	652	0	0	0	0	652
Contributions & Gifts	24,025	0	0	0	0	24,025
<u>Other Local Revenues</u>						
Other Local Revenues	3,188	0	0	0	0	3,188
Total Other Local Revenues	\$ 213,866	\$ 0	\$ 1,548	\$ 1,278	\$ 1,239	\$ 217,931

(Continued)

Exhibit E-6

Paris Special School District
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	General Purpose School	Special Revenue Funds		Debt Service Fund Education Debt Service	Capital Projects Fund Education Capital Projects	Total
		School Federal Projects	Central Cafeteria			
<u>State of Tennessee</u>						
<u>State Education Funds</u>						
Basic Education Program	\$ 4,394,123	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,394,123
School Food Service	0	0	9,876	0	0	9,876
Other State Education Funds	16,633	0	0	0	0	16,633
Career Ladder Program	115,923	0	0	0	0	115,923
Career Ladder - Extended Contract	67,362	0	0	0	0	67,362
<u>Other State Revenues</u>						
Income Tax	20,175	0	0	0	0	20,175
Mixed Drink Tax	1,169	0	0	0	0	1,169
State Revenue Sharing - T.V.A.	146,459	0	0	0	0	146,459
Other State Grants	13,186	0	0	0	0	13,186
Total State of Tennessee	\$ 4,775,030	\$ 0	\$ 9,876	\$ 0	\$ 0	\$ 4,784,906
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 294,344	\$ 0	\$ 0	\$ 294,344
Breakfast	0	0	71,349	0	0	71,349
Title I Grants to Local Education Agencies	0	292,390	0	0	0	292,390
Innovative Education Program Strategies	0	55,091	0	0	0	55,091
Special Education - Grants to States	12,658	190,586	0	0	0	203,244
Special Education Preschool Grants	0	16,657	0	0	0	16,657
Eisenhower Professional Development State Grants	0	97,236	0	0	0	97,236
Other Federal through State	149,973	11,948	0	0	0	161,921
Total Federal Government	\$ 162,631	\$ 663,908	\$ 365,693	\$ 0	\$ 0	\$ 1,192,232
Total	\$ 8,572,301	\$ 663,908	\$ 570,963	\$ 283,459	\$ 1,239	\$ 10,091,870

Paris Special School District
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2004

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	2,952,665	
Career Ladder Program		88,488	
Career Ladder Extended Contracts		85,000	
Homebound Teachers		702	
Educational Assistants		102,348	
Other Salaries & Wages		38,369	
Substitute Teachers		53,804	
Social Security		196,631	
State Retirement		109,217	
Life Insurance		10,262	
Medical Insurance		178,149	
Unemployment Compensation		2,371	
Employer Medicare		46,094	
Other Contracted Services		93,367	
Instructional Supplies and Materials		73,582	
Textbooks		126,871	
Other Supplies and Materials		89,840	
Other Charges		10,694	
Regular Instruction Equipment		383,303	
Total Regular Instruction Program			\$ 4,641,757

Special Education Program

Teachers	\$	252,469	
Social Security		15,218	
State Retirement		8,592	
Life Insurance		800	
Medical Insurance		15,087	
Unemployment Compensation		105	
Employer Medicare		3,559	
Other Contracted Services		3,881	
Total Special Education Program			299,711

Student Body Education Program

Other Salaries & Wages	\$	105	
Social Security		14	
State Retirement		8	
Employer Medicare		3	
Other Contracted Services		5,060	
Other Supplies and Materials		9,417	
Other Charges		16,573	

(Continued)

Paris Special School District
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Purpose School Fund (Cont.)

Instruction (Cont.)

Student Body Education Program (Cont.)

Other Equipment	\$	23,595	
Total Student Body Education Program			\$ 54,775

Support Services

Attendance

Supervisor/Director	\$	4,100	
Social Security		254	
State Retirement		139	
Employer Medicare		60	
Total Attendance			4,553

Health Services

Medical Personnel	\$	36,473	
Social Security		2,261	
Unemployment Compensation		73	
Employer Medicare		529	
Travel		96	
Drugs and Medical Supplies		3,164	
In Service/Staff Development		218	
Total Health Services			42,814

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		67,776	
Social Workers		36,019	
Assessment Personnel		28,680	
Social Security		8,774	
State Retirement		5,016	
Life Insurance		300	
Medical Insurance		5,440	
Unemployment Compensation		65	
Employer Medicare		2,052	
Other Supplies and Materials		2,155	
Total Other Student Support			159,277

Regular Instruction Program

Supervisor/Director	\$	59,783	
Career Ladder Program		5,000	
Librarians		96,893	
Materials Supervisor		13,775	

(Continued)

Paris Special School District
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Instructional Computer Personnel	\$	90,161	
Other Salaries & Wages		6,763	
In-Service Training		221	
Social Security		15,978	
State Retirement		9,445	
Life Insurance		509	
Medical Insurance		19,284	
Unemployment Compensation		90	
Employer Medicare		3,737	
Travel		13,161	
Library Books/Media		4,247	
In Service/Staff Development		27,341	
Total Regular Instruction Program			\$ 366,388

Special Education Program

Supervisor/Director	\$	19,090	
Social Security		1,183	
State Retirement		647	
Employer Medicare		277	
Total Special Education Program			21,197

Board of Education

Secretary to Board	\$	100	
Audit Services		7,295	
Dues and Memberships		8,371	
Travel		898	
Other Contracted Services		1,939	
Liability Insurance		14,815	
Trustee's Commission		56,494	
Worker's Compensation Insurance		40,940	
Criminal Investigation of Applicants - TBI		912	
Other Charges		2,489	
Total Board of Education			134,253

Director of Schools

County Official/Administrative Officer	\$	91,912	
Career Ladder Program		1,000	
Social Security		5,399	
State Retirement		3,549	
Life Insurance		5,828	

(Continued)

Paris Special School District
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Medical Insurance	\$	10,830	
Dental Insurance		1,800	
Employer Medicare		1,450	
Other Fringe Benefits		8,490	
Communication		4,352	
Postal Charges		2,401	
Travel		1,965	
Other Charges		1,302	
Total Director of Schools			\$ 140,278

Office of the Principal

Principals	\$	183,212	
Career Ladder Program		5,000	
Assistant Principals		70,744	
Secretary(s)		53,919	
Social Security		18,741	
State Retirement		9,980	
Life Insurance		790	
Medical Insurance		12,315	
Unemployment Compensation		100	
Employer Medicare		4,383	
Communication		19,676	
Postal Charges		1,023	
Travel		559	
Office Supplies		528	
Other Supplies and Materials		107	
Total Office of the Principal			381,077

Fiscal Services

Accountants/Bookkeepers	\$	46,459	
Clerical Personnel		21,530	
Social Security		4,089	
State Retirement		2,380	
Life Insurance		170	
Medical Insurance		2,463	
Unemployment Compensation		25	
Employer Medicare		956	
Travel		164	
Other Contracted Services		4,235	
Office Supplies		2,913	
Total Fiscal Services			85,384

(Continued)

Paris Special School District
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant

Custodial Personnel	\$	164,837	
Social Security		10,060	
State Retirement		5,554	
Life Insurance		1,056	
Medical Insurance		1,909	
Unemployment Compensation		125	
Employer Medicare		2,353	
Other Contracted Services		30,220	
Custodial Supplies		15,111	
Electricity		203,559	
Natural Gas		30,367	
Water and Sewer		9,446	
Other Supplies and Materials		13,894	
Boiler Insurance		2,312	
Building and Contents Insurance		42,133	
Other Charges		6,606	
Plant Operation Equipment		9,793	
Total Operation of Plant			\$ 549,335

Maintenance of Plant

Supervisor/Director	\$	49,729	
Maintenance Personnel		54,180	
Social Security		6,018	
State Retirement		3,886	
Life Insurance		292	
Medical Insurance		7,457	
Employer Medicare		1,408	
Maintenance & Repair Services- Buildings		182	
Maintenance & Repair Services- Equipment		2,357	
Maintenance & Repair Services- Vehicles		1,721	
Other Contracted Services		20,510	
Equipment and Machinery Parts		1,213	
Other Supplies and Materials		10,330	
Other Charges		953	
Total Maintenance of Plant			160,236

Transportation

Mechanic(s)	\$	28,261	
Bus Drivers		123,475	
Other Salaries & Wages		19,992	

(Continued)

Paris Special School District
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

In-Service Training	\$	489	
Social Security		10,458	
State Retirement		5,644	
Life Insurance		955	
Medical Insurance		1,909	
Unemployment Compensation		161	
Employer Medicare		2,446	
Travel		771	
Other Contracted Services		1,868	
Diesel Fuel		19,936	
Gasoline		3,359	
Tires and Tubes		9,202	
Vehicle Parts		30,447	
Other Supplies and Materials		3,223	
Vehicle and Equipment Insurance		13,008	
Other Charges		1,766	
Transportation Equipment		66,289	
Total Transportation			\$ 343,659

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	21,628	
Other Salaries & Wages		83,449	
Social Security		6,455	
State Retirement		1,583	
Unemployment Compensation		155	
Employer Medicare		1,510	
Food Supplies		5,911	
Other Supplies and Materials		2,464	
Total Community Services			123,155

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	24,681	
Other Capital Outlay		71,291	
Total Regular Capital Outlay			95,972

Principal

Education

Principal on Bonds	\$	436,875	
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(Continued)

Paris Special School District
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Purpose School Fund (Cont.)

Principal (Cont.)

Education (Cont.)

Principal on Notes	\$ 812,617	
Total Education		\$ 1,249,492

Interest

Education

Interest on Bonds	\$ 112,083	
Interest on Notes	41,221	
Total Education		<u>153,304</u>

Total General Purpose School Fund		\$ 9,006,617
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 130,728	
Educational Assistants	191,500	
Social Security	19,633	
State Retirement	11,544	
Medical Insurance	6,479	
Unemployment Compensation	300	
Employer Medicare	4,592	
Other Contracted Services	2,125	
Instructional Supplies and Materials	29,467	
Other Supplies and Materials	9,040	
Total Regular Instruction Program		\$ 405,408

Special Education Program

Educational Assistants	\$ 125,521	
Other Salaries & Wages	8,226	
Social Security	8,275	
State Retirement	4,741	
Unemployment Compensation	192	
Employer Medicare	1,935	
Maintenance & Repair Services- Equipment	495	
Other Contracted Services	13,981	
Instructional Supplies and Materials	6,024	
Textbooks	1,079	
Other Supplies and Materials	3,065	
Special Education Equipment	42,105	
Total Special Education Program		215,639

(Continued)

Paris Special School District
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

School Federal Projects Fund (Cont.)

Support Services

Other Student Support

Guidance Personnel	\$	9,547	
Other Supplies and Materials		276	
Total Other Student Support			\$ 9,823

Regular Instruction Program

In-Service Training	\$	427	
Social Security		26	
State Retirement		16	
Unemployment Compensation		1	
Employer Medicare		6	
Travel		147	
Other Supplies and Materials		2,994	
In Service/Staff Development		47,783	
Total Regular Instruction Program			51,400

Special Education Program

In-Service Training	\$	1,455	
Social Security		90	
State Retirement		51	
Unemployment Compensation		4	
Employer Medicare		21	
Travel		1,721	
In Service/Staff Development		1,398	
Total Special Education Program			4,740

Transportation

Bus Drivers	\$	1,315	
Social Security		81	
State Retirement		49	
Unemployment Compensation		1	
Employer Medicare		19	
Total Transportation			1,465

Total School Federal Projects Fund \$ 688,475

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	202,015	
Other Salaries & Wages		30,110	

(Continued)

Paris Special School District
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

In-Service Training	\$	1,797	
Social Security		14,289	
State Retirement		8,142	
Life Insurance		1,600	
Medical Insurance		1,848	
Unemployment Compensation		342	
Employer Medicare		3,342	
Communication		1,496	
Maintenance & Repair Services- Equipment		1,284	
Transportation - Other than Students		3,792	
Travel		58	
Other Contracted Services		4,516	
Food Supplies		242,775	
Office Supplies		430	
Uniforms		1,393	
Other Supplies and Materials		22,975	
Worker's Compensation Insurance		5,641	
In Service/Staff Development		868	
Other Charges		2,111	
Food Service Equipment		7,789	
Total Food Service			\$ 558,613

Total Central Cafeteria Fund \$ 558,613

Education Debt Service Fund

Support Services

Board of Education

Trustee's Commission	\$	5,636	
Total Board of Education			\$ 5,636

Principal

Education

Principal on Bonds	\$	110,000	
Total Education			110,000

Interest

Education

Interest on Bonds	\$	128,215	
Total Education			128,215

(Continued)

Exhibit E-7

Paris Special School District
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Education Debt Service Fund (Cont.)

Other Debt Service

Education

Other Debt Service

\$ 588

Total Education

\$ 588

Total Education Debt Service Fund

\$ 244,439

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Other Capital Outlay

\$ 1,585

Total Education Capital Projects

\$ 1,585

Total Education Capital Projects Fund

1,585

Total Governmental Funds - Primary Government

\$ 10,499,729

STATISTICAL SECTION

Table 1

Paris Special School District
Tax Rates and Assessments
Last Ten Years

Fund	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
General Purpose School	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.18	\$ 0.18	\$ 0.23	\$ 0.23	\$ 0.23
Education Debt Service	0.00	0.00	0.00	0.00	0.25	0.19	0.19	0.19	0.19	0.19
Total Tax Rates	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.49	\$ 0.37	\$ 0.37	\$ 0.42	\$ 0.42	\$ 0.42
<u>Assessed Valuation</u>										
Real and Personal	\$ 83,108,257	\$ 86,289,300	\$ 87,862,352	\$ 90,242,839	\$ 93,821,845	\$ 127,540,454	\$ 129,477,729	\$ 132,050,886	\$ 140,790,703	\$ 142,063,954
Public Utilities	3,292,852	5,233,683	4,353,840	3,944,958	3,096,803	4,494,397	4,350,336	4,441,490	4,745,516	4,909,512
Total Assessed Valuation	\$ 86,401,109	\$ 91,522,983	\$ 92,216,192	\$ 94,187,797	\$ 96,918,648	\$ 132,034,851	\$ 133,828,065	\$ 136,492,376	\$ 145,536,219	\$ 146,973,466

SINGLE AUDIT REPORT
PARIS SPECIAL SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2004

DEPARTMENT OF AUDIT:
JOHN G. MORGAN
Comptroller of the Treasury

DIVISION OF COUNTY AUDIT:
RICHARD V. NORMENT
Assistant to the Comptroller

ARTHUR L. ALEXANDER
Director

NORM R. NORMENT, CGFM
Audit Manager

NOLAN R. BRADFORD, CPA, CGFM
Auditor 4

B. KEITH RICE, CGFM
NATHAN L. ABBOTT, CISA, CFE
State Auditors

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

December 3, 2004

Paris Special School District Director of Schools
and Board of Directors
Paris, Tennessee

To the Director of Schools and Board of Directors:

We have audited the financial statements of the Paris Special School District as of and for the year ended June 30, 2004, and have issued our report thereon dated December 3, 2004. Our report on the financial statements of the Paris Special School District expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Paris 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 grants, 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 one material instance of noncompliance that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Costs as item 04.01. We have also noted certain other, less significant instances of noncompliance that we have reported to management in a separate communication.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Paris Special School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 3, 2004

Paris Special School District Director of Schools
and Board of Directors
Paris, Tennessee

To the Director of Schools and Board of Directors:

Compliance

We have audited the compliance of Paris Special School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Paris 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Paris Special School District's management. Our responsibility is to express an opinion on Paris Special School District's compliance based on our audit.

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

In our opinion, Paris Special School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Paris Special School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Paris Special School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We have audited the financial statements of the Paris Special School District, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 3, 2004. Our report on the financial statements of the Paris Special School District expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu

Paris Special School District
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2004

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	(2)	\$ 29,148
Passed-through State Department of Education:			
Nutrition Cluster:			
School Breakfast Program	10.553	(2)	\$ 71,349
National School Lunch Program	10.555	(2)	294,344
Total Passed-through State Department of Education			\$ 365,693
Total U.S. Department of Agriculture			\$ 394,841
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 292,222
Special Education - Grants to States	84.027	N/A	221,346
Special Education - Preschool Grants	84.173	N/A	15,818
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	18,032 (3)
Safe and Drug-Free Schools and Communities - State Grants	84.186	Z-04-019530-00	2,125 (3)
Eisenhower Professional Development State Grants	84.281	N/A	102,866
State Grants for Innovative Programs	84.298	N/A	60,616
Education Technology State Grants	84.318X	Z-04-020854-00	149,973
Total U.S. Department of Education			\$ 862,998
U. S. Department of Health and Human Services:			
Passed-through State Department of Education:			
Community-Based Family Resource and Support Grants	93.590	Z-04-017576-00	\$ 13,186
Total U. S. Department of Health and Human Services			\$ 13,186
Total Expenditures of Federal Awards			\$ 1,271,025
State Grants:			
Incentive Award - Tennessee Department of Education			\$ 8,424
Total State Grants			\$ 8,424

CFDA = Catalog of Federal Domestic Assistance
N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Pass-through entity identifying number not available.
- (3) Total Safe and Drug-Free Schools and Communities - State Grants (CFDA Number 84.186) from the U.S. Department of Education, \$20,157.

Paris Special School District
Schedule of Audit Finding Not Corrected
June 30, 2004

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below is the finding from the Annual Financial Report for Paris Special School District for the year ended June 30, 2003, which has not been corrected.

OFFICE OF DIRECTOR OF SCHOOLS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
03.02	78	Records Were Not Maintained for Capital Assets

**PARIS SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2004**

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An adverse opinion was issued on the financial statements of the Paris Special School District.
2. No reportable conditions in internal control were disclosed by the audit of the financial statements of the Paris Special School District.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of the Paris Special School District.
4. No reportable conditions in internal control over major programs were disclosed by the audit.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit disclosed no audit findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Nutrition Cluster, School Breakfast Program, and National School Lunch Program (CFDA No.'s 10.553 and 10.555) and Title I Grants to Local Educational Agencies (CFDA No. 84.010) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. The Paris Special School District did not qualify as a low-risk auditee.

PART II, FINDING RELATING TO THE FINANCIAL STATEMENTS

The finding and recommendation as a result of our examination are presented below. We reviewed this finding and recommendation with management to provide an opportunity for their response. Management offered an oral response to the finding and recommendation; however, the oral response has not been included in this report.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 04.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

(Material Noncompliance Under Government Auditing Standards)

Paris Special School District did not identify and determine the historical value of its capital assets and the related depreciation amounts of these assets. Therefore, the district was unable to provide the information necessary to prepare government-wide financial statements for all of its activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, Paris Special School District’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued an adverse opinion on its financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. Paris Special School District’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

Paris Special School District should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for its capital assets. These records should document the historical cost of its capital assets and the related depreciation amounts of these assets. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

**PART III, FINDINGS AND QUESTIONED
COSTS FOR FEDERAL AWARDS**

There were no findings and questioned costs for federal awards.

**PARIS SPECIAL SCHOOL DISTRICT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2004**

There were no audit findings relative to federal awards presented in the prior audit's Schedule of Findings and Questioned Costs or the current year's Schedule of Findings and Questioned Costs.