

**ANNUAL FINANCIAL REPORT**  
**PARIS SPECIAL SCHOOL DISTRICT**



**FOR THE YEAR ENDED JUNE 30, 2005**

**Comptroller of the Treasury  
Department of Audit  
Division of County Audit  
Nashville, Tennessee**

**ANNUAL FINANCIAL REPORT**  
**PARIS SPECIAL SCHOOL DISTRICT**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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*Comptroller of the Treasury*

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This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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# ***Audit Highlights***

Annual Financial Report  
Paris Special School District  
For the Year Ended June 30, 2005

## ***Scope***

We have audited the 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, 2005.

## ***Results***

Our report on the 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 34.

Our audit resulted in two findings and recommendations, which we have reviewed with the Paris Special School District management. Detailed findings and recommendations are included in the Single Audit Section of this report.

## ***Findings***

The following are summaries of the audit findings:

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ Appropriations exceeded estimated available funds in the School Federal Projects Fund resulting in a budgeted fund deficit of \$68,641.

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## INTRODUCTORY SECTION

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Paris Special School District Officials  
June 30, 2005

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**Official**

Paul Doyle, Director of Schools and  
Assistant Secretary - Treasurer

**Board of Directors**

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

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# FINANCIAL SECTION

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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**

**INDEPENDENT AUDITOR'S REPORT**

January 31, 2006

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, 2005, as shown on pages 15 through 29, 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 the 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 special school districts 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, 2005, 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, 2005, 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.

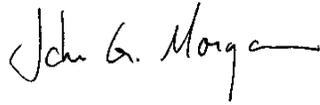
In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2006, on our consideration of the Paris Special School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., the Paris Special School District has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures, which modifies the district's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 33 through 35 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 the 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 the 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 the 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.

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

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Paris Special School District  
Balance Sheet  
Governmental Funds  
June 30, 2005

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<b><u>ASSETS</u></b>			
Equity in Pooled Cash and Investments	\$ 1,777,045	\$ 374,295	\$ 2,151,340
Accounts Receivable	231,466	0	231,466
Due from Other Governments	438,797	60,563	499,360
Property Taxes Receivable	2,552,044	307,718	2,859,762
Allowance for Uncollectible Property Taxes	(63,545)	(7,227)	(70,772)
Total Assets	<u>\$ 4,935,807</u>	<u>\$ 735,349</u>	<u>\$ 5,671,156</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<u>Liabilities</u>			
Accounts Payable	\$ 61,981	\$ 5,410	\$ 67,391
Payroll Deductions Payable	179,214	20,172	199,386
Due to State of Tennessee	328	0	328
Deferred Revenue - Current Property Taxes	2,401,807	274,735	2,676,542
Deferred Revenue - Delinquent Property Taxes	75,795	24,158	99,953
Other Deferred Revenues	316,131	0	316,131
Total Liabilities	<u>\$ 3,035,256</u>	<u>\$ 324,475</u>	<u>\$ 3,359,731</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 159,788	\$ 13,990	\$ 173,778
Reserved for Career Ladder - Extended Contract	35,757	0	35,757
Reserved for Career Ladder Program	9,165	0	9,165
Reserved for Special Education - Grants to States	0	2,518	2,518
Other Federal Reserves	0	4,388	4,388
Unreserved, Reported In:			
General Fund	1,695,841	0	1,695,841
Special Revenue Funds	0	134,132	134,132
Debt Service Fund	0	255,846	255,846
Total Fund Balances	<u>\$ 1,900,551</u>	<u>\$ 410,874</u>	<u>\$ 2,311,425</u>
Total Liabilities and Fund Balances	<u>\$ 4,935,807</u>	<u>\$ 735,349</u>	<u>\$ 5,671,156</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, 2005

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	Total
	Purpose	Govern-	Governmental
	School	mental	Funds
		Funds	
<u>Revenues</u>			
Local Taxes	\$ 3,740,670	\$ 283,544	\$ 4,024,214
Licenses and Permits	1,004	0	1,004
Charges for Current Services	195,827	215,159	410,986
Other Local Revenues	104,642	5,537	110,179
State of Tennessee	5,236,940	10,262	5,247,202
Federal Government	145,408	1,071,960	1,217,368
Total Revenues	<u>\$ 9,424,491</u>	<u>\$ 1,586,462</u>	<u>\$ 11,010,953</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 5,371,650	\$ 645,508	\$ 6,017,158
Support Services	2,594,839	52,910	2,647,749
Operation of Non-Instructional Services	160,719	637,045	797,764
Capital Outlay	440,070	0	440,070
Debt Service:			
Principal	453,750	110,000	563,750
Interest	98,820	123,595	222,415
Other Debt Service	0	392	392
Capital Projects	0	137,901	137,901
Total Expenditures	<u>\$ 9,119,848</u>	<u>\$ 1,707,351</u>	<u>\$ 10,827,199</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 304,643</u>	<u>\$ (120,889)</u>	<u>\$ 183,754</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 416	\$ 0	\$ 416
Transfers Out	0	(416)	(416)
Total Other Financing Sources (Uses)	<u>\$ 416</u>	<u>\$ (416)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 305,059	\$ (121,305)	\$ 183,754
Fund Balance, July 1, 2004	1,595,492	532,179	2,127,671
Fund Balance, June 30, 2005	<u>\$ 1,900,551</u>	<u>\$ 410,874</u>	<u>\$ 2,311,425</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, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Paris Special School District's financial statements 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.

The 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. The 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 the district's auditor to issue an adverse opinion on the district's financial statements.

Although the 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 the district:

**A. Reporting Entity**

The Paris Special School District is a public municipal corporation governed by an elected seven-member board. As required by GAAP, these financial statements present the district. The district operates a public school system and receives funding from local, state, and federal government sources.

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

Fund financial statements of the 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. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the district has no proprietary or fiduciary funds to report. An emphasis is placed on major funds within the governmental category.

Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are segregated into a single column 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. The district considers grants 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.

The district reports the following major governmental fund:

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

Additionally, the 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 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 schools in the district. This fund was closed during the audit period.

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

1. **Deposits and Investments**

State statutes authorize the district 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 district maintains cash and investments for each of its funds separately and displays these accounts on the balance sheets as Cash and Investments. Income from these investments is assigned to each respective fund. The 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. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

Outstanding balances between funds are reported as due to/from other funds.

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 taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.28 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. The 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, the district does not present government-wide statements.

**4. Compensated Absences**

The general policy of the 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 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 and 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 had a designation for the gifted program of \$77 at June 30, 2005.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Fund Deficit**

The School Federal Projects Fund had a fund deficit of \$6,324 at June 30, 2005. This deficit occurred because the district did not request reimbursement of grant expenditures in a timely manner. This fund deficit was liquidated subsequent to June 30, 2005.

**B. Appropriations Exceeded Estimated Available Funds**

Appropriations approved by the Board of Directors exceeded estimated available funds in the School Federal Projects Fund, resulting in a budgeted fund deficit of \$68,641.

**C. Expenditures Exceeded Appropriations**

Expenditures exceeded total appropriations in the Education Capital Projects Fund by \$134,950 because unperformed portions of construction projects were not properly reserved as encumbrances during the prior audit. Such overexpenditures are a violation of state statute. These overexpenditures were funded by available fund balance.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The district maintains a cash and internal investment pool. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments.

**Deposits**

**Legal Provisions.** 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.

## Investments

**Legal Provisions.** 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 special school 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.

**Investment Balances.** As of June 30, 2005, the district had the following investments carried at cost. All investments are in the district's investment pool.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	<u>\$ 1,718,389</u>
Total		<u>\$ 1,718,389</u>

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. The district has no investment policy that would further limit its investment choices. As of June 30, 2005, the district's investment in the State Treasurer's Investment Pool was unrated.

### **B. Interfund Transfers**

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u> General Purpose School Fund
Nonmajor governmental fund	\$ 416
Total	<u>\$ 416</u>

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 the 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 the district is not presenting government-wide financial statements.

**General Obligation Bonds**

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.

General obligation bonds 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 included in long-term debt as of June 30, 2005, will be retired from the General Purpose School Fund or the Education Debt Service Fund.

General obligation bonds outstanding as of June 30, 2005, are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-05</u>
General Obligation Bonds - Refunding	3 to 4.45%	\$3,016,875	\$2,010,000
General Obligation Bonds	4.05 to 5.05	3,000,000	2,475,000

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Bonds	
	Principal	Interest
2006	\$ 585,625	\$ 203,948
2007	618,125	180,179
2008	656,250	154,773
2009	675,000	125,762
2010	150,000	95,575
2011-2015	1,025,000	355,313
2016-2018	775,000	79,537
Total	<u>\$ 4,485,000</u>	<u>\$ 1,195,087</u>

There is \$255,846 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, 2005, was as follows:

	<u>Bonds</u>
Governmental Activities:	
Balance, July 1, 2004	\$ 5,048,750
Deductions	(563,750)
Balance, June 30, 2005	<u>\$ 4,485,000</u>
Balance Due Within One Year	<u>\$ 585,625</u>

#### Defeasance of Prior Debt

In prior years, the district 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, 2005, the following outstanding bonds are considered defeased:

	<u>Amount</u>
School Series, 1995	\$ 232,500

#### IV. OTHER INFORMATION

##### A. Risk Management

###### Employee Health Insurance

Employees of the 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.

###### General Liability, Property, Casualty, and Workers' Compensation Insurance

The district joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The district pays an annual premium to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

##### B. Accounting Change

During the year, the district adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the district's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

##### C. Contingent Liabilities

The 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 estimated that the potential claim against the district would not materially affect the district's financial statements.

## **D. Retirement Commitments**

### **Plan Description**

Employees of the 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](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

### **Funding Policy**

The district requires employees to contribute five percent of earnable compensation. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2005, was 4.95 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the district is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ending June 30, 2005, the district's annual pension cost of \$64,086 to TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the

July 1, 2003, 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 three 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. The district's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 12 years.

### Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$ 64,086	100%	\$ 0
6-30-04	45,600	100	0
6-30-03	45,222	100	0

### Required Supplementary Information

#### Schedule of Funding Progress for the Paris Special School District

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-03	\$ 2,326	\$ 2,326	\$ 0	100%	\$ 1,194	0%
6-30-01	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 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](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/Schools/>.

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salary to the plan. The employer contribution rate for the district is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the district is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2005, 2004, and 2003, were \$259,707, \$144,622, and \$141,784, respectively, equal to the required contributions for each year.

### **E. Purchasing Law**

Purchasing procedures for the 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.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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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, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,740,670	\$ 0	\$ 0	\$ 3,740,670	\$ 3,589,514	\$ 3,661,014	\$ 79,656
Licenses and Permits	1,004	0	0	1,004	900	825	179
Charges for Current Services	195,827	0	0	195,827	167,860	183,360	12,467
Other Local Revenues	104,642	0	0	104,642	220,100	242,375	(137,733)
State of Tennessee	5,236,940	0	0	5,236,940	5,011,710	5,071,024	165,916
Federal Government	145,408	0	0	145,408	113,700	131,700	13,708
<b>Total Revenues</b>	<b>\$ 9,424,491</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 9,424,491</b>	<b>\$ 9,103,784</b>	<b>\$ 9,290,298</b>	<b>\$ 134,193</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 5,056,552	\$ (32,676)	\$ 72,814	\$ 5,096,690	\$ 5,007,566	\$ 5,123,391	\$ 26,701
Special Education Program	281,375	0	0	281,375	282,454	285,454	4,079
Student Body Education Program	33,723	0	5,053	38,776	33,983	40,783	2,007
<u>Support Services</u>							
Attendance	4,696	0	0	4,696	4,608	4,708	12
Health Services	44,881	0	0	44,881	45,930	45,930	1,049
Other Student Support	199,325	(80)	1,285	200,530	191,445	205,275	4,745
Regular Instruction Program	442,901	(100)	0	442,801	446,114	453,814	11,013
Special Education Program	36,151	0	0	36,151	36,378	36,378	227
Board of Education	149,538	0	0	149,538	153,535	152,835	3,297
Director of Schools	145,472	0	532	146,004	152,695	152,695	6,691
Office of the Principal	422,012	0	0	422,012	439,628	437,428	15,416
Fiscal Services	91,305	(344)	2,500	93,461	97,735	96,535	3,074
Operation of Plant	575,499	(944)	2,975	577,530	583,777	593,277	15,747
Maintenance of Plant	195,795	(4,921)	1,350	192,224	197,612	195,812	3,588
Transportation	287,264	(1,220)	70,852	356,896	373,544	377,444	20,548

(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 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Operation of Non-Instructional Services</u>							
Community Services	\$ 160,719	\$ (200)	\$ 350	\$ 160,869	\$ 129,710	\$ 165,410	\$ 4,541
<u>Capital Outlay</u>							
Regular Capital Outlay	440,070	(94,484)	2,077	347,663	325,000	350,800	3,137
<u>Principal</u>							
Education	453,750	0	0	453,750	503,250	458,250	4,500
<u>Interest</u>							
Education	98,820	0	0	98,820	98,820	98,820	0
Total Expenditures	\$ 9,119,848	\$ (134,969)	\$ 159,788	\$ 9,144,667	\$ 9,103,784	\$ 9,275,039	\$ 130,372
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 304,643	\$ 134,969	\$ (159,788)	\$ 279,824	\$ 0	\$ 15,259	\$ 264,565
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 416	\$ 0	\$ 0	\$ 416	\$ 0	\$ 0	\$ 416
Total Other Financing Sources (Uses)	\$ 416	\$ 0	\$ 0	\$ 416	\$ 0	\$ 0	\$ 416
Net Change in Fund Balance							
Fund Balance, July 1, 2004	\$ 1,595,492	(134,969)	0	1,460,523	1,418,553	1,418,600	41,923
Fund Balance, June 30, 2005	\$ 1,900,551	\$ 0	\$ (159,788)	\$ 1,740,763	\$ 1,418,553	\$ 1,433,859	\$ 306,904

**PARIS SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2005**

**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 Directors 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 district's Board of Directors 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.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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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.

## Debt Service Fund

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Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

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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.

# Capital Projects Fund

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Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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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, 2005

	<u>Special Revenue Funds</u>			<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>School Federal Projects</u>	<u>Central Cafeteria</u>	<u>Total</u>	<u>Education Debt Service</u>	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 2,270	\$ 121,075	\$ 123,345	\$ 250,950	\$ 374,295
Due from Other Governments	30,125	27,140	57,265	3,298	60,563
Property Taxes Receivable	0	0	0	307,718	307,718
Allowance for Uncollectible Property Taxes	0	0	0	(7,227)	(7,227)
<b>Total Assets</b>	<b>\$ 32,395</b>	<b>\$ 148,215</b>	<b>\$ 180,610</b>	<b>\$ 554,739</b>	<b>\$ 735,349</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 4,963	\$ 447	\$ 5,410	\$ 0	\$ 5,410
Payroll Deductions Payable	12,860	7,312	20,172	0	20,172
Deferred Revenue - Current Property Taxes	0	0	0	274,735	274,735
Deferred Revenue - Delinquent Property Taxes	0	0	0	24,158	24,158
<b>Total Liabilities</b>	<b>\$ 17,823</b>	<b>\$ 7,759</b>	<b>\$ 25,582</b>	<b>\$ 298,893</b>	<b>\$ 324,475</b>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 13,990	\$ 0	\$ 13,990	\$ 0	\$ 13,990
Reserved for Special Education - Grants to States	2,518	0	2,518	0	2,518
Other Federal Reserves	4,388	0	4,388	0	4,388
Unreserved (Deficit)	(6,324)	140,456	134,132	255,846	389,978
<b>Total Fund Balances</b>	<b>\$ 14,572</b>	<b>\$ 140,456</b>	<b>\$ 155,028</b>	<b>\$ 255,846</b>	<b>\$ 410,874</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 32,395</b>	<b>\$ 148,215</b>	<b>\$ 180,610</b>	<b>\$ 554,739</b>	<b>\$ 735,349</b>

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, 2005

	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	\$ 283,544	\$ 0	\$ 283,544
Charges for Current Services	0	215,159	215,159	0	0	215,159
Other Local Revenues	0	2,910	2,910	2,510	117	5,537
State of Tennessee	0	10,262	10,262	0	0	10,262
Federal Government	683,713	388,247	1,071,960	0	0	1,071,960
Total Revenues	\$ 683,713	\$ 616,578	\$ 1,300,291	\$ 286,054	\$ 117	\$ 1,586,462
<u>Expenditures</u>						
Current:						
Instruction	\$ 645,508	\$ 0	\$ 645,508	\$ 0	\$ 0	\$ 645,508
Support Services	47,855	0	47,855	5,055	0	52,910
Operation of Non-Instructional Services	0	637,045	637,045	0	0	637,045
Debt Service:						
Principal	0	0	0	110,000	0	110,000
Interest	0	0	0	123,595	0	123,595
Other Debt Service	0	0	0	392	0	392
Capital Projects	0	0	0	0	137,901	137,901
Total Expenditures	\$ 693,363	\$ 637,045	\$ 1,330,408	\$ 239,042	\$ 137,901	\$ 1,707,351
Excess (Deficiency) of Revenues Over Expenditures	\$ (9,650)	\$ (20,467)	\$ (30,117)	\$ 47,012	\$ (137,784)	\$ (120,889)
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (416)	\$ 0	\$ (416)	\$ 0	\$ 0	\$ (416)
Total Other Financing Sources (Uses)	\$ (416)	\$ 0	\$ (416)	\$ 0	\$ 0	\$ (416)
Net Change in Fund Balances	\$ (10,066)	\$ (20,467)	\$ (30,533)	\$ 47,012	\$ (137,784)	\$ (121,305)
Fund Balance, July 1, 2004	24,638	160,923	185,561	208,834	137,784	532,179
Fund Balance, June 30, 2005	\$ 14,572	\$ 140,456	\$ 155,028	\$ 255,846	\$ 0	\$ 410,874

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, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 683,713	\$ 0	\$ 0	\$ 683,713	\$ 673,411	\$ 680,111	\$ 3,602
Total Revenues	\$ 683,713	\$ 0	\$ 0	\$ 683,713	\$ 673,411	\$ 680,111	\$ 3,602
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 380,453	\$ 0	\$ 3,032	\$ 383,485	\$ 350,145	\$ 404,674	\$ 21,189
Special Education Program	265,055	(544)	7,883	272,394	275,490	304,700	32,306
<u>Support Services</u>							
Other Student Support	8,841	0	0	8,841	8,841	8,932	91
Regular Instruction Program	31,949	(260)	3,075	34,764	31,175	45,496	10,732
Special Education Program	5,075	0	0	5,075	6,437	6,437	1,362
Transportation	1,990	0	0	1,990	1,323	2,347	357
Total Expenditures	\$ 693,363	\$ (804)	\$ 13,990	\$ 706,549	\$ 673,411	\$ 772,586	\$ 66,037
Excess (Deficiency) of Revenues Over Expenditures	\$ (9,650)	\$ 804	\$ (13,990)	\$ (22,836)	\$ 0	\$ (92,475)	\$ 69,639
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (416)	\$ 0	\$ 0	\$ (416)	\$ 0	\$ 0	\$ (416)
Total Other Financing Sources (Uses)	\$ (416)	\$ 0	\$ 0	\$ (416)	\$ 0	\$ 0	\$ (416)
Net Change in Fund Balance	\$ (10,066)	\$ 804	\$ (13,990)	\$ (23,252)	\$ 0	\$ (92,475)	\$ 69,223
Fund Balance, July 1, 2004	24,638	(804)	0	23,834	22,791	23,834	0
Fund Balance, June 30, 2005	\$ 14,572	\$ 0	\$ (13,990)	\$ 582	\$ 22,791	\$ (68,641)	\$ 69,223

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, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 215,159	\$ 193,250	\$ 214,250	\$ 909
Other Local Revenues	2,910	1,500	2,600	310
State of Tennessee	10,262	9,800	10,200	62
Federal Government	388,247	364,800	386,800	1,447
Total Revenues	<u>\$ 616,578</u>	<u>\$ 569,350</u>	<u>\$ 613,850</u>	<u>\$ 2,728</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 637,045	\$ 569,350	\$ 643,200	\$ 6,155
Total Expenditures	<u>\$ 637,045</u>	<u>\$ 569,350</u>	<u>\$ 643,200</u>	<u>\$ 6,155</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (20,467)</u>	<u>\$ 0</u>	<u>\$ (29,350)</u>	<u>\$ 8,883</u>
Net Change in Fund Balance	\$ (20,467)	\$ 0	\$ (29,350)	\$ 8,883
Fund Balance, July 1, 2004	<u>160,923</u>	<u>160,084</u>	<u>160,084</u>	<u>839</u>
Fund Balance, June 30, 2005	<u><u>\$ 140,456</u></u>	<u><u>\$ 160,084</u></u>	<u><u>\$ 130,734</u></u>	<u><u>\$ 9,722</u></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, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 283,544	\$ 273,433	\$ 278,433	\$ 5,111
Other Local Revenues	2,510	1,200	2,100	410
Total Revenues	<u>\$ 286,054</u>	<u>\$ 274,633</u>	<u>\$ 280,533</u>	<u>\$ 5,521</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 5,055	\$ 0	\$ 5,150	\$ 95
<u>Principal</u>				
Education	110,000	110,000	110,000	0
<u>Interest</u>				
Education	123,595	123,595	123,595	0
<u>Other Debt Service</u>				
Education	392	6,500	650	258
Total Expenditures	<u>\$ 239,042</u>	<u>\$ 240,095</u>	<u>\$ 239,395</u>	<u>\$ 353</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 47,012</u>	<u>\$ 34,538</u>	<u>\$ 41,138</u>	<u>\$ 5,874</u>
Net Change in Fund Balance	\$ 47,012	\$ 34,538	\$ 41,138	\$ 5,874
Fund Balance, July 1, 2004	208,834	207,448	207,448	1,386
Fund Balance, June 30, 2005	<u><u>\$ 255,846</u></u>	<u><u>\$ 241,986</u></u>	<u><u>\$ 248,586</u></u>	<u><u>\$ 7,260</u></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, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 117	\$ 0	\$ 116	\$ 1
Total Revenues	\$ 117	\$ 0	\$ 116	\$ 1
<u>Expenditures</u>				
<u>Capital Projects</u>				
Education Capital Projects	\$ 137,901	\$ 0	\$ 2,950	\$ (134,951)
Total Expenditures	\$ 137,901	\$ 0	\$ 2,950	\$ (134,951)
Excess (Deficiency) of Revenues Over Expenditures	\$ (137,784)	\$ 0	\$ (2,834)	\$ (134,950)
Net Change in Fund Balance	\$ (137,784)	\$ 0	\$ (2,834)	\$ (134,950)
Fund Balance, July 1, 2004	137,784	2,834	2,834	134,950
Fund Balance, June 30, 2005	\$ 0	\$ 2,834	\$ 0	\$ 0

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## MISCELLANEOUS SCHEDULES

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Exhibit E-1

Paris Special School District  
Schedule of Changes in Long-term Bonds  
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Paid and/or Matured During Period	Outstanding 6-30-05
<u>BONDS PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
School Refunding Bonds, Series 1998	\$ 1,897,500	4 to 4.45	%	8-15-1998	5-1-09	\$ 15,000	\$ 1,786,875
School Refunding Bonds, Series 2002	1,119,375	3		9-15-02	5-1-07	661,875	438,750
						<u>2,463,750</u>	<u>453,750</u>
Total Payable through General Purpose School Fund						\$ 2,463,750	\$ 453,750
							<u>2,010,000</u>
<u>Payable through Education Debt Service Fund</u>							
School Bonds, Series 1998	3,000,000	4.05 to 5.05		2-1-1998	6-1-18	\$ 110,000	\$ 2,475,000
						<u>2,585,000</u>	<u>110,000</u>
Total Bonds Payable						\$ 5,048,750	\$ 563,750
						<u><u>4,485,000</u></u>	

Exhibit E-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 585,625	\$ 203,948	\$ 789,573
2007	618,125	180,179	798,304
2008	656,250	154,773	811,023
2009	675,000	125,762	800,762
2010	150,000	95,575	245,575
2011	175,000	88,675	263,675
2012	175,000	80,450	255,450
2013	200,000	72,138	272,138
2014	225,000	62,538	287,538
2015	250,000	51,512	301,512
2016	250,000	39,138	289,138
2017	250,000	26,512	276,512
2018	275,000	13,887	288,887
Total	<u>\$ 4,485,000</u>	<u>\$ 1,195,087</u>	<u>\$ 5,680,087</u>

Exhibit E-3

Paris Special School District  
Schedule of Investments  
June 30, 2005

<u>Fund and Type</u>	<u>Amount</u>
<u>General Purpose School Fund</u>	
State Treasurer's Investment Pool	<u>\$ 1,479,338</u>
<u>Central Cafeteria Fund</u>	
State Treasurer's Investment Pool	<u>\$ 121,063</u>
<u>Education Debt Service Fund</u>	
State Treasurer's Investment Pool	<u>\$ 117,988</u>
Total Investments	<u><u>\$ 1,718,389</u></u>

Exhibit E-4

Paris Special School District  
Schedule of Transfers  
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ 416
Total Transfers			<u>\$ 416</u>

Exhibit E-5

Paris Special School District  
Schedule of Salary and Official Bond of Principal Official  
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Paris Special School District Board of Directors	\$ 104,815 (1)(2)	\$ 301,800	Fidelity and Deposit Company of Maryland
Employees' Blanket Bond			150,000	Tennessee School Boards Risk Management Trust

(1) Includes \$2,108 life insurance allowance, \$1,800 dental insurance allowance, and \$5,000 tax shelter annuity.

(2) Does not include \$5,740 vehicle allowance.

Exhibit E-6

Paris Special School District  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Central Cafeteria	Education Debt Service	Education Capital Projects	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,666,595	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,666,595
Trustee's Collections - Prior Year	86,695	0	0	0	0	86,695
Circuit/Clerk & Master Collections - Prior Years	21,672	0	0	0	0	21,672
Interest and Penalty	26,866	0	0	0	0	26,866
Pick-up Taxes	1,363	0	0	0	0	1,363
Payments in Lieu of Taxes - T.V.A.	1,432	0	0	0	0	1,432
Payments in Lieu of Taxes - Local Utilities	24,000	0	0	0	0	24,000
Payments in Lieu of Taxes - Other	71,878	0	0	0	0	71,878
<u>County Local Option Taxes</u>						
Local Option Sales Tax	1,099,658	0	0	0	0	1,099,658
Business Tax	51,277	0	0	0	0	51,277
<u>Statutory Local Taxes</u>						
Bank Excise Tax	25,853	0	0	0	0	25,853
Interstate Telecommunications Tax	1,437	0	0	0	0	1,437
<u>City/School District Property Taxes</u>						
Current Property Tax	615,059	0	0	263,523	0	878,582
Prior Year's Property Tax	20,339	0	0	8,820	0	29,159
Interest and Penalty	4,728	0	0	1,918	0	6,646
Payments in Lieu of Taxes	21,818	0	0	9,283	0	31,101
Total Local Taxes	\$ 3,740,670	\$ 0	\$ 0	\$ 283,544	\$ 0	\$ 4,024,214
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 1,004	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,004
Total Licenses and Permits	\$ 1,004	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,004
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Tuition - Regular Day Students	\$ 28,768	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,768
Lunch Payments - Children	0	0	159,148	0	0	159,148
Lunch Payments - Adults	0	0	33,980	0	0	33,980
Income from Breakfast	0	0	12,701	0	0	12,701
Special Milk Sales	0	0	4,580	0	0	4,580
A la carte Sales	0	0	4,750	0	0	4,750
Receipts from Individual Schools	18,384	0	0	0	0	18,384

(Continued)

Exhibit E-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Debt Service	Education Capital Projects	Total
<u>Charges for Current Services (Cont.)</u>						
<u>Education Charges (Cont.)</u>						
Community Service Fees - Children	\$ 148,675	\$ 0	\$ 0	\$ 0	\$ 0	\$ 148,675
Total Charges for Current Services	\$ 195,827	\$ 0	\$ 215,159	\$ 0	\$ 0	\$ 410,986
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 34,628	\$ 0	\$ 2,910	\$ 2,510	\$ 117	\$ 40,165
Lease/Rentals	158	0	0	0	0	158
Miscellaneous Refunds	53,715	0	0	0	0	53,715
<u>Nonrecurring Items</u>						
Insurance Recovery	900	0	0	0	0	900
Damages Recovered from Individuals	612	0	0	0	0	612
Contributions & Gifts	14,569	0	0	0	0	14,569
<u>Other Local Revenues</u>						
Other Local Revenues	60	0	0	0	0	60
Total Other Local Revenues	\$ 104,642	\$ 0	\$ 2,910	\$ 2,510	\$ 117	\$ 110,179
<u>State of Tennessee</u>						
<u>State Education Funds</u>						
Basic Education Program	\$ 4,844,526	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,844,526
School Food Service	0	0	10,262	0	0	10,262
Other State Education Funds	100,528	0	0	0	0	100,528
Career Ladder Program	113,840	0	0	0	0	113,840
Career Ladder - Extended Contract	63,994	0	0	0	0	63,994
<u>Other State Revenues</u>						
Income Tax	14,840	0	0	0	0	14,840
Mixed Drink Tax	1,373	0	0	0	0	1,373
State Revenue Sharing - T.V.A.	97,839	0	0	0	0	97,839
Total State of Tennessee	\$ 5,236,940	\$ 0	\$ 10,262	\$ 0	\$ 0	\$ 5,247,202
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 306,391	\$ 0	\$ 0	\$ 306,391
Breakfast	0	0	81,856	0	0	81,856
Title I Grants to Local Education Agencies	0	257,526	0	0	0	257,526
Innovative Education Program Strategies	0	54,986	0	0	0	54,986

(Continued)

Exhibit E-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Debt Service	Education Capital Projects	Total
<u>Federal Government (Cont.)</u>						
<u>Federal Through State (Cont.)</u>						
Special Education - Grants to States	\$ 3,744	\$ 261,333	\$ 0	\$ 0	\$ 0	\$ 265,077
Special Education Preschool Grants	0	14,895	0	0	0	14,895
Eisenhower Professional Development State Grants	0	83,916	0	0	0	83,916
Other Federal through State	141,664	11,057	0	0	0	152,721
Total Federal Government	\$ 145,408	\$ 683,713	\$ 388,247	\$ 0	\$ 0	\$ 1,217,368
Total	\$ 9,424,491	\$ 683,713	\$ 616,578	\$ 286,054	\$ 117	\$ 11,010,953

Exhibit E-7

Paris Special School District  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2005

General Purpose School Fund  
Instruction

Regular Instruction Program

Teachers	\$ 3,359,755	
Career Ladder Program	87,825	
Career Ladder Extended Contracts	57,000	
Homebound Teachers	1,076	
Educational Assistants	115,651	
Other Salaries & Wages	42,814	
Certified Substitute Teachers	55,550	
Social Security	219,769	
State Retirement	196,194	
Life Insurance	10,031	
Medical Insurance	262,765	
Unemployment Compensation	298	
Employer Medicare	51,199	
Other Contracted Services	93,170	
Instructional Supplies and Materials	74,436	
Textbooks	85,142	
Other Supplies and Materials	73,425	
Other Charges	8,380	
Regular Instruction Equipment	262,072	
Total Regular Instruction Program		\$ 5,056,552

Special Education Program

Teachers	\$ 243,102	
Educational Assistants	6,200	
Social Security	14,909	
State Retirement	13,677	
Employer Medicare	3,487	
Total Special Education Program		281,375

Student Body Education Program

Other Salaries & Wages	\$ 105	
Social Security	6	
State Retirement	6	
Employer Medicare	2	
Other Contracted Services	3,407	
Other Supplies and Materials	13,819	
Other Charges	16,378	
Total Student Body Education Program		33,723

(Continued)

Exhibit E-7

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	4,150	
Social Security		258	
State Retirement		228	
Employer Medicare		60	
Total Attendance			\$ 4,696

Health Services

Medical Personnel	\$	37,991	
Social Security		2,355	
Unemployment Compensation		73	
Employer Medicare		551	
Drugs and Medical Supplies		3,833	
Other Supplies and Materials		78	
Total Health Services			44,881

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		81,562	
Social Workers		38,811	
Assessment Personnel		32,085	
Clerical Personnel		11,848	
Social Security		10,702	
State Retirement		9,427	
Life Insurance		82	
Medical Insurance		6,727	
Unemployment Compensation		119	
Employer Medicare		2,503	
Drugs and Medical Supplies		77	
Other Supplies and Materials		2,382	
Total Other Student Support			199,325

Regular Instruction Program

Supervisor/Director	\$	63,230	
Career Ladder Program		5,000	
Librarians		109,443	
Materials Supervisor		14,205	
Instructional Computer Personnel		94,208	
Other Salaries & Wages		16,616	
In-Service Training		12,320	

(Continued)

Exhibit E-7

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.)

Social Security	\$	19,215	
State Retirement		17,571	
Life Insurance		509	
Medical Insurance		23,038	
Unemployment Compensation		162	
Employer Medicare		4,494	
Travel		13,723	
Other Contracted Services		10,331	
Library Books/Media		4,954	
In Service/Staff Development		33,882	
Total Regular Instruction Program			\$ 442,901

Special Education Program

Supervisor/Director	\$	31,950	
Social Security		1,981	
State Retirement		1,757	
Employer Medicare		463	
Total Special Education Program			36,151

Board of Education

Secretary to Board	\$	100	
Audit Services		5,879	
Dues and Memberships		9,272	
Travel		472	
Other Contracted Services		1,500	
Liability Insurance		16,937	
Trustee's Commission		65,788	
Workers' Compensation Insurance		45,642	
Criminal Investigation of Applicants - TBI		1,152	
Refund to Applicant for Criminal Investigation		816	
Other Charges		1,980	
Total Board of Education			149,538

Director of Schools

County Official/Administrative Officer	\$	95,907	
Social Security		5,493	
State Retirement		6,047	
Life Insurance		2,108	
Medical Insurance		11,335	

(Continued)

Exhibit E-7

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.)

Dental Insurance	\$	1,800	
Unemployment Compensation		23	
Employer Medicare		1,486	
Other Fringe Benefits		10,740	
Communication		3,894	
Postal Charges		1,967	
Travel		2,310	
Other Supplies and Materials		1,399	
Other Charges		963	
Total Director of Schools	\$		145,472

Office of the Principal

Principals	\$	193,494	
Career Ladder Program		4,500	
Assistant Principals		91,175	
Secretary(s)		52,443	
Social Security		20,756	
State Retirement		16,393	
Life Insurance		386	
Medical Insurance		19,275	
Unemployment Compensation		66	
Employer Medicare		4,854	
Communication		15,840	
Postal Charges		983	
Travel		487	
Office Supplies		1,360	
Total Office of the Principal			422,012

Fiscal Services

Accountants/Bookkeepers	\$	49,068	
Clerical Personnel		22,180	
Social Security		4,298	
State Retirement		3,840	
Life Insurance		185	
Medical Insurance		3,268	
Unemployment Compensation		48	
Employer Medicare		1,005	
Travel		26	
Other Contracted Services		3,575	

(Continued)

Exhibit E-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Office Supplies	\$ 3,812	
Total Fiscal Services	<u>          </u>	\$ 91,305

Operation of Plant

Custodial Personnel	\$ 168,989	
Social Security	10,300	
State Retirement	7,623	
Life Insurance	717	
Medical Insurance	2,425	
Unemployment Compensation	116	
Employer Medicare	2,409	
Matching Share	250	
Other Contracted Services	34,253	
Custodial Supplies	14,416	
Electricity	211,535	
Natural Gas	32,533	
Water and Sewer	9,838	
Other Supplies and Materials	20,236	
Boiler Insurance	2,644	
Building and Contents Insurance	48,169	
Other Charges	8,198	
Plant Operation Equipment	<u>848</u>	
Total Operation of Plant		575,499

Maintenance of Plant

Supervisor/Director	\$ 53,338
Maintenance Personnel	57,355
Social Security	6,411
State Retirement	5,554
Life Insurance	486
Medical Insurance	8,896
Unemployment Compensation	71
Employer Medicare	1,499
Maintenance & Repair Services- Buildings	276
Maintenance & Repair Services- Equipment	3,354
Travel	354
Other Contracted Services	26,850
Equipment and Machinery Parts	2,995
Other Supplies and Materials	22,339

(Continued)

Exhibit E-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Other Charges	\$	850	
Maintenance Equipment		<u>5,167</u>	
Total Maintenance of Plant			\$ 195,795

Transportation

Mechanic(s)	\$	28,737	
Bus Drivers		127,930	
Other Salaries & Wages		17,062	
In-Service Training		1,312	
Social Security		10,583	
State Retirement		7,698	
Life Insurance		555	
Medical Insurance		2,424	
Unemployment Compensation		183	
Employer Medicare		2,475	
Travel		20	
Other Contracted Services		3,559	
Diesel Fuel		29,191	
Gasoline		4,102	
Tires and Tubes		5,614	
Vehicle Parts		18,884	
Other Supplies and Materials		2,114	
Vehicle and Equipment Insurance		14,873	
Other Charges		1,380	
Transportation Equipment		<u>8,568</u>	
Total Transportation			287,264

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	26,943	
Other Salaries & Wages		103,748	
Social Security		8,027	
State Retirement		3,080	
Unemployment Compensation		255	
Employer Medicare		1,878	
Travel		1,005	
Food Supplies		7,277	
Other Supplies and Materials		7,822	
Other Equipment		<u>684</u>	
Total Community Services			160,719

(Continued)

Exhibit E-7

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Consultants	\$ 37,049	
Building Improvements	101,237	
Other Capital Outlay	301,784	
Total Regular Capital Outlay		\$ 440,070

Principal

Education

Principal on Bonds	\$ 453,750	
Total Education		453,750

Interest

Education

Interest on Bonds	\$ 98,820	
Total Education		98,820

Total General Purpose School Fund \$ 9,119,848

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 83,419	
Educational Assistants	213,074	
Other Salaries & Wages	105	
Social Security	17,774	
State Retirement	14,252	
Life Insurance	1,800	
Medical Insurance	11,871	
Unemployment Compensation	399	
Employer Medicare	4,157	
Other Contracted Services	2,125	
Instructional Supplies and Materials	13,041	
Other Supplies and Materials	18,436	
Total Regular Instruction Program		\$ 380,453

Special Education Program

Educational Assistants	\$ 157,325
Other Salaries & Wages	8,490
Social Security	10,161
State Retirement	7,009

(Continued)

Exhibit E-7

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Life Insurance	\$	1,000	
Unemployment Compensation		319	
Employer Medicare		2,376	
Maintenance & Repair Services- Equipment		935	
Other Contracted Services		23,429	
Instructional Supplies and Materials		14,987	
Textbooks		5,813	
Other Supplies and Materials		4,356	
Special Education Equipment		28,855	
Total Special Education Program	\$		265,055

Support Services

Other Student Support

Guidance Personnel	\$	8,500	
Other Supplies and Materials		341	
Total Other Student Support			8,841

Regular Instruction Program

Other Salaries & Wages	\$	3,500	
In-Service Training		6,817	
Social Security		625	
State Retirement		555	
Unemployment Compensation		2	
Employer Medicare		145	
In Service/Staff Development		20,305	
Total Regular Instruction Program			31,949

Special Education Program

Other Salaries & Wages	\$	120	
Social Security		8	
State Retirement		6	
Unemployment Compensation		1	
Employer Medicare		3	
Travel		4,746	
In Service/Staff Development		191	
Total Special Education Program			5,075

Transportation

Bus Drivers	\$	1,765	
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(Continued)

Exhibit E-7

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Social Security	\$	109	
State Retirement		87	
Unemployment Compensation		3	
Employer Medicare		26	
Total Transportation			\$ 1,990

Total School Federal Projects Fund \$ 693,363

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	225,657	
Other Salaries & Wages		30,993	
In-Service Training		2,040	
Social Security		15,737	
State Retirement		11,203	
Life Insurance		1,600	
Medical Insurance		2,462	
Unemployment Compensation		462	
Employer Medicare		4,026	
Communication		1,500	
Maintenance & Repair Services- Equipment		1,752	
Transportation - Other than Students		3,496	
Travel		186	
Other Contracted Services		3,285	
Food Supplies		273,250	
Office Supplies		400	
Uniforms		1,577	
Other Supplies and Materials		25,078	
Workers' Compensation Insurance		6,093	
In Service/Staff Development		1,278	
Other Charges		240	
Food Service Equipment		24,730	
Total Food Service			\$ 637,045

Total Central Cafeteria Fund 637,045

(Continued)

Exhibit E-7

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

<u>Education Debt Service Fund</u>		
<u>Support Services</u>		
<u>Board of Education</u>		
Trustee's Commission	\$ 5,055	
Total Board of Education		\$ 5,055
<u>Principal</u>		
<u>Education</u>		
Principal on Bonds	\$ 110,000	
Total Education		110,000
<u>Interest</u>		
<u>Education</u>		
Interest on Bonds	\$ 123,595	
Total Education		123,595
<u>Other Debt Service</u>		
<u>Education</u>		
Other Debt Service	\$ 392	
Total Education		392
Total Education Debt Service Fund		\$ 239,042
<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Consultants	\$ 2,951	
Other Capital Outlay	134,950	
Total Education Capital Projects		\$ 137,901
Total Education Capital Projects Fund		137,901
Total Governmental Funds - Paris Special School District		<u>\$ 10,827,199</u>

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## STATISTICAL SECTION

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Table 1

Paris Special School District  
Tax Rates and Assessments  
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General Purpose School	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.18	\$ 0.18	\$ 0.23	\$ 0.23	\$ 0.23	0.46
Education Debt Service	0.00	0.00	0.00	0.25	0.19	0.19	0.19	0.19	0.19	0.19
<b>Total Tax Rates</b>	<b>\$ 0.24</b>	<b>\$ 0.24</b>	<b>\$ 0.24</b>	<b>\$ 0.49</b>	<b>\$ 0.37</b>	<b>\$ 0.37</b>	<b>\$ 0.42</b>	<b>\$ 0.42</b>	<b>\$ 0.42</b>	<b>0.65</b>
<u>Assessed Valuation</u>										
Real and Personal	\$ 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	\$ 145,098,308
Public Utilities	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	4,759,692
<b>Total Assessed Valuation</b>	<b>\$ 91,522,983</b>	<b>\$ 92,216,192</b>	<b>\$ 94,187,797</b>	<b>\$ 96,918,648</b>	<b>\$ 132,034,851</b>	<b>\$ 133,828,065</b>	<b>\$ 136,492,376</b>	<b>\$ 145,536,219</b>	<b>\$ 146,973,466</b>	<b>\$ 149,858,000</b>

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**SINGLE AUDIT SECTION**

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

January 31, 2006

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 each major fund and the aggregate remaining fund information of the Paris Special School District, as of and for the year ended June 30, 2005, which collectively comprise a portion of the Paris Special School District's basic financial statements and have issued our reports thereon dated January 31, 2006. 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 auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Paris Special School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Paris Special School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 05.02.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the above-noted item to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Paris Special School District's statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Costs as item 05.01.

We also noted certain other matters that we reported to the management of the Paris Special School District in separate communications.

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.

Very truly yours,



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  
PHONE (615) 401-7841

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

January 31, 2006

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 the 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, 2005. 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 the Paris Special School District's management. Our responsibility is to express an opinion on the Paris Special School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United State of America, 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 the 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 the Paris Special School District's compliance with those requirements.

In our opinion, the 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, 2005.

#### Internal Control Over Compliance

The management of the 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 the 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 the 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 reportable 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 caused by error or fraud 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.

#### Schedule of Federal Awards

We have audited the 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, 2005, and have issued our report thereon dated January 31, 2006. 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 opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards 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.

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/yu

Paris Special School District  
Schedule of Expenditures of Federal Awards (1)  
For the Year Ended June 30, 2005

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	N/A	\$ 36,679
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	81,856
National School Lunch Program	10.555	N/A	306,391
Total U.S. Department of Agriculture			\$ 424,926
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 271,475
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	258,182
Special Education - Preschool Grants	84.173	N/A	15,917
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	20,183
State Grants for Innovative Programs	84.298	N/A	50,188
Education Technology State Grants	84.318	Z-02-010971-00	23,771 (3)
Education Technology State Grants	84.318	Z-04-020854-00	117,893 (3)
Improving Teacher Quality State Grants	84.367	N/A	90,795
Total U.S. Department of Education			\$ 848,404
U. S. Department of Health and Human Services:			
Passed-through State Department of Education:			
Community-Based Child Abuse Prevention Grants	93.590	Z-05-021395-00	\$ 33,300
Total U. S. Department of Health and Human Services			\$ 33,300
Total Expenditures of Federal Awards			\$ 1,306,630

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) Information not available.
- (3) Total Education Technology State Grants (CFDA No. 84.318) from the U.S. Department of Education, \$141,664.

Paris Special School District  
Schedule of Audit Finding Not Corrected  
June 30, 2005

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 the Paris Special School District for the year ended June 30, 2004, which has not been corrected.

**OFFICE OF DIRECTOR OF SCHOOLS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.01	10	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

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**PARIS SPECIAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2005**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. An adverse opinion was issued on the financial statements of the Paris Special School District.
2. The audit of the financial statements of the Paris Special School District disclosed one reportable condition in internal control.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of the Paris Special School District.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 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, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

### OFFICE OF DIRECTOR OF SCHOOLS

#### FINDING 05.01      **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, the 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 special school districts 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. The 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 costs 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.

FINDING 05.02

**THE SCHOOL FEDERAL PROJECTS FUND HAD BUDGETED  
A FUND DEFICIT**

(Internal Control – Reportable Condition Under Government Auditing  
Standards)

The budget and subsequent amendments submitted to and approved by the Board of Directors for the School Federal Projects Fund contained appropriations that exceeded estimated available funding causing a budgeted fund deficit of \$68,641.

RECOMMENDATION

Appropriations that exceed estimated available funds should not be submitted to or approved by the Board of Directors.

**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, 2005**

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.