
ANNUAL FINANCIAL REPORT PARIS SPECIAL SCHOOL DISTRICT



FOR THE YEAR ENDED JUNE 30, 2007



**ANNUAL FINANCIAL REPORT
PARIS SPECIAL SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2007**

*DEPARTMENT OF AUDIT
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This financial report is available at www.comptroller.state.tn.us

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Audit Highlights
Annual Financial Report
Paris Special School District
For the Year Ended June 30, 2007

Scope

We have audited the basic financial statements of the Paris Special School District as of and for the year ended June 30, 2007.

Results

Our report on the Paris Special School District's financial statements is unqualified.

Findings

Our audit resulted in no findings.

INTRODUCTORY SECTION

Paris Special School District Officials
June 30, 2007

Official

Mike Brown, Director of Schools and
Assistant Secretary-Treasurer

Board of Directors

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

FINANCIAL SECTION



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

March 14, 2008

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 governmental activities, each major fund, and the aggregate remaining fund information of the Paris Special School District, as of and for the year ended June 30, 2007, which collectively comprise the Paris Special School District's basic financial statements as listed in the table of contents. 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 auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Paris Special School District, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2008, 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 V.B., the Paris Special School District has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include the government-wide financial statements.

The management of the Paris Special School District did not prepare the management’s discussion and analysis. The management’s discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United State of America.

The budgetary comparison and pension information on pages 37 through 41 are not required parts of the basic financial statements but they do provide 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, and miscellaneous schedules 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Paris Special School District
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 4,826,841
Due from Other Governments	613,288
Property Taxes Receivable	3,290,386
Allowance for Uncollectible Property Taxes	(31,570)
Capital Assets:	
Assets Not Depreciated:	
Land	130,000
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	12,282,012
Infrastructure	115,351
Other Capital Assets	404,082
Total Assets	<u>\$ 21,630,390</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 25,272
Payroll Deductions Payable	207,001
Accrued Interest Payable	19,195
Deferred Revenue - Current Property Taxes	2,997,007
Noncurrent Liabilities:	
Due Within One Year	869,732
Due in More Than One Year	4,425,000
Total Liabilities	<u>\$ 8,543,207</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 7,636,713
Restricted for:	
School Federal Projects	41,868
Central Cafeteria	144,173
Debt Service	386,778
Capital Projects	2,000,000
Other Purposes	28,939
Unrestricted	<u>2,848,712</u>
Total Net Assets	<u>\$ 13,087,183</u>

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

Exhibit B

Paris Special School District
Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 7,521,539	\$ 32,645	\$ 670,341	\$ 25,260	\$ (6,793,293)
Support Services	3,187,759	20,687	33,808	0	(3,133,264)
Operation of Non-Instructional Services	1,128,375	406,879	720,158	0	(1,338)
Interest on Long-term Debt	179,700	0	0	0	(179,700)
Other Debt Service	392	0	0	0	(392)
Total Governmental Activities	<u>\$ 12,017,765</u>	<u>\$ 460,211</u>	<u>\$ 1,424,307</u>	<u>\$ 25,260</u>	<u>\$ (10,107,987)</u>
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 2,793,016
Property Taxes Levied for Debt Service					296,472
Local Option Sales Taxes					1,228,312
Other Local Taxes					65,286
Grants and Contributions Not Restricted to Specific Programs					6,006,761
Unrestricted Investment Income					159,861
Miscellaneous					18,130
Total General Revenues					<u>\$ 10,567,838</u>
Change in Net Assets					\$ 459,851
Net Assets, July 1, 2006					<u>12,627,332</u>
Net Assets, June 30, 2007					<u><u>\$ 13,087,183</u></u>

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

Exhibit C-1

Paris Special School District
Balance Sheet
Governmental Funds
June 30, 2007

	Major Funds		Nonmajor	Total
	General Purpose School	Education Capital Projects	Other Governmental Funds	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 2,312,022	\$ 2,000,000	\$ 514,819	\$ 4,826,841
Due from Other Governments	525,655	0	87,633	613,288
Property Taxes Receivable	2,980,149	0	310,237	3,290,386
Allowance for Uncollectible Property Taxes	(28,558)	0	(3,012)	(31,570)
Total Assets	<u>\$ 5,789,268</u>	<u>\$ 2,000,000</u>	<u>\$ 909,677</u>	<u>\$ 8,698,945</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 19,913	\$ 0	\$ 5,359	\$ 25,272
Payroll Deductions Payable	169,871	0	37,130	207,001
Deferred Revenue - Current Property Taxes	2,711,954	0	285,053	2,997,007
Deferred Revenue - Delinquent Property Taxes	231,037	0	21,295	252,332
Other Deferred Revenues	160,706	0	0	160,706
Total Liabilities	<u>\$ 3,293,481</u>	<u>\$ 0</u>	<u>\$ 348,837</u>	<u>\$ 3,642,318</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 66,958	\$ 0	\$ 951	\$ 67,909
Reserved for Career Ladder - Extended Contract	8,154	0	0	8,154
Reserved for Career Ladder Program	20,785	0	0	20,785
Reserved for Title I Grants to Local Education Agencies	0	0	20,264	20,264
Reserved for Special Education - Grants to States	0	0	3,675	3,675
Other Federal Reserves	0	0	17,675	17,675
Unreserved, Reported In:				
General Fund	2,399,890	0	0	2,399,890
Special Revenue Funds	0	0	144,173	144,173
Debt Service Fund	0	0	374,102	374,102
Capital Projects Fund	0	2,000,000	0	2,000,000
Total Fund Balances	<u>\$ 2,495,787</u>	<u>\$ 2,000,000</u>	<u>\$ 560,840</u>	<u>\$ 5,056,627</u>
Total Liabilities and Fund Balances	<u>\$ 5,789,268</u>	<u>\$ 2,000,000</u>	<u>\$ 909,677</u>	<u>\$ 8,698,945</u>

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

Exhibit C-2

Paris Special School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2007

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	5,056,627
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	130,000	
Add: buildings and improvements net of accumulated depreciation		12,282,012	
Add: infrastructure net of accumulated depreciation		115,351	
Add: other capital assets net of accumulated depreciation		<u>404,082</u>	12,931,445
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			413,038
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(2,000,000)	
Less: capital lease payable		(13,482)	
Less: bonds payable		(3,281,250)	
Less: accrued interest on note, capital lease, and bonds		<u>(19,195)</u>	<u>(5,313,927)</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 13,087,183</u>

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

Exhibit C-3

Paris Special School District
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	Major Funds		Nonmajor	Total
	General Purpose School	Education Capital Projects	Funds Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 4,014,314	\$ 0	\$ 285,632	\$ 4,299,946
Licenses and Permits	977	0	0	977
Charges for Current Services	233,138	0	227,073	460,211
Other Local Revenues	191,643	0	20,366	212,009
State of Tennessee	6,053,694	0	10,403	6,064,097
Federal Government	2,150	0	1,204,875	1,207,025
Total Revenues	<u>\$ 10,495,916</u>	<u>\$ 0</u>	<u>\$ 1,748,349</u>	<u>\$ 12,244,265</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 6,331,400	\$ 0	\$ 697,243	\$ 7,028,643
Support Services	3,052,100	0	72,220	3,124,320
Operation of Non-Instructional Services	415,307	0	650,695	1,066,002
Capital Outlay	131,162	0	0	131,162
Debt Service:				
Principal on Debt	493,125	0	137,713	630,838
Interest on Debt	66,204	0	115,560	181,764
Other Debt Service	0	0	392	392
Total Expenditures	<u>\$ 10,489,298</u>	<u>\$ 0</u>	<u>\$ 1,673,823</u>	<u>\$ 12,163,121</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 6,618</u>	<u>\$ 0</u>	<u>\$ 74,526</u>	<u>\$ 81,144</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 2,000,000	\$ 0	\$ 2,000,000
Insurance Recovery	3,995	0	0	3,995
Total Other Financing Sources (Uses)	<u>\$ 3,995</u>	<u>\$ 2,000,000</u>	<u>\$ 0</u>	<u>\$ 2,003,995</u>
Net Change in Fund Balances	\$ 10,613	\$ 2,000,000	\$ 74,526	\$ 2,085,139
Fund Balance, July 1, 2006	2,485,174	0	486,314	2,971,488
Fund Balance, June 30, 2007	<u>\$ 2,495,787</u>	<u>\$ 2,000,000</u>	<u>\$ 560,840</u>	<u>\$ 5,056,627</u>

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

Exhibit C-4

Paris Special School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 2,085,139
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 94,712	
Less: current year depreciation expense	<u>(552,112)</u>	(457,400)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Less: deferred delinquent property taxes and other deferred June 30, 2006	\$ (213,828)	
Add: deferred delinquent property taxes and other deferred June 30, 2007	<u>413,038</u>	199,210
<p>(3) The issuance of long-term debt (e.g. notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Less: note proceeds	\$ (2,000,000)	
Add: principal payments on capital lease	12,713	
Add: principal payments on bonds	<u>618,125</u>	(1,369,162)
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest payable		<u>2,064</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 459,851</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, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Paris Special School District's financial statements are 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 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 Paris Special School District. The district has no component units. The district operates a public school system and receives funding from local, state, and federal government sources.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the district. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the district does not have any business-type activities to report.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 does not have any 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 aggregated 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 funds:

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.

Education Capital Projects Fund – This fund accounts for financial resources to be used for school renovations.

Additionally, the district reports the following fund types:

Special Revenue Funds – These funds 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted revenues first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or 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 a cash and internal investment pool that is used by all funds. Each fund’s portion of this pool is displayed on the

balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Income from these pooled investments is allocated to the General Purpose School, Central Cafeteria, and Education Debt Service funds. 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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to .528 percent of total taxes levied.

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 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.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the district are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	7-40
Other Capital Assets	5-15
Infrastructure:	
Improvements Other than Buildings	20-30

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

In the fund financial statements, 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.

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 are recognized to the extent that the liabilities have matured (come due for payment) each period.

6. Net Assets and Fund Equity

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other

governments or (2) law through constitutional provisions or enabling legislation.

- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

In the fund financial statements, 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 of \$859 for the gifted program at June 30, 2007.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

Exhibit C-4 includes explanations of the nature of individual elements required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Education Capital Projects Fund, which adopts project length budgets. All annual appropriations lapse at fiscal year end.

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 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 schedule.

IV. 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 or statements of net assets 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, 2007, 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	\$ 3,658,253

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, 2007, the district's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital assets activity for the year ended June 30, 2007, was as follows:

Governmental Activities:

	Balance		Balance	
	7-1-06	Increases	Decreases	6-30-07
Capital Assets Not Depreciated:				
Land	\$ 130,000	\$ 0	\$ 0	\$ 130,000
Total Capital Assets Not Depreciated	\$ 130,000	\$ 0	\$ 0	\$ 130,000
Capital Assets Depreciated:				
Buildings and Improvements	\$ 18,270,143	\$ 19,739	\$ 0	\$ 18,289,882
Infrastructure	190,926	0	0	190,926
Other Capital Assets	1,363,719	74,973	141,225	1,297,467
Total Capital Assets Depreciated	\$ 19,824,788	\$ 94,712	\$ 141,225	\$ 19,778,275
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,539,773	\$ 468,097	\$ 0	\$ 6,007,870
Infrastructure	66,029	9,546	0	75,575
Other Capital Assets	960,141	74,469	141,225	893,385
Total Accumulated Depreciation	\$ 6,565,943	\$ 552,112	\$ 141,225	\$ 6,976,830
Total Capital Assets Depreciated, Net	\$ 13,258,845	\$ (457,400)	\$ 0	\$ 12,801,445
Governmental Activities				
Capital Assets, Net	\$ 13,388,845	\$ (457,400)	\$ 0	\$ 12,931,445

Depreciation expense was charged to functions of the district as follows:

Governmental Activities:

Instruction	\$ 368,626
Support Services	157,764
Operation of Non-Instructional Services	<u>25,722</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 552,112</u>

C. Capital Lease

On August 30, 2005, the district entered into a two-year lease-purchase agreement for a special education school bus. The terms of the agreement require total lease payments of \$67,195 plus interest of 6.05 percent. Title to the equipment transfers to the district at the end of the lease period. The lease payments are made by the School Federal Projects Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

Year Ending June 30	Governmental Funds
2008	\$ 14,298
Total Minimum Lease Payments	\$ 14,298
Amount Representing Interest	(816)
Present Value of Minimum Lease Payments	\$ 13,482

D. Long-term Debt

General Obligation Bonds and Note

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the district. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 20 years for bonds and up to ten years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2007, will be retired from the General Purpose School Fund or the Education Debt Service Fund.

General obligation bonds, the capital outlay note, and the capital lease outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds - Refunding	4 to 4.45 %	\$1,897,500	\$ 1,046,250
General Obligation Bonds	4.05 to 5.05	3,000,000	2,235,000
Capital Outlay Note	4.14	2,000,000	2,000,000
Capital Lease	6.05	67,195	13,482

The annual requirements to amortize all general obligation bonds and the capital outlay note outstanding as of June 30, 2007, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Note	
	Principal	Interest	Principal	Interest
2008	\$ 656,250	\$ 154,773	\$ 200,000	\$ 80,951
2009	675,000	125,762	200,000	72,456
2010	150,000	95,575	200,000	64,176
2011	175,000	88,675	200,000	55,896
2012	175,000	80,450	200,000	47,740
2013-2017	1,175,000	251,838	1,000,000	113,912
2018	275,000	13,887	0	0
Total	\$ 3,281,250	\$ 810,960	\$ 2,000,000	\$ 435,131

There is \$374,102 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, 2007, was as follows:

Governmental Activities:

	Bonds	Note	Capital Lease
Balance, July 1, 2006	\$ 3,899,375	\$ 0	\$ 26,195
Additions	0	2,000,000	0
Deductions	(618,125)	0	(12,713)
Balance, June 30, 2007	\$ 3,281,250	\$ 2,000,000	\$ 13,482
Balance Due Within One Year	\$ 656,250	\$ 200,000	\$ 13,482

V. 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 Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The district pays annual premiums to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

B. Accounting Change

At the beginning of the year, the Paris Special School District implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. In the prior year, the Paris Special School District had elected only to implement the provisions of Statement No. 34 that related to the fund financial statements.

C. Contingent Liabilities

The district's attorney advised of one claim pending against the district. The attorney further noted that the potential claim against the district would not materially affect the district's financial statements.

D. Change in Administration

The Board of Directors contracted with Mike Brown effective May 1, 2007, to become Paul Doyle's successor. Paul Doyle left the Office of Director of Schools on June 30, 2007.

E. Retirement Commitments

Employees

Plan Description

Employees of the Paris Special School District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five

years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the 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 <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, 2007, was 6.9 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, 2007, the district's annual pension cost of \$115,310 to TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 2005, 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, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$115,310	100%	\$0
6-30-06	71,228	100	0
6-30-05	64,086	100	0

School Teachers

Plan Description

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

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

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, 2007, was 6.13 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, 2007, 2006, and 2005, were \$312,954, \$272,071, and \$259,707, respectively, equal to the required contributions for each year.

F. 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 \$10,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,014,314	\$ 0	\$ 0	\$ 4,014,314	\$ 4,102,479	\$ 3,974,479	\$ 39,835
Licenses and Permits	977	0	0	977	825	825	152
Charges for Current Services	233,138	0	0	233,138	228,820	228,020	5,118
Other Local Revenues	191,643	0	0	191,643	132,850	185,515	6,128
State of Tennessee	6,053,694	0	0	6,053,694	5,616,452	5,947,052	106,642
Federal Government	2,150	0	0	2,150	2,100	2,100	50
Total Revenues	\$ 10,495,916	\$ 0	\$ 0	\$ 10,495,916	\$ 10,083,526	\$ 10,337,991	\$ 157,925
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 6,002,898	\$ (273,404)	\$ 53,732	\$ 5,783,226	\$ 6,065,228	\$ 6,092,485	\$ 309,259
Special Education Program	286,013	0	0	286,013	286,014	286,014	1
Student Body Education Program	42,489	(5,290)	1,447	38,646	31,989	39,951	1,305
<u>Support Services</u>							
Attendance	11,315	0	0	11,315	11,378	11,378	63
Health Services	47,463	0	90	47,553	50,119	49,869	2,316
Other Student Support	231,089	0	0	231,089	225,915	234,465	3,376
Regular Instruction Program	380,904	(2,599)	0	378,305	377,587	382,287	3,982
Special Education Program	33,326	0	0	33,326	33,326	33,326	0
Board of Education	164,872	0	0	164,872	161,080	165,740	868
Director of Schools	173,423	0	0	173,423	165,569	176,552	3,129
Office of the Principal	437,902	0	0	437,902	436,107	448,057	10,155
Fiscal Services	114,053	0	100	114,153	112,575	115,350	1,197
Operation of Plant	656,249	(4,940)	11	651,320	673,422	671,022	19,702
Maintenance of Plant	226,035	(4,293)	43	221,785	217,383	225,383	3,598
Transportation	426,852	(8,289)	375	418,938	427,575	430,745	11,807

(Continued)

Exhibit D-1

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 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Central and Other	\$ 148,617	\$ 0	\$ 0	\$ 148,617	\$ 154,550	\$ 151,550	\$ 2,933
<u>Operation of Non-Instructional Services</u>							
Community Services	175,964	0	0	175,964	183,420	185,020	9,056
Early Childhood Education	239,343	0	11,160	250,503	242,757	250,965	462
<u>Capital Outlay</u>							
Regular Capital Outlay	131,162	(22,887)	0	108,275	58,900	108,900	625
<u>Principal on Debt</u>							
Education	493,125	0	0	493,125	435,100	493,125	0
<u>Interest on Debt</u>							
Education	66,204	0	0	66,204	124,260	66,235	31
Total Expenditures	\$ 10,489,298	\$ (321,702)	\$ 66,958	\$ 10,234,554	\$ 10,474,254	\$ 10,618,419	\$ 383,865
Excess (Deficiency) of Revenues Over Expenditures	\$ 6,618	\$ 321,702	\$ (66,958)	\$ 261,362	\$ (390,728)	\$ (280,428)	\$ 541,790
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 3,995	\$ 0	\$ 0	\$ 3,995	\$ 0	\$ 3,800	\$ 195
Total Other Financing Sources (Uses)	\$ 3,995	\$ 0	\$ 0	\$ 3,995	\$ 0	\$ 3,800	\$ 195
Net Change in Fund Balance	\$ 10,613	\$ 321,702	\$ (66,958)	\$ 265,357	\$ (390,728)	\$ (276,628)	\$ 541,985
Fund Balance, July 1, 2006	2,485,174	(321,702)	0	2,163,472	2,143,665	2,143,665	19,807
Fund Balance, June 30, 2007	\$ 2,495,787	\$ 0	\$ (66,958)	\$ 2,428,829	\$ 1,752,937	\$ 1,867,037	\$ 561,792

Exhibit D-2

Paris Special School District
Schedule of Funding Progress – Pension Plan
June 30, 2007

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$ 2,628	\$ 2,628	0	100 %	\$ 1,288	0 %
6-30-03	2,326	2,326	0	100	1,194	0
6-30-01	2,035	2,035	0	100	1,161	0

PARIS SPECIAL SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007

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 schedule.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

Central Cafeteria Fund – The Central Cafeteria Fund is used to account for the cafeteria operations in each of the schools.

Debt Service Fund

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.

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.

Exhibit E-1

Paris Special School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	<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	\$ 26,670	\$ 116,982	\$ 143,652	\$ 371,167	\$ 514,819
Due from Other Governments	44,400	41,175	85,575	2,058	87,633
Property Taxes Receivable	0	0	0	310,237	310,237
Allowance for Uncollectible Property Taxes	0	0	0	(3,012)	(3,012)
Total Assets	\$ 71,070	\$ 158,157	\$ 229,227	\$ 680,450	\$ 909,677
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 4,943	\$ 416	\$ 5,359	\$ 0	\$ 5,359
Payroll Deductions Payable	23,562	13,568	37,130	0	37,130
Deferred Revenue - Current Property Taxes	0	0	0	285,053	285,053
Deferred Revenue - Delinquent Property Taxes	0	0	0	21,295	21,295
Total Liabilities	\$ 28,505	\$ 13,984	\$ 42,489	\$ 306,348	\$ 348,837
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 951	\$ 0	\$ 951	\$ 0	\$ 951
Reserved for Title I Grants to Local Education Agencies	20,264	0	20,264	0	20,264
Reserved for Special Education - Grants to States	3,675	0	3,675	0	3,675
Other Federal Reserves	17,675	0	17,675	0	17,675
Unreserved	0	144,173	144,173	374,102	518,275
Total Fund Balances	\$ 42,565	\$ 144,173	\$ 186,738	\$ 374,102	\$ 560,840
Total Liabilities and Fund Balances	\$ 71,070	\$ 158,157	\$ 229,227	\$ 680,450	\$ 909,677

Exhibit E-2

Paris Special School District
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	<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>Revenues</u>					
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 285,632	\$ 285,632
Charges for Current Services	0	227,073	227,073	0	227,073
Other Local Revenues	0	8,544	8,544	11,822	20,366
State of Tennessee	0	10,403	10,403	0	10,403
Federal Government	788,771	416,104	1,204,875	0	1,204,875
Total Revenues	<u>\$ 788,771</u>	<u>\$ 662,124</u>	<u>\$ 1,450,895</u>	<u>\$ 297,454</u>	<u>\$ 1,748,349</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 697,243	\$ 0	\$ 697,243	\$ 0	\$ 697,243
Support Services	59,001	7,520	66,521	5,699	72,220
Operation of Non-Instructional Services	0	650,695	650,695	0	650,695
Debt Service:					
Principal on Debt	12,713	0	12,713	125,000	137,713
Interest on Debt	1,585	0	1,585	113,975	115,560
Other Debt Service	0	0	0	392	392
Total Expenditures	<u>\$ 770,542</u>	<u>\$ 658,215</u>	<u>\$ 1,428,757</u>	<u>\$ 245,066</u>	<u>\$ 1,673,823</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 18,229</u>	<u>\$ 3,909</u>	<u>\$ 22,138</u>	<u>\$ 52,388</u>	<u>\$ 74,526</u>
Net Change in Fund Balances	\$ 18,229	\$ 3,909	\$ 22,138	\$ 52,388	\$ 74,526
Fund Balance, July 1, 2006	24,336	140,264	164,600	321,714	486,314
Fund Balance, June 30, 2007	<u>\$ 42,565</u>	<u>\$ 144,173</u>	<u>\$ 186,738</u>	<u>\$ 374,102</u>	<u>\$ 560,840</u>

Exhibit E-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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 788,771	\$ 0	\$ 0	\$ 788,771	\$ 756,729	\$ 775,355	\$ 13,416
Total Revenues	\$ 788,771	\$ 0	\$ 0	\$ 788,771	\$ 756,729	\$ 775,355	\$ 13,416
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 397,799	\$ (1,988)	\$ 26	\$ 395,837	\$ 412,002	\$ 396,953	\$ 1,116
Special Education Program	299,444	(1,911)	0	297,533	283,208	302,289	4,756
<u>Support Services</u>							
Regular Instruction Program	48,996	(4,197)	925	45,724	52,621	51,258	5,534
Special Education Program	7,103	0	0	7,103	6,000	7,600	497
Transportation	2,902	0	0	2,902	2,898	2,957	55
<u>Principal on Debt</u>							
Education	12,713	0	0	12,713	0	12,713	0
<u>Interest on Debt</u>							
Education	1,585	0	0	1,585	0	1,585	0
Total Expenditures	\$ 770,542	\$ (8,096)	\$ 951	\$ 763,397	\$ 756,729	\$ 775,355	\$ 11,958
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 18,229	\$ 8,096	\$ (951)	\$ 25,374	\$ 0	\$ 0	\$ 25,374
Net Change in Fund Balance							
Fund Balance, July 1, 2006	\$ 24,336	(8,096)	0	16,240	10,675	10,675	5,565
Fund Balance, June 30, 2007	\$ 42,565	\$ 0	\$ (951)	\$ 41,614	\$ 10,675	\$ 10,675	\$ 30,939

Exhibit E-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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 227,073	\$ 226,750	\$ 226,813	\$ 260
Other Local Revenues	8,544	5,950	7,850	694
State of Tennessee	10,403	10,720	10,402	1
Federal Government	416,104	410,000	414,500	1,604
Total Revenues	<u>\$ 662,124</u>	<u>\$ 653,420</u>	<u>\$ 659,565</u>	<u>\$ 2,559</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 7,520	\$ 6,300	\$ 7,530	\$ 10
<u>Operation of Non-Instructional Services</u>				
Food Service	650,695	647,120	650,745	50
Total Expenditures	<u>\$ 658,215</u>	<u>\$ 653,420</u>	<u>\$ 658,275</u>	<u>\$ 60</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,909</u>	<u>\$ 0</u>	<u>\$ 1,290</u>	<u>\$ 2,619</u>
Net Change in Fund Balance	\$ 3,909	\$ 0	\$ 1,290	\$ 2,619
Fund Balance, July 1, 2006	<u>140,264</u>	<u>140,080</u>	<u>140,808</u>	<u>(544)</u>
Fund Balance, June 30, 2007	<u>\$ 144,173</u>	<u>\$ 140,080</u>	<u>\$ 142,098</u>	<u>\$ 2,075</u>

Exhibit E-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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 285,632	\$ 292,696	\$ 283,536	\$ 2,096
Other Local Revenues	11,822	5,950	11,650	172
Total Revenues	<u>\$ 297,454</u>	<u>\$ 298,646</u>	<u>\$ 295,186</u>	<u>\$ 2,268</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 5,699	\$ 6,200	\$ 6,200	\$ 501
<u>Principal on Debt</u>				
Education	125,000	125,000	125,000	0
<u>Interest on Debt</u>				
Education	113,975	113,975	113,975	0
<u>Other Debt Service</u>				
Education	392	500	500	108
Total Expenditures	<u>\$ 245,066</u>	<u>\$ 245,675</u>	<u>\$ 245,675</u>	<u>\$ 609</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 52,388</u>	<u>\$ 52,971</u>	<u>\$ 49,511</u>	<u>\$ 2,877</u>
Net Change in Fund Balance	\$ 52,388	\$ 52,971	\$ 49,511	\$ 2,877
Fund Balance, July 1, 2006	<u>321,714</u>	<u>321,503</u>	<u>321,503</u>	<u>211</u>
Fund Balance, June 30, 2007	<u>\$ 374,102</u>	<u>\$ 374,474</u>	<u>\$ 371,014</u>	<u>\$ 3,088</u>

MISCELLANEOUS SCHEDULES

Exhibit F-1

Paris Special School District
Schedule of Changes in Long-term Note, Capital Lease, and Bonds
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<u>NOTE PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
School Renovation	\$ 2,000,000	4.14 %	6-20-07	6-20-17	\$ 0	\$ 2,000,000	\$ 0	\$ 2,000,000
Total Note Payable					\$ 0	\$ 2,000,000	\$ 0	\$ 2,000,000
<u>CAPITAL LEASE PAYABLE</u>								
<u>Payable through School Federal Projects Fund</u>								
School Bus	67,195	6.05	8-30-05	8-30-07	\$ 26,195	\$ 0	\$ 12,713	\$ 13,482
Total Capital Lease Payable					\$ 26,195	\$ 0	\$ 12,713	\$ 13,482
<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	\$ 1,425,000	\$ 0	\$ 378,750	\$ 1,046,250
School Refunding Bonds, Series 2002	1,119,375	3	9-15-02	5-1-07	114,375	0	114,375	0
Total Payable through General Purpose School Fund					\$ 1,539,375	\$ 0	\$ 493,125	\$ 1,046,250
<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	\$ 2,360,000	\$ 0	\$ 125,000	\$ 2,235,000
Total Bonds Payable					\$ 3,899,375	\$ 0	\$ 618,125	\$ 3,281,250

Exhibit F-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
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>\$ 3,281,250</u>	<u>\$ 810,960</u>	<u>\$ 4,092,210</u>

Exhibit F-3

Paris Special School District
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools:				
Paul Doyle (7-1-06 through 6-30-07)	State Board of Education and Paris Special School District Board of Directors	\$ 112,494 (1)	\$ 277,000	Fidelity and Deposit Company of Maryland
Mike Brown (5-1-07 through 6-30-07)	State Board of Education and Paris Special School District Board of Directors	6,906 (2)	301,800	RLI Insurance Company
Employees' Blanket Bond			150,000	Tennessee Risk Management Trust

(1) Includes \$1,500 life insurance allowance, \$1,800 dental insurance allowance, \$4,500 tax shelter annuity, and does not include \$6,240 vehicle allowance.

(2) Includes \$979 medical insurance allowance, \$3,221 tax shelter annuity, and does not include \$1,040 vehicle allowance.

Exhibit F-4

Paris Special School District
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2007

	General Purpose School	Special Revenue Funds		Debt Service Fund	Total
		School Federal Projects	Central Cafeteria	Education Debt Service	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,783,943	\$ 0	\$ 0	\$ 0	\$ 1,783,943
Trustee's Collections - Prior Year	57,837	0	0	0	57,837
Trustee's Collections - Bankruptcy	278	0	0	0	278
Circuit/Clerk & Master Collections - Prior Years	15,361	0	0	0	15,361
Interest and Penalty	18,327	0	0	0	18,327
Pick-up Taxes	2,190	0	0	0	2,190
Payments in-Lieu-of Taxes - T.V.A.	1,465	0	0	0	1,465
Payments in-Lieu-of Taxes - Local Utilities	28,970	0	0	0	28,970
Payments in-Lieu-of Taxes - Other	75,206	0	0	0	75,206
<u>County Local Option Taxes</u>					
Local Option Sales Tax	1,230,053	0	0	0	1,230,053
Business Tax	63,707	0	0	0	63,707
<u>Statutory Local Taxes</u>					
Bank Excise Tax	34,791	0	0	0	34,791
Interstate Telecommunications Tax	1,616	0	0	0	1,616
<u>City/School District Property Taxes</u>					
Current Property Tax	650,265	0	0	264,785	915,050
Prior Year Property Tax	21,001	0	0	8,984	29,985
Interest and Penalty	5,857	0	0	2,287	8,144
Pick-up Taxes	38	0	0	14	52
Payments in-Lieu-of Taxes	23,409	0	0	9,562	32,971
Total Local Taxes	\$ 4,014,314	\$ 0	\$ 0	\$ 285,632	\$ 4,299,946
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 977	\$ 0	\$ 0	\$ 0	\$ 977
Total Licenses and Permits	\$ 977	\$ 0	\$ 0	\$ 0	\$ 977
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 32,645	\$ 0	\$ 0	\$ 0	\$ 32,645
Lunch Payments - Children	0	0	172,557	0	172,557
Lunch Payments - Adults	0	0	34,498	0	34,498
Income from Breakfast	0	0	11,525	0	11,525
Special Milk Sales	0	0	4,180	0	4,180
A la carte Sales	0	0	4,313	0	4,313
Receipts from Individual Schools	20,687	0	0	0	20,687
Community Service Fees - Children	179,806	0	0	0	179,806
Total Charges for Current Services	\$ 233,138	\$ 0	\$ 227,073	\$ 0	\$ 460,211
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 148,039	\$ 0	\$ 8,544	\$ 11,822	\$ 168,405
Miscellaneous Refunds	16,731	0	0	0	16,731
<u>Nonrecurring Items</u>					
Damages Recovered from Individuals	1,399	0	0	0	1,399
Contributions and Gifts	25,474	0	0	0	25,474
Total Other Local Revenues	\$ 191,643	\$ 0	\$ 8,544	\$ 11,822	\$ 212,009

(Continued)

Exhibit F-4

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

	General Purpose School	Special Revenue Funds		Debt Service Fund	Total
		School Federal Projects	Central Cafeteria	Education Debt Service	
<u>State of Tennessee</u>					
<u>Public Safety Grants</u>					
Safe and Drug - Free Schools and Communities	\$ 9,517	\$ 0	\$ 0	\$ 0	9,517
<u>State Education Funds</u>					
Basic Education Program	5,478,500	0	0	0	5,478,500
Early Childhood Education	250,966	0	0	0	250,966
School Food Service	0	0	10,403	0	10,403
Other State Education Funds	85,467	0	0	0	85,467
Career Ladder Program	107,690	0	0	0	107,690
Career Ladder - Extended Contract	63,942	0	0	0	63,942
<u>Other State Revenues</u>					
Income Tax	30,186	0	0	0	30,186
Mixed Drink Tax	2,166	0	0	0	2,166
Other State Revenues	25,260	0	0	0	25,260
Total State of Tennessee	\$ 6,053,694	\$ 0	\$ 10,403	\$ 0	\$ 6,064,097
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 328,603	\$ 0	328,603
Breakfast	0	0	87,501	0	87,501
Title I Grants to Local Education Agencies	0	328,630	0	0	328,630
Innovative Education Program Strategies	0	50,232	0	0	50,232
Special Education - Grants to States	0	302,595	0	0	302,595
Special Education Preschool Grants	0	14,664	0	0	14,664
Eisenhower Professional Development					
State Grants	2,150	90,750	0	0	92,900
Other Federal through State	0	1,900	0	0	1,900
Total Federal Government	\$ 2,150	\$ 788,771	\$ 416,104	\$ 0	\$ 1,207,025
Total	\$ 10,495,916	\$ 788,771	\$ 662,124	\$ 297,454	\$ 12,244,265

Exhibit F-5

Paris Special School District
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 3,749,357	
Career Ladder Program	75,585	
Career Ladder Extended Contracts	74,750	
Homebound Teachers	2,907	
Educational Assistants	127,205	
Other Salaries and Wages	54,021	
Certified Substitute Teachers	24,060	
Non-certified Substitute Teachers	32,148	
Social Security	242,083	
State Retirement	242,641	
Life Insurance	10,648	
Medical Insurance	373,729	
Unemployment Compensation	3,256	
Employer Medicare	56,651	
Other Contracted Services	113,893	
Instructional Supplies and Materials	107,367	
Textbooks	51,152	
Other Supplies and Materials	146,795	
Other Charges	9,646	
Regular Instruction Equipment	505,004	
Total Regular Instruction Program		\$ 6,002,898

Special Education Program

Teachers	\$ 156,339	
Educational Assistants	13,000	
Speech Pathologist	81,960	
Social Security	15,581	
State Retirement	15,489	
Employer Medicare	3,644	
Total Special Education Program		286,013

Student Body Education Program

Other Salaries and Wages	\$ 328	
Social Security	20	
State Retirement	22	
Employer Medicare	5	
Other Contracted Services	3,998	
Other Supplies and Materials	18,010	
Other Charges	20,106	
Total Student Body Education Program		42,489

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Clerical Personnel	\$	9,998	
Social Security		518	
State Retirement		678	
Employer Medicare		121	
Total Attendance			\$ 11,315

Health Services

Medical Personnel	\$	40,942	
Social Security		2,538	
Unemployment Compensation		60	
Employer Medicare		594	
Drugs and Medical Supplies		3,329	
Total Health Services			47,463

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		93,435	
Social Workers		43,232	
Assessment Personnel		39,632	
Clerical Personnel		12,976	
Social Security		11,933	
State Retirement		12,325	
Life Insurance		524	
Medical Insurance		8,161	
Unemployment Compensation		36	
Employer Medicare		2,791	
Other Supplies and Materials		3,044	
Total Other Student Support			231,089

Regular Instruction Program

Supervisor/Director	\$	75,160	
Career Ladder Program		2,000	
Librarians		118,822	
Materials Supervisor		16,769	
Instructional Computer Personnel		41,744	
Clerical Personnel		26,176	
In-Service Training		1,500	
Social Security		16,715	
State Retirement		17,539	

(Continued)

Exhibit F-5

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.)

Life Insurance	\$	654	
Medical Insurance		21,202	
Employer Medicare		3,909	
Travel		10,334	
Library Books/Media		6,592	
In Service/Staff Development		21,788	
Total Regular Instruction Program			\$ 380,904

Special Education Program

Supervisor/Director	\$	29,290	
Social Security		1,816	
State Retirement		1,796	
Employer Medicare		424	
Total Special Education Program			33,326

Board of Education

Secretary to Board	\$	100	
Audit Services		6,500	
Dues and Memberships		12,448	
Travel		135	
Other Contracted Services		3,500	
Liability Insurance		14,779	
Premiums on Corporate Surety Bonds		1,056	
Trustee's Commission		67,925	
Workers' Compensation Insurance		51,441	
Criminal Investigation of Applicants - TBI		864	
Refund to Applicant for Criminal Investigation		576	
Other Charges		5,548	
Total Board of Education			164,872

Director of Schools

County Official/Administrative Officer	\$	107,400	
Assistant(s)		4,194	
Social Security		6,648	
State Retirement		8,023	
Life Insurance		1,500	
Medical Insurance		13,624	
Dental Insurance		1,800	
Employer Medicare		1,780	

(Continued)

Exhibit F-5

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.)

Other Fringe Benefits	\$	15,001	
Communication		6,494	
Postal Charges		2,390	
Travel		1,647	
Other Supplies and Materials		2,474	
Other Charges		448	
Total Director of Schools			\$ 173,423

Office of the Principal

Principals	\$	207,048	
Career Ladder Program		3,200	
Assistant Principals		87,332	
Secretary(ies)		56,613	
Social Security		21,128	
State Retirement		16,387	
Life Insurance		670	
Medical Insurance		21,196	
Unemployment Compensation		59	
Employer Medicare		4,749	
Communication		17,669	
Postal Charges		940	
Travel		368	
Office Supplies		543	
Total Office of the Principal			437,902

Fiscal Services

Accountants/Bookkeepers	\$	63,744	
Clerical Personnel		27,033	
Social Security		5,548	
State Retirement		5,294	
Life Insurance		221	
Medical Insurance		1,860	
Employer Medicare		1,297	
Travel		246	
Other Contracted Services		5,618	
Office Supplies		3,192	
Total Fiscal Services			114,053

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant

Custodial Personnel	\$	198,134	
Social Security		12,099	
State Retirement		12,123	
Life Insurance		700	
Medical Insurance		2,670	
Unemployment Compensation		3	
Employer Medicare		2,906	
Other Contracted Services		28,412	
Custodial Supplies		20,679	
Electricity		244,769	
Natural Gas		42,717	
Water and Sewer		10,585	
Other Supplies and Materials		18,775	
Boiler Insurance		2,307	
Building and Contents Insurance		42,248	
Other Charges		7,806	
Plant Operation Equipment		9,316	
Total Operation of Plant			\$ 656,249

Maintenance of Plant

Supervisor/Director	\$	58,256	
Maintenance Personnel		63,539	
Social Security		6,964	
State Retirement		8,258	
Life Insurance		349	
Medical Insurance		12,355	
Employer Medicare		1,629	
Maintenance and Repair Services - Buildings		4,900	
Maintenance and Repair Services - Equipment		4,046	
Other Contracted Services		33,005	
Equipment and Machinery Parts		9,443	
Other Supplies and Materials		22,208	
Other Charges		50	
Maintenance Equipment		1,033	
Total Maintenance of Plant			226,035

Transportation

Mechanic(s)	\$	33,159	
Bus Drivers		152,183	

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Other Salaries and Wages	\$	31,743	
In-Service Training		530	
Social Security		13,262	
State Retirement		13,571	
Life Insurance		650	
Medical Insurance		2,670	
Unemployment Compensation		195	
Employer Medicare		3,101	
Travel		739	
Other Contracted Services		4,700	
Diesel Fuel		41,966	
Gasoline		4,648	
Tires and Tubes		6,218	
Vehicle Parts		23,051	
Other Supplies and Materials		3,350	
Vehicle and Equipment Insurance		12,976	
In Service/Staff Development		1,345	
Other Charges		1,822	
Transportation Equipment		74,973	
Total Transportation			\$ 426,852

Central and Other

Data Processing Personnel	\$	119,425	
Social Security		6,681	
State Retirement		8,134	
Life Insurance		163	
Medical Insurance		12,652	
Employer Medicare		1,562	
Total Central and Other			148,617

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	32,074	
Other Salaries and Wages		114,086	
Social Security		9,015	
State Retirement		4,024	
Unemployment Compensation		224	
Employer Medicare		2,108	
Food Supplies		9,410	

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Other Supplies and Materials	\$	2,659	
Other Equipment		<u>2,364</u>	
Total Community Services			\$ 175,964

Early Childhood Education

Supervisor/Director	\$	18,036	
Teachers		125,121	
Educational Assistants		12,247	
Other Salaries and Wages		9,811	
Certified Substitute Teachers		700	
Non-certified Substitute Teachers		4,032	
Social Security		10,055	
State Retirement		9,698	
Life Insurance		335	
Medical Insurance		9,794	
Unemployment Compensation		51	
Employer Medicare		2,543	
Travel		3,175	
Instructional Supplies and Materials		10,413	
Other Supplies and Materials		16,380	
In Service/Staff Development		640	
Other Charges		1,199	
Other Equipment		<u>5,113</u>	
Total Early Childhood Education			239,343

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	32,949	
Site Development		36,940	
Other Capital Outlay		<u>61,273</u>	
Total Regular Capital Outlay			131,162

Principal on Debt

Education

Principal on Bonds	\$	<u>493,125</u>	
Total Education			493,125

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Interest on Debt

Education

Interest on Bonds	\$ 66,204	
Total Education	<u>66,204</u>	\$ <u>66,204</u>

Total General Purpose School Fund \$ 10,489,298

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 87,283	
Educational Assistants	236,002	
Other Salaries and Wages	2,658	
Certified Substitute Teachers	1,280	
Social Security	19,937	
State Retirement	20,623	
Medical Insurance	4,201	
Unemployment Compensation	391	
Employer Medicare	4,663	
Instructional Supplies and Materials	17,126	
Other Supplies and Materials	<u>3,635</u>	
Total Regular Instruction Program		\$ 397,799

Special Education Program

Teachers	\$ 49,916	
Educational Assistants	163,047	
Social Security	12,674	
State Retirement	12,653	
Life Insurance	1,050	
Medical Insurance	6,409	
Unemployment Compensation	261	
Employer Medicare	2,965	
Evaluation and Testing	30,000	
Other Contracted Services	13,449	
Instructional Supplies and Materials	<u>7,020</u>	
Total Special Education Program		299,444

Support Services

Regular Instruction Program

In-Service Training	\$ 4,949	
Social Security	306	

(Continued)

Exhibit F-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

State Retirement	\$	291	
Employer Medicare		71	
Other Supplies and Materials		4,120	
In Service/Staff Development		39,259	
Total Regular Instruction Program			\$ 48,996

Special Education Program

Travel	\$	4,740	
In Service/Staff Development		2,363	
Total Special Education Program			7,103

Transportation

Bus Drivers	\$	2,590	
Social Security		160	
State Retirement		110	
Unemployment Compensation		5	
Employer Medicare		37	
Total Transportation			2,902

Principal on Debt

Education

Principal on Capital Leases	\$	12,713	
Total Education			12,713

Interest on Debt

Education

Interest on Capital Leases	\$	1,585	
Total Education			1,585

Total School Federal Projects Fund \$ 770,542

Central Cafeteria Fund

Support Services

Board of Education

Workers' Compensation Insurance	\$	7,520	
Total Board of Education			\$ 7,520

(Continued)

Exhibit F-5

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	252,532	
Other Salaries and Wages		33,360	
In-Service Training		2,236	
Social Security		17,509	
State Retirement		18,510	
Life Insurance		1,800	
Medical Insurance		2,758	
Unemployment Compensation		382	
Employer Medicare		4,095	
Communication		1,500	
Maintenance and Repair Services - Equipment		184	
Transportation - Other than Students		4,213	
Travel		270	
Other Contracted Services		3,687	
Food Supplies		277,087	
Office Supplies		280	
Uniforms		2,367	
Other Supplies and Materials		25,721	
In Service/Staff Development		381	
Other Charges		76	
Food Service Equipment		1,747	
Total Food Service		<u>1,747</u>	\$ <u>650,695</u>

Total Central Cafeteria Fund \$ 658,215

Education Debt Service Fund

Support Services

Board of Education

Trustee's Commission	\$	5,699	
Total Board of Education			\$ 5,699

Principal on Debt

Education

Principal on Bonds	\$	125,000	
Total Education			125,000

Interest on Debt

Education

Interest on Bonds	\$	113,975	
Total Education			113,975

(Continued)

Exhibit F-5

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

<u>Education Debt Service Fund (Cont.)</u>		
<u>Other Debt Service</u>		
<u>Education</u>		
Other Debt Service	\$	392
Total Education		<u>\$ 392</u>
Total Education Debt Service Fund		<u>\$ 245,066</u>
Total Governmental Funds - Paris Special School District		<u><u>\$ 12,163,121</u></u>

SINGLE AUDIT SECTION



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

March 14, 2008

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

To the Director of Schools and Board of Directors:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paris Special School District as of and for the year ended June 30, 2007, which collectively comprise the Paris Special School District's basic financial statements and have issued our report thereon dated March 14, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Paris Special School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Paris Special School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in

internal control over financial reporting that might be significant deficiencies or material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

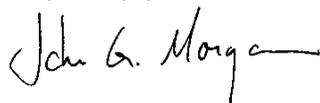
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Paris Special School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the director of schools, Board of Directors, others within the Paris Special School District, 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
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

March 14, 2008

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, 2007. The 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 States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 of 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, 2007.

Internal Control Over Compliance

The management of the Paris Special School District is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Paris Special School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paris Special School District as of and for the year ended June 30, 2007, and have issued our report thereon dated March 14, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Paris Special School District's basic financial statements. 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 management, the director of schools, Board of Directors, others within the Paris Special School District, 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.

Yours very truly,

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

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, 2007

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	\$ 34,141
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	87,501
National School Lunch Program	10.555	N/A	328,603
Total U.S. Department of Agriculture			<u>\$ 450,245</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 315,647
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	306,067
Special Education - Preschool Grants	84.173	N/A	14,779
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	11,453
State Grants for Innovative Programs	84.298	N/A	6,033
Education Technology State Grants	84.318	(2)	2,346
Rural Education	84.358	N/A	35,221
Improving Teacher Quality State Grants	84.367	N/A	90,663
Hurricane Education Recovery	84.938	N/A	17,077
Total U.S. Department of Education			<u>\$ 799,286</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Education:			
Community-Based Child Abuse Prevention Grants	93.590	(2)	\$ 33,300
Total U.S. Department of Health and Human Services			<u>\$ 33,300</u>
Total Expenditures of Federal Awards			<u>\$ 1,282,831</u>

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.

Paris Special School District
Schedule of Audit Findings Not Corrected
June 30, 2007

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. There are no findings from the Annual Financial Report for the Paris Special School District for the year ended June 30, 2006, which have not been corrected.

PARIS SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of the Paris Special School District is unqualified.
2. The audit of the financial statements of the Paris Special School District disclosed no significant deficiencies in internal control.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of the Paris Special School District.
4. The audit disclosed no significant deficiencies 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: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555) and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold 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

There are no findings relating to the financial statements of the Paris Special School District, as a result of our examination, for the year ended June 30, 2007.

**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, 2007**

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