

**ANNUAL FINANCIAL REPORT
PARIS SPECIAL SCHOOL DISTRICT**



FOR THE YEAR ENDED JUNE 30, 2009



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**ANNUAL FINANCIAL REPORT
PARIS SPECIAL SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2009**

*DEPARTMENT OF AUDIT
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Comptroller of the Treasury*

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This financial report is available at www.tn.gov/comptroller

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PARIS SPECIAL SCHOOL DISTRICT TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		7
<u>INTRODUCTORY SECTION</u>		9
Paris Special School District Officials		11
<u>FINANCIAL SECTION</u>		13
Independent Auditor's Report		15-16
BASIC FINANCIAL STATEMENTS:		17
Government-wide Financial Statements:		
Statement of Net Assets	A	19
Statement of Activities	B	20
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	22
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	24
Notes to the Financial Statements		25-45
REQUIRED SUPPLEMENTARY INFORMATION:		47
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	D-1	49-50
Schedule of Funding Progress – Pension Plan	D-2	51
Schedule of Funding Progress – Other Postemployment Benefits Plan	D-3	52
Notes to the Required Supplementary Information		53

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		55
Nonmajor Governmental Funds:		57
Combining Balance Sheet	E-1	59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	60
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
School Federal Projects Fund	E-3	61
Central Cafeteria Fund	E-4	62
Education Debt Service Fund	E-5	63
Miscellaneous Schedules:		65
Schedule of Changes in Long-term Notes and Bonds	F-1	67
Schedule of Long-term Debt Requirements by Year	F-2	68
Schedule of Salaries and Official Bonds of Principal Officials	F-3	69
Schedule of Detailed Revenues – All Governmental Fund Types	F-4	70-72
Schedule of Detailed Expenditures – All Governmental Fund Types	F-5	73-83
 <u>SINGLE AUDIT SECTION</u>		 85
 Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		 87-88
Auditor’s Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		89-91
Schedule of Expenditures of Federal Awards and State Grant		93
Schedule of Audit Findings Not Corrected		95
Schedule of Findings and Questioned Costs		97-99
Auditee Reporting Responsibilities		101

Audit Highlights
Annual Financial Report
Paris Special School District
For the Year Ended June 30, 2009

Scope

We have audited the basic financial statements of the Paris Special School District as of and for the year ended June 30, 2009.

Results

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

Our audit resulted in one finding and recommendation, which we have reviewed with Paris Special School District management. The detailed finding and recommendation is included in the Single Audit section of this report.

Finding

The following is a summary of the audit finding:

- ◆ The School Federal Projects Fund had a cash overdraft of \$97,566 at June 30, 2009.

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INTRODUCTORY SECTION

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Paris Special School District Officials
June 30, 2009

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

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FINANCIAL SECTION

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

March 18, 2010

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, 2009, 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, 2009, 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 18, 2010, 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.

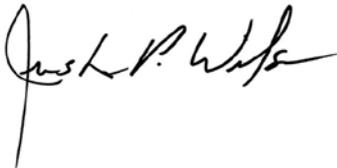
As described in Note V.B., the Paris Special School District has adopted the provisions of Governmental Accounting Standards Board Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments.

The management of the Paris Special School District did not prepare a 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, pension, and other postemployment benefits information on pages 49 through 53 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,



Justin P. Wilson
Comptroller of the Treasury

JPW/yu

BASIC FINANCIAL STATEMENTS

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Exhibit A

Paris Special School District
Statement of Net Assets
June 30, 2009

	<u>Governmental</u> <u>Activities</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 3,920,269
Due from Other Governments	737,923
Property Taxes Receivable	3,351,978
Allowance for Uncollectible Property Taxes	(47,765)
Deferred Charges - Debt Issuance Costs	25,953
Capital Assets:	
Assets Not Depreciated:	
Land	130,000
Construction in Progress	136,201
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	13,533,960
Infrastructure	157,301
Other Capital Assets	350,745
Total Assets	<u>\$ 22,296,565</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 49,740
Payroll Deductions Payable	87,761
Cash Overdraft	97,566
Contracts Payable	104,138
Retainage Payable	4,803
Due to State of Tennessee	75
Accrued Interest Payable	1,815
Deferred Revenue - Current Property Taxes	3,126,058
Noncurrent Liabilities:	
Due Within One Year	443,531
Due in More Than One Year	4,226,903
Total Liabilities	<u>\$ 8,142,390</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 9,759,160
Restricted for:	
School Federal Projects	25,007
Central Cafeteria	227,494
Debt Service	490,793
Capital Projects	752,404
Other Purposes	31,202
Unrestricted	<u>2,868,115</u>
Total Net Assets	<u>\$ 14,154,175</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, 2009

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Governmental Activities:				
Instruction	\$ 7,946,332	\$ 34,215	\$ 596,295	\$ (7,315,822)
Support Services	3,526,605	45,259	204,911	(3,276,435)
Operation of Non-Instructional Services	1,279,327	424,030	873,484	18,187
Interest on Long-term Debt	163,425	0	0	(163,425)
Other Debt Service	2,644	0	0	(2,644)
Total Governmental Activities	<u>\$ 12,918,333</u>	<u>\$ 503,504</u>	<u>\$ 1,674,690</u>	<u>\$ (10,740,139)</u>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,698,180
Property Taxes Levied for Debt Service				284,129
Local Option Sales Taxes				1,295,216
Business Tax				56,277
Interstate Telecommunications Tax				1,189
Grants and Contributions Not Restricted to Specific Programs				6,906,209
Unrestricted Investment Income				41,915
Miscellaneous				17,762
Total General Revenues				<u>\$ 11,300,877</u>
Change in Net Assets				\$ 560,738
Net Assets, July 1, 2008				<u>13,593,437</u>
Net Assets, June 30, 2009				<u><u>\$ 14,154,175</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, 2009

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Education</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Capital</u>	<u>Other</u>	
	<u>School</u>	<u>Projects</u>	<u>Governmental</u>	<u>Governmental</u>
			<u>Funds</u>	<u>Funds</u>
ASSETS				
Equity in Pooled Cash and Investments	\$ 2,375,455	\$ 861,345	\$ 683,469	\$ 3,920,269
Due from Other Governments	611,985	0	125,938	737,923
Property Taxes Receivable	3,041,331	0	310,647	3,351,978
Allowance for Uncollectible Property Taxes	(43,346)	0	(4,419)	(47,765)
Total Assets	\$ 5,985,425	\$ 861,345	\$ 1,115,635	\$ 7,962,405
LIABILITIES AND FUND BALANCES				
<u>Liabilities</u>				
Accounts Payable	\$ 49,129	\$ 0	\$ 611	\$ 49,740
Payroll Deductions Payable	87,761	0	0	87,761
Cash Overdraft	0	0	97,566	97,566
Contracts Payable	0	104,138	0	104,138
Retainage Payable	0	4,803	0	4,803
Due to State of Tennessee	75	0	0	75
Deferred Revenue - Current Property Taxes	2,840,029	0	286,029	3,126,058
Deferred Revenue - Delinquent Property Taxes	149,157	0	19,404	168,561
Other Deferred Revenues	121,359	0	0	121,359
Total Liabilities	\$ 3,247,510	\$ 108,941	\$ 403,610	\$ 3,760,061
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 59,354	\$ 1,053,867	\$ 170	\$ 1,113,391
Reserved for Career Ladder - Extended Contract	23,427	0	0	23,427
Reserved for Career Ladder Program	7,775	0	0	7,775
Reserved for Title I Grants to Local Education Agencies	0	0	17,311	17,311
Reserved for Special Education - Grants to States	0	0	5,100	5,100
Other Federal Reserves	0	0	2,426	2,426
Unreserved, Reported In:				
General Fund	2,647,359	0	0	2,647,359
Special Revenue Funds	0	0	227,494	227,494
Debt Service Funds	0	0	459,524	459,524
Capital Projects Funds (Deficit)	0	(301,463)	0	(301,463)
Total Fund Balances	\$ 2,737,915	\$ 752,404	\$ 712,025	\$ 4,202,344
Total Liabilities and Fund Balances	\$ 5,985,425	\$ 861,345	\$ 1,115,635	\$ 7,962,405

Exhibit C-2

Paris Special School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2009

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)		\$ 4,202,344	
(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: construction in progress		136,201	
Add: buildings and improvements net of accumulated depreciation		13,533,960	
Add: infrastructure net of accumulated depreciation		157,301	
Add: other capital assets net of accumulated depreciation		<u>350,745</u>	14,308,207
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: note payable	\$	(2,600,000)	
Less: bonds payable		(1,975,000)	
Add: deferred amount on refunding		11,865	
Add: deferred charges - debt issuance costs		25,953	
Less: accrued interest on notes		(1,815)	
Less: other postemployment benefits liability		<u>(107,299)</u>	(4,646,296)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>289,920</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 14,154,175</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, 2009

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	Education Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 4,247,547	\$ 0	\$ 287,236	\$ 4,534,783
Licenses and Permits	861	0	0	861
Charges for Current Services	246,584	0	252,780	499,364
Other Local Revenues	92,967	36	7,079	100,082
State of Tennessee	7,070,890	0	10,203	7,081,093
Federal Government	0	0	1,258,006	1,258,006
Total Revenues	<u>\$ 11,658,849</u>	<u>\$ 36</u>	<u>\$ 1,815,304</u>	<u>\$ 13,474,189</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 6,750,850	\$ 0	\$ 714,807	\$ 7,465,657
Support Services	3,295,662	0	65,432	3,361,094
Operation of Non-Instructional Services	456,846	0	725,616	1,182,462
Capital Outlay	238,854	0	0	238,854
Debt Service:				
Principal on Debt	725,000	0	170,000	895,000
Interest on Debt	95,818	0	77,811	173,629
Other Debt Service	0	0	28,597	28,597
Capital Projects	0	315,510	0	315,510
Total Expenditures	<u>\$ 11,563,030</u>	<u>\$ 315,510</u>	<u>\$ 1,782,263</u>	<u>\$ 13,660,803</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 95,819</u>	<u>\$ (315,474)</u>	<u>\$ 33,041</u>	<u>\$ (186,614)</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 1,000,000	\$ 0	\$ 1,000,000
Refunding Debt Issued	0	0	2,145,000	2,145,000
Insurance Recovery	9,054	0	0	9,054
Payments to Refunded Debt Escrow Agent	0	0	(2,113,864)	(2,113,864)
Total Other Financing Sources (Uses)	<u>\$ 9,054</u>	<u>\$ 1,000,000</u>	<u>\$ 31,136</u>	<u>\$ 1,040,190</u>
Net Change in Fund Balances	\$ 104,873	\$ 684,526	\$ 64,177	\$ 853,576
Fund Balance, July 1, 2008	<u>2,633,042</u>	<u>67,878</u>	<u>647,848</u>	<u>3,348,768</u>
Fund Balance, June 30, 2009	<u>\$ 2,737,915</u>	<u>\$ 752,404</u>	<u>\$ 712,025</u>	<u>\$ 4,202,344</u>

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, 2009

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)		\$	853,576
(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:			
Add: capital assets purchased in the current period	\$	513,464	
Less: current year depreciation expense		<u>(567,896)</u>	(54,432)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Less: deferred delinquent property taxes and other deferred June 30, 2008	\$	(354,502)	
Add: deferred delinquent property taxes and other deferred June 30, 2009		<u>289,920</u>	(64,582)
(3) The issuance of long-term debt (e.g. bonds, notes) 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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:			
Less: note proceeds	\$	(1,000,000)	
Less: refunding bond proceeds		(2,145,000)	
Add: change in debt issuance costs		25,953	
Less: change in deferred amount on refunding debt		(1,999)	
Add: principal payments on notes		200,000	
Add: principal payments on bonds		695,000	
Add: bonds refunded		<u>2,113,864</u>	(112,182)
(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.			
Change in accrued interest payable	\$	12,203	
Change in other postemployment benefits liability		<u>(73,845)</u>	(61,642)
Change in net assets of governmental activities (Exhibit B)			<u>\$ 560,738</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, 2009**

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.

Education Debt Service Fund – This 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; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer’s Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the district’s own legally issued bonds or notes.

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 .8 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 district 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, including other postemployment benefits, 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 \$97 for the gifted program at June 30, 2009.

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 of items 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

A. 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 County 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.

B. Fund Deficit

The Education Capital Projects Fund had a deficit in unreserved fund balance of \$301,463 at June 30, 2009. This deficit resulted from the unperformed portions of construction contracts of \$1,053,867 being reserved as encumbrances. Funding for these future expenditures is expected to be received from grants.

C. Cash Overdraft

The School Federal Projects Fund had a cash overdraft of \$97,566 at June 30, 2009. This cash overdraft resulted from the issuance of checks exceeding cash in bank. This cash overdraft has not been liquidated as of the date of this report.

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

Investment Balances. As of June 30, 2009, the district had the following investments carried at cost. All investments are in the district's investment pool.

Investment	Maturities	Cost
State Treasurer's Investment Pool	Daily	\$ 1,744,780

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, 2009, 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, 2009, was as follows:

Governmental Activities:

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets				
Not Depreciated:				
Land	\$ 130,000	\$ 0	\$ 0	\$ 130,000
Construction in Progress	1,891,061	136,201	1,891,061	136,201
Total Capital Assets				
Not Depreciated	\$ 2,021,061	\$ 136,201	\$ 1,891,061	\$ 266,201
Capital Assets Depreciated:				
Buildings and Improvements	\$ 18,289,882	\$ 2,205,436	\$ 0	\$ 20,495,318
Infrastructure	190,926	62,888	0	253,814
Other Capital Assets	1,281,881	0	0	1,281,881
Total Capital Assets				
Depreciated	\$ 19,762,689	\$ 2,268,324	\$ 0	\$ 22,031,013

Governmental Activities (Cont.):

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 6,476,049	\$ 485,309	\$ 0	\$ 6,961,358
Infrastructure	85,122	11,391	0	96,513
Other Capital Assets	859,940	71,196	0	931,136
Total Accumulated Depreciation	<u>\$ 7,421,111</u>	<u>\$ 567,896</u>	<u>\$ 0</u>	<u>\$ 7,989,007</u>
Total Capital Assets Depreciated, Net	<u>\$ 12,341,578</u>	<u>\$ 1,700,428</u>	<u>\$ 0</u>	<u>\$ 14,042,006</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,362,639</u>	<u>\$ 1,836,629</u>	<u>\$ 1,891,061</u>	<u>\$ 14,308,207</u>

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

Governmental Activities:

Instruction	\$ 388,986
Support Services	154,165
Operation of Non-Instructional Services	<u>24,745</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 567,896</u>

C. Committed Construction

At June 30, 2009, the Education Capital Projects Fund had uncompleted construction contracts of approximately \$1,053,867 for school renovations. Funding for these future expenditures will be provided by grants.

D. Long-term Debt

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the district. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to ten 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, 2009, will be retired from the General Purpose School and Education Debt Service funds.

General obligation bonds and the capital outlay notes outstanding as of June 30, 2009, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-09
General Obligation Bonds - Refunding	3.85 %	\$ 2,145,000	\$ 1,975,000
Capital Outlay Notes	3.9 to 4.14	3,000,000	2,600,000

The annual requirements to amortize all general obligation bonds and capital outlay notes outstanding as of June 30, 2009, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2010	\$ 160,000	\$ 76,038	\$ 236,038
2011	185,000	69,877	254,877
2012	180,000	62,755	242,755
2013	205,000	55,825	260,825
2014	230,000	47,932	277,932
2015-2018	1,015,000	98,753	1,113,753
Total	\$ 1,975,000	\$ 411,180	\$ 2,386,180

Year Ending June 30	Notes		
	Principal	Interest	Total
2010	\$ 283,531	\$ 102,369	\$ 385,900
2011	286,820	90,800	377,620
2012	290,239	79,225	369,464
2013	293,793	67,267	361,060
2014	297,486	55,294	352,780
2015-2019	1,148,131	104,011	1,252,142
Total	\$ 2,600,000	\$ 498,966	\$ 3,098,966

There is \$459,524 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, 2009, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2008	\$ 2,625,000	\$ 1,800,000
Additions	2,145,000	1,000,000
Deductions	<u>(2,795,000)</u>	<u>(200,000)</u>
Balance, June 30, 2009	<u>\$ 1,975,000</u>	<u>\$ 2,600,000</u>
Balance Due Within One Year	<u>\$ 160,000</u>	<u>\$ 283,531</u>

	<u>Other Postemployment Benefits</u>
Balance, July 1, 2008	\$ 33,454
Additions	112,365
Deductions	<u>(38,520)</u>
Balance, June 30, 2009	<u>\$ 107,299</u>
Balance Due Within One Year	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	\$ 4,682,299
Less: Balance Due Within One Year	(443,531)
Less: Deferred Amount on Refunding	<u>(11,865)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 4,226,903</u>

Current Refunding

On July 29, 2008, the Paris Special School District issued \$2,145,000 in school refunding bonds to refund \$2,100,000 in school bonds. As a result, the refunded bonds are considered defeased, and the liability has been removed from the district's long-term debt. As a result of the refunding, total debt service payments over the next ten years will be reduced by \$155,640. The economic gain or loss on this refunding was not available.

E. On-Behalf Payments

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Paris Special School District. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2009, were \$35,146 and \$10,522, respectively. The district has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

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 8-27-301, 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 participates in 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 Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments became effective for the year ended June 30, 2009.

GASB Statement No. 49 requires governments to measure and report their pollution remediation liabilities. A government has a pollution remediation problem if one of five obligating events occurs. The statement requires

governments to restate beginning net assets in government-wide and proprietary fund financial statements for pollution remediation liabilities that existed as of July 1, 2008. Previous to Statement No. 49, governments were not required to measure and record pollution remediation liabilities. GASB Statement No. 49 had no effect on the financial statements of the Paris Special School District for the year ended June 30, 2009, since the district had none of the obligating events. However, it is reasonably expected that the district could have pollution remediation liabilities in subsequent years.

GASB Statement No. 52 requires endowments to report land and other real estate investments at fair value. Previous to Statement No. 52, land and other real estate held by endowments were reported at historical cost. Changes in fair value between years will be reported as investment income (loss). GASB Statement No. 52 had no effect on the financial statements of the Paris Special School District for the year ended June 30, 2009, since the district had no endowment investments. However, it is reasonably expected that the district could have endowment investments in subsequent years.

C. Contingent Liabilities

The district's attorney advised that there were no pending suits or claims against the district that would materially affect the district's financial statements.

D. 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 www.tn.gov/treasury/tcrs.

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 ended June 30, 2009, was 7.39 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 ended June 30, 2009, the district’s annual pension cost of \$126,314 to TCRS was equal to the district’s required and actual contributions. The required contribution was determined as part of the July 1, 2007, 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 postretirement 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, 2007, was ten years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-09	\$126,314	100%	\$0
6-30-08	116,378	100	0
6-30-07	115,310	100	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 91.67 percent funded. The actuarial accrued liability for benefits was \$3.43 million, and the actuarial value of assets was \$3.14 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.29 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.69 million, and the ratio of the UAAL to the covered payroll was 16.84 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

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 SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs.

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 ended June 30, 2009, was 6.42 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 ended June 30, 2009, 2008, and 2007, were \$357,042, \$342,177, and \$312,954, respectively, equal to the required contributions for each year.

E. Other Postemployment Benefits (OPEB)

Plan Description

The district participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated for local education employees. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

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

prescriptive on that issue. The state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2009, the district contributed \$37,055 for postemployment health care.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 110,860
Interest on the NPO	1,505
Adjustment to the ARC	<u>(1,465)</u>
Annual OPEB cost	\$ 110,900
Less: Amount of contribution	<u>(37,055)</u>
Increase/decrease in NPO	\$ 73,845
Net OPEB obligation, 7-1-08	<hr/> <u>33,454</u>
 Net OPEB obligation, 6-30-09	 <u><u>\$ 107,299</u></u>

Fiscal Year Ended*	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>				
6-30-08	Local Education Group	\$ 76,873	56%	\$ 33,454
6-30-09	"	110,900	33	107,299

* Data only available for two years.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-07
Actuarial accrued liability (AAL)	\$ 578,806
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 578,806
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 4,733,236
UAAL as a % of covered payroll	26%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

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.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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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, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,247,547	\$ 0	\$ 0	\$ 4,247,547	\$ 4,088,964	\$ 4,187,870	\$ 59,677
Licenses and Permits	861	0	0	861	790	819	42
Charges for Current Services	246,584	0	0	246,584	254,050	274,384	(27,800)
Other Local Revenues	92,967	0	0	92,967	92,014	91,474	1,493
State of Tennessee	7,070,890	0	0	7,070,890	6,980,971	7,144,276	(73,386)
Total Revenues	\$ 11,658,849	\$ 0	\$ 0	\$ 11,658,849	\$ 11,416,789	\$ 11,698,823	\$ (39,974)

Expenditures

<u>Instruction</u>							
Regular Instruction Program	\$ 6,454,673	(4,923)	\$ 49,178	\$ 6,498,928	\$ 6,675,108	\$ 6,586,801	\$ 87,873
Special Education Program	252,404	0	0	252,404	252,404	252,404	0
Student Body Education Program	43,773	0	0	43,773	41,227	43,782	9
<u>Support Services</u>							
Attendance	14,291	0	0	14,291	14,473	14,473	182
Health Services	159,081	(20,221)	0	138,860	150,009	149,802	10,942
Other Student Support	266,694	0	0	266,694	269,573	268,242	1,548
Regular Instruction Program	349,815	(2,331)	945	348,429	362,544	364,373	15,944
Special Education Program	34,221	0	0	34,221	34,221	34,221	0
Other Programs	45,668	0	0	45,668	0	45,668	0
Board of Education	166,787	0	0	166,787	166,815	172,556	5,769
Director of Schools	161,106	0	0	161,106	166,855	165,363	4,257
Office of the Principal	495,113	0	0	495,113	508,650	499,758	4,645
Fiscal Services	101,862	0	0	101,862	107,408	102,940	1,078
Operation of Plant	772,764	0	0	772,764	766,000	798,563	25,799

(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 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Maintenance of Plant	\$ 233,191	\$ (978)	\$ 6	\$ 232,219	\$ 247,450	\$ 247,179	\$ 14,960
Transportation	334,569	0	0	334,569	386,617	359,676	25,107
Central and Other	160,500	0	0	160,500	162,575	163,024	2,524
<u>Operation of Non-Instructional Services</u>							
Community Services	177,457	(453)	0	177,004	199,050	199,050	22,046
Early Childhood Education	279,389	(10,479)	2,785	271,695	268,069	268,069	(3,626)
<u>Capital Outlay</u>							
Regular Capital Outlay	238,854	(9,737)	6,440	235,557	289,378	1,253,141	1,017,584
<u>Principal on Debt</u>							
Education	725,000	0	0	725,000	725,000	725,000	0
Interest on Debt	95,818	0	0	95,818	95,819	95,819	1
Education	9,054	(49,122)	59,354	\$ 11,573,262	\$ 11,889,245	\$ 12,809,904	\$ 1,236,642
<u>Total Expenditures</u>	\$ 11,563,030	\$ (49,122)	\$ 59,354	\$ 11,573,262	\$ 11,889,245	\$ 12,809,904	\$ 1,236,642
<u>Excess (Deficiency) of Revenues</u>	\$ 95,819	\$ 49,122	\$ (59,354)	\$ 85,587	\$ (472,456)	\$ (1,111,081)	\$ 1,196,668
<u>Over Expenditures</u>							
<u>Other Financing Sources (Uses)</u>							
Notes Issued	0	0	0	0	0	1,000,000	(1,000,000)
Insurance Recovery	9,054	0	0	9,054	0	4,254	4,800
<u>Total Other Financing Sources (Uses)</u>	\$ 9,054	\$ 0	\$ 0	\$ 9,054	\$ 0	\$ 1,004,254	\$ (995,200)
<u>Net Change in Fund Balance</u>	\$ 104,873	\$ 49,122	\$ (59,354)	\$ 94,641	\$ (472,456)	\$ (106,827)	\$ 201,468
<u>Fund Balance, July 1, 2008</u>	2,633,042	(49,122)	0	2,583,920	2,397,261	2,397,261	186,659
<u>Fund Balance, June 30, 2009</u>	\$ 2,737,915	\$ 0	\$ (59,354)	\$ 2,678,561	\$ 1,924,805	\$ 2,290,434	\$ 388,127

Exhibit D-2

Paris Special School District
Schedule of Funding Progress – Pension Plan
June 30, 2009

(Dollar amounts in thousands)

Fiscal Year Ended	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)
6-30-08	7-1-07	\$ 3,148	\$ 3,434	286	91.67 %	\$ 1,698	16.84 %
6-30-09	7-1-07	3,148	3,434	286	91.67	1,698	16.84

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the 2007-08 year; therefore, only two years of data are presented.

Exhibit D-3

Paris Special School District
Schedule of Funding Progress – Other Postemployment Benefits Plan
June 30, 2009

(Dollar amounts in thousands)

Plan	Fiscal Year Ended*	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)
Local Education Group	6-30-08	7-1-07	\$ 0	\$ 579	\$ 579	0%	\$ 4,372	13%
"	6-30-09	7-1-07	0	579	579	0	4,372	13

52 *Data only available for two years.

PARIS SPECIAL SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2009

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 County 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.

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

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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

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.

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Exhibit E-1

Paris Special School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	Special Revenue Funds			Total	Debt Service Fund		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria			Education Debt Service		
Equity in Pooled Cash and Investments	\$ 0	\$ 227,847	\$ 227,847	\$ 455,622	\$ 683,469		
Due from Other Governments	122,831	0	122,831	3,107	125,938		
Property Taxes Receivable	0	0	0	310,647	310,647		
Allowance for Uncollectible Property Taxes	0	0	0	(4,419)	(4,419)		
Total Assets	\$ 122,831	\$ 227,847	\$ 350,678	\$ 764,957	\$ 1,115,635		
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 258	\$ 353	\$ 611	\$ 0	\$ 611		
Cash Overdraft	97,566	0	97,566	0	97,566		
Deferred Revenue - Current Property Taxes	0	0	0	286,029	286,029		
Deferred Revenue - Delinquent Property Taxes	0	0	0	19,404	19,404		
Total Liabilities	\$ 97,824	\$ 353	\$ 98,177	\$ 305,433	\$ 403,610		
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 170	\$ 0	\$ 170	\$ 0	\$ 170		
Reserved for Title I Grants to Local Education Agencies	17,311	0	17,311	0	17,311		
Reserved for Special Education - Grants to States	5,100	0	5,100	0	5,100		
Other Federal Reserves	2,426	0	2,426	0	2,426		
Unreserved	0	227,494	227,494	459,524	687,018		
Total Fund Balances	\$ 25,007	\$ 227,494	\$ 252,501	\$ 459,524	\$ 712,025		
Total Liabilities and Fund Balances	\$ 122,831	\$ 227,847	\$ 350,678	\$ 764,957	\$ 1,115,635		

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, 2009

	Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Debt Service	
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 287,236	\$ 287,236
Charges for Current Services	0	252,780	252,780	0	252,780
Other Local Revenues	0	2,978	2,978	4,101	7,079
State of Tennessee	0	10,203	10,203	0	10,203
Federal Government	735,235	522,771	1,258,006	0	1,258,006
Total Revenues	\$ 735,235	\$ 788,732	\$ 1,523,967	\$ 291,337	\$ 1,815,304
<u>Expenditures</u>					
Current:					
Instruction	\$ 714,807	\$ 0	\$ 714,807	\$ 0	\$ 714,807
Support Services	52,869	6,800	59,669	5,763	65,432
Operation of Non-Instructional Services	0	725,616	725,616	0	725,616
Debt Service:					
Principal on Debt	0	0	0	170,000	170,000
Interest on Debt	0	0	0	77,811	77,811
Other Debt Service	0	0	0	28,597	28,597
Total Expenditures	\$ 767,676	\$ 732,416	\$ 1,500,092	\$ 282,171	\$ 1,782,263
Excess (Deficiency) of Revenues Over Expenditures					
	\$ (32,441)	\$ 56,316	\$ 23,875	\$ 9,166	\$ 33,041
<u>Other Financing Sources (Uses)</u>					
Refunding Debt Issued	\$ 0	\$ 0	\$ 0	\$ 2,145,000	\$ 2,145,000
Payments to Refunded Debt Escrow Agent	0	0	0	(2,113,864)	(2,113,864)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 31,136	\$ 31,136
Net Change in Fund Balances					
Fund Balance, July 1, 2008	\$ (32,441)	\$ 56,316	\$ 23,875	\$ 40,302	\$ 64,177
	57,448	171,178	228,626	419,222	647,848
Fund Balance, June 30, 2009					
	\$ 25,007	\$ 227,494	\$ 252,501	\$ 459,524	\$ 712,025

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, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 735,235	\$ 0	\$ 0	\$ 735,235	\$ 810,344	\$ 741,744	\$ (6,509)
Total Revenues	\$ 735,235	\$ 0	\$ 0	\$ 735,235	\$ 810,344	\$ 741,744	\$ (6,509)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 448,841	\$ (19,815)	\$ 0	\$ 429,026	\$ 454,539	\$ 431,213	\$ 2,187
Special Education Program	265,966	(2,341)	170	263,795	318,357	268,145	4,350
<u>Support Services</u>							
Regular Instruction Program	48,110	(7,800)	0	40,310	32,448	41,293	983
Special Education Program	4,759	0	0	4,759	5,000	4,400	(359)
Total Expenditures	\$ 767,676	\$ (29,956)	\$ 170	\$ 737,890	\$ 810,344	\$ 745,051	\$ 7,161
Excess (Deficiency) of Revenues Over Expenditures	\$ (32,441)	\$ 29,956	\$ (170)	\$ (2,655)	\$ 0	\$ (3,307)	\$ 652
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ (32,441)	\$ 29,956	\$ (170)	\$ (2,655)	\$ 0	\$ (3,307)	\$ 652
	57,448	(29,956)	0	27,492	42,764	42,764	(15,272)
Fund Balance, June 30, 2009	\$ 25,007	\$ 0	\$ (170)	\$ 24,837	\$ 42,764	\$ 39,457	\$ (14,620)

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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 252,780	\$ 250,777	\$ 252,773	\$ 7
Other Local Revenues	2,978	4,000	3,000	(22)
State of Tennessee	10,203	10,043	10,203	0
Federal Government	522,771	460,000	503,000	19,771
Total Revenues	<u>\$ 788,732</u>	<u>\$ 724,820</u>	<u>\$ 768,976</u>	<u>\$ 19,756</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 6,800	\$ 6,800	\$ 6,800	\$ 0
<u>Operation of Non-Instructional Services</u>				
Food Service	725,616	718,020	746,357	20,741
Total Expenditures	<u>\$ 732,416</u>	<u>\$ 724,820</u>	<u>\$ 753,157</u>	<u>\$ 20,741</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 56,316</u>	<u>\$ 0</u>	<u>\$ 15,819</u>	<u>\$ 40,497</u>
Net Change in Fund Balance	\$ 56,316	\$ 0	\$ 15,819	\$ 40,497
Fund Balance, July 1, 2008	<u>171,178</u>	<u>144,174</u>	<u>144,174</u>	<u>27,004</u>
Fund Balance, June 30, 2009	<u>\$ 227,494</u>	<u>\$ 144,174</u>	<u>\$ 159,993</u>	<u>\$ 67,501</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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 287,236	\$ 265,689	\$ 283,266	\$ 3,970
Other Local Revenues	4,101	6,559	9,515	(5,414)
Total Revenues	<u>\$ 291,337</u>	<u>\$ 272,248</u>	<u>\$ 292,781</u>	<u>\$ (1,444)</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 5,763	\$ 7,000	\$ 6,000	\$ 237
<u>Principal on Debt</u>				
Education	170,000	2,270,000	170,000	0
<u>Interest on Debt</u>				
Education	77,811	97,856	77,811	0
<u>Other Debt Service</u>				
Education	28,597	37,112	28,599	2
Total Expenditures	<u>\$ 282,171</u>	<u>\$ 2,411,968</u>	<u>\$ 282,410</u>	<u>\$ 239</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 9,166</u>	<u>\$ (2,139,720)</u>	<u>\$ 10,371</u>	<u>\$ (1,205)</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 2,145,000	\$ 2,145,000	\$ 2,145,000	\$ 0
Payments to Refunded Debt Escrow Agent	(2,113,864)	0	(2,119,625)	5,761
Total Other Financing Sources (Uses)	<u>\$ 31,136</u>	<u>\$ 2,145,000</u>	<u>\$ 25,375</u>	<u>\$ 5,761</u>
Net Change in Fund Balance	\$ 40,302	\$ 5,280	\$ 35,746	\$ 4,556
Fund Balance, July 1, 2008	<u>419,222</u>	<u>374,101</u>	<u>374,101</u>	<u>45,121</u>
Fund Balance, June 30, 2009	<u>\$ 459,524</u>	<u>\$ 379,381</u>	<u>\$ 409,847</u>	<u>\$ 49,677</u>

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MISCELLANEOUS SCHEDULES

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Exhibit F-1

Paris Special School District
Schedule of Changes in Long-term Notes and Bonds
For the Year Ended June 30, 2009

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-08	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-09
NOTES PAYABLE									
<u>Payable through General Purpose School Fund</u>									
School Renovation	\$ 2,000,000	4.14 %	6-20-07	6-20-17	\$ 1,800,000	\$ 0	\$ 200,000	\$ 0	\$ 1,600,000
School Renovation	1,000,000	3.9	6-26-09	6-30-19	0	1,000,000	0	0	1,000,000
Total Notes Payable	\$ 1,800,000				\$ 1,800,000	\$ 1,000,000	\$ 200,000	\$ 0	\$ 2,600,000
BONDS PAYABLE									
<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	\$ 525,000	\$ 0	\$ 525,000	\$ 0	\$ 0
<u>Payable through Education Debt Service Fund</u>									
School Bonds, Series 1998	3,000,000	4.05 to 5.05	2-1-1998	7-29-08	\$ 2,100,000	\$ 0	\$ 0	\$ 2,100,000	\$ 0
School Refunding Bonds, Series 2008	2,145,000	3.85	7-29-08	6-1-18	0	2,145,000	170,000	0	1,975,000
Total Payable through Education Debt Service Fund	\$ 2,145,000				\$ 2,100,000	\$ 2,145,000	\$ 170,000	\$ 2,100,000	\$ 1,975,000
Total Bonds Payable	\$ 2,625,000				\$ 2,625,000	\$ 2,145,000	\$ 695,000	\$ 2,100,000	\$ 1,975,000

Exhibit F-2

Paris Special School District
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Notes		Total
	Principal	Interest	
2010	\$ 283,531	\$ 102,369	\$ 385,900
2011	286,820	90,800	377,620
2012	290,239	79,225	369,464
2013	293,793	67,267	361,060
2014	297,486	55,294	352,780
2015	301,325	43,175	344,500
2016	305,315	30,939	336,254
2017	309,463	18,476	327,939
2018	113,774	7,951	121,725
2019	118,254	3,470	121,724
Total	<u>\$ 2,600,000</u>	<u>\$ 498,966</u>	<u>\$ 3,098,966</u>

Year Ending June 30	Bonds		Total
	Principal	Interest	
2010	\$ 160,000	\$ 76,038	\$ 236,038
2011	185,000	69,877	254,877
2012	180,000	62,755	242,755
2013	205,000	55,825	260,825
2014	230,000	47,932	277,932
2015	250,000	39,078	289,078
2016	250,000	29,453	279,453
2017	245,000	19,827	264,827
2018	270,000	10,395	280,395
Total	<u>\$ 1,975,000</u>	<u>\$ 411,180</u>	<u>\$ 2,386,180</u>

Exhibit F-3

Paris Special School District
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2009

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Paris Special School District Board of Directors	\$ 93,200 (1)	\$ 301,800	RLI Insurance Company
Employees' Blanket Bond			150,000	Tennessee Risk Management Trust

(1) Includes \$1,000 chief administrative officer training. Does not include \$1,557 life insurance allowance, \$6,560 medical insurance allowance, \$917 dental and vision insurance allowance, \$16,440 tax shelter annuity, and \$6,240 vehicle allowance.

Exhibit F-4

Paris Special School District
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2009

	General Purpose School	School Federal Projects	Central Cafeteria	Education Debt Service	Education Capital Projects	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,955,352	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,955,352
Trustee's Collections - Prior Year	54,024	0	0	0	0	54,024
Trustee's Collections - Bankruptcy	22,655	0	0	0	0	22,655
Circuit/Clerk & Master Collections - Prior Years	16,440	0	0	0	0	16,440
Interest and Penalty	14,249	0	0	0	0	14,249
Pick-up Taxes	1,248	0	0	0	0	1,248
Payments in-Lieu-of Taxes - T.V.A.	1,522	0	0	0	0	1,522
Payments in-Lieu-of Taxes - Local Utilities	29,576	0	0	0	0	29,576
Payments in-Lieu-of Taxes - Other	69,206	0	0	0	0	69,206
<u>County Local Option Taxes</u>						
Local Option Sales Tax	1,287,774	0	0	0	0	1,287,774
Business Tax	56,277	0	0	0	0	56,277
<u>Statutory Local Taxes</u>						
Bank Excise Tax	33,998	0	0	0	0	33,998
Interstate Telecommunications Tax	1,235	0	0	0	0	1,235
<u>City/School District Property Taxes</u>						
Current Property Tax	662,558	0	0	270,361	0	932,919
Prior Year Property Tax	17,331	0	0	7,077	0	24,408
Interest and Penalty	4,539	0	0	1,808	0	6,347
Payments in-Lieu-of Taxes	19,563	0	0	7,990	0	27,553
Total Local Taxes	\$ 4,247,547	\$ 0	\$ 0	\$ 287,236	\$ 0	\$ 4,534,783

Licenses and Permits

Licenses

Marriage Licenses	\$ 861	\$ 0	\$ 0	\$ 0	\$ 0	\$ 861
Total Licenses and Permits	\$ 861	\$ 0	\$ 0	\$ 0	\$ 0	\$ 861

Charges for Current Services

Education Charges

Tuition - Regular Day Students	\$ 34,215	\$ 0	\$ 0	\$ 0	\$ 0	\$ 34,215
Lunch Payments - Children	0	0	189,297	0	0	189,297
Lunch Payments - Adults	0	0	41,328	0	0	41,328
Income from Breakfast	0	0	12,055	0	0	12,055

(Continued)

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Debt Service	Education Capital Projects	Total
<u>Charges for Current Services (Cont.)</u>						
<u>Education Charges (Cont.)</u>						
Special Milk Sales	\$ 0	\$ 0	\$ 3,693	\$ 0	\$ 0	\$ 3,693
A la carte Sales	0	0	6,407	0	0	6,407
Receipts from Individual Schools	41,119	0	0	0	0	41,119
Community Service Fees - Children	171,250	0	0	0	0	171,250
Total Charges for Current Services	\$ 246,584	\$ 0	\$ 252,780	\$ 0	\$ 0	\$ 499,364
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 37,814	\$ 0	\$ 2,978	\$ 4,101	\$ 0	\$ 44,893
Miscellaneous Refunds	16,945	0	0	0	36	16,981
<u>Nonrecurring Items</u>						
Damages Recovered from Individuals	781	0	0	0	0	781
Contributions and Gifts	33,287	0	0	0	0	33,287
<u>Other Local Revenues</u>						
Other Local Revenues	4,140	0	0	0	0	4,140
Total Other Local Revenues	\$ 92,967	\$ 0	\$ 2,978	\$ 4,101	\$ 36	\$ 100,082
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-Behalf Contributions for OPEB	\$ 45,668	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45,668
<u>State Education Funds</u>						
Basic Education Program	6,292,200	0	0	0	0	6,292,200
Basic Education Program - ARRA	80,800	0	0	0	0	80,800
Early Childhood Education	268,068	0	0	0	0	268,068
School Food Service	0	0	10,203	0	0	10,203
Other State Education Funds	93,684	0	0	0	0	93,684
Career Ladder Program	94,368	0	0	0	0	94,368
Career Ladder - Extended Contract	55,600	0	0	0	0	55,600
<u>Other State Revenues</u>						
Income Tax	49,281	0	0	0	0	49,281
Mixed Drink Tax	3,858	0	0	0	0	3,858
State Revenue Sharing - T.V.A.	363	0	0	0	0	363
Other State Grants	87,000	0	0	0	0	87,000
Total State of Tennessee	\$ 7,070,890	\$ 0	\$ 10,203	\$ 0	\$ 0	\$ 7,081,093

(Continued)

Exhibit F-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Debt Service	Education Capital Projects	Total
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 396,169	\$ 0	\$ 0	\$ 396,169
Breakfast	0	0	126,602	0	0	126,602
Title I Grants to Local Education Agencies	0	344,631	0	0	0	344,631
Special Education - Grants to States	0	257,838	0	0	0	257,838
Special Education Preschool Grants	0	8,571	0	0	0	8,571
Safe and Drug-free Schools - State Grants	0	7,031	0	0	0	7,031
Rural Education	0	28,525	0	0	0	28,525
Eisenhower Professional Development State Grants	0	85,232	0	0	0	85,232
Other Federal through State	0	3,407	0	0	0	3,407
Total Federal Government	\$ 0	\$ 735,235	\$ 522,771	\$ 0	\$ 0	\$ 1,258,006
Total	\$ 11,658,849	\$ 735,235	\$ 788,732	\$ 291,337	\$ 36	\$ 13,474,189

Exhibit F-5

Paris Special School District
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2009

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 4,288,372	
Career Ladder Program	61,500	
Career Ladder Extended Contracts	48,692	
Homebound Teachers	1,821	
Educational Assistants	141,587	
Other Salaries and Wages	67,835	
Certified Substitute Teachers	36,000	
Non-certified Substitute Teachers	26,562	
Social Security	263,976	
State Retirement	277,308	
Life Insurance	14,410	
Medical Insurance	480,458	
Unemployment Compensation	3,734	
Employer Medicare	66,520	
Other Contracted Services	138,666	
Instructional Supplies and Materials	80,573	
Textbooks	83,832	
Other Supplies and Materials	85,151	
Other Charges	9,688	
Regular Instruction Equipment	277,988	
Total Regular Instruction Program		\$ 6,454,673

Special Education Program

Teachers	\$ 158,865	
Educational Assistants	26,944	
Speech Pathologist	38,640	
Social Security	13,288	
State Retirement	14,062	
Employer Medicare	605	
Total Special Education Program		252,404

Student Body Education Program

Other Salaries and Wages	\$ 90	
Social Security	5	
State Retirement	6	
Employer Medicare	1	
Other Contracted Services	10,445	
Other Supplies and Materials	18,420	
Other Charges	14,806	
Total Student Body Education Program		43,773

(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	\$	12,559	
Social Security		652	
State Retirement		928	
Employer Medicare		152	
Total Attendance			\$ 14,291

Health Services

Medical Personnel	\$	49,771	
Other Salaries and Wages		55,564	
Social Security		6,495	
State Retirement		3,613	
Unemployment Compensation		64	
Employer Medicare		1,519	
Travel		1,496	
Drugs and Medical Supplies		2,049	
Other Supplies and Materials		37,292	
In Service/Staff Development		1,218	
Total Health Services			159,081

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		103,870	
Social Workers		50,790	
Assessment Personnel		52,293	
Clerical Personnel		13,626	
Social Security		13,632	
State Retirement		14,946	
Life Insurance		424	
Medical Insurance		9,026	
Unemployment Compensation		38	
Employer Medicare		3,188	
Other Supplies and Materials		1,861	
Total Other Student Support			266,694

Regular Instruction Program

Supervisor/Director	\$	84,180	
Career Ladder Program		2,000	
Librarians		126,470	
Materials Supervisor		17,700	

(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.)

Clerical Personnel	\$	27,954	
Social Security		13,450	
State Retirement		15,272	
Life Insurance		581	
Medical Insurance		25,077	
Unemployment Compensation		19	
Employer Medicare		3,523	
Travel		5,464	
Library Books/Media		5,906	
In Service/Staff Development		22,219	
Total Regular Instruction Program			\$ 349,815

Special Education Program

Supervisor/Director	\$	30,000	
Social Security		1,860	
State Retirement		1,926	
Employer Medicare		435	
Total Special Education Program			34,221

Other Programs

On-Behalf Payments to OPEB	\$	45,668	
Total Other Programs			45,668

Board of Education

Secretary to Board	\$	100	
Audit Services		10,824	
Dues and Memberships		8,716	
Other Contracted Services		1,327	
Liability Insurance		14,479	
Premiums on Corporate Surety Bonds		1,056	
Trustee's Commission		68,894	
Workers' Compensation Insurance		53,110	
Criminal Investigation of Applicants - TBI		1,260	
Refund to Applicant for Criminal Investigation		600	
Other Charges		6,421	
Total Board of Education			166,787

Director of Schools

County Official/Administrative Officer	\$	92,200	
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(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.)

Career Ladder Program	\$	1,000	
Social Security		6,378	
State Retirement		8,020	
Life Insurance		1,557	
Medical Insurance		14,275	
Dental Insurance		917	
Employer Medicare		1,718	
Other Fringe Benefits		22,680	
Communication		5,962	
Postal Charges		3,219	
Travel		758	
Other Supplies and Materials		1,567	
Other Charges		855	
Total Director of Schools			\$ 161,106

Office of the Principal

Principals	\$	220,199	
Career Ladder Program		4,800	
Assistant Principals		119,716	
Secretary(ies)		59,043	
Social Security		17,917	
State Retirement		18,692	
Life Insurance		797	
Medical Insurance		26,057	
Unemployment Compensation		57	
Employer Medicare		5,716	
Communication		18,788	
Postal Charges		2,196	
Travel		265	
Office Supplies		870	
Total Office of the Principal			495,113

Fiscal Services

Accountants/Bookkeepers	\$	49,375
Clerical Personnel		28,424
Other Salaries and Wages		733
Social Security		4,647
State Retirement		5,749
Life Insurance		239

(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.)

Fiscal Services (Cont.)

Medical Insurance	\$	4,874	
Employer Medicare		1,097	
Travel		195	
Other Contracted Services		5,223	
Office Supplies		1,306	
Total Fiscal Services			\$ 101,862

Operation of Plant

Custodial Personnel	\$	197,312	
Social Security		12,147	
State Retirement		10,850	
Life Insurance		845	
Medical Insurance		2,912	
Unemployment Compensation		42	
Employer Medicare		2,841	
Other Contracted Services		39,631	
Custodial Supplies		35,092	
Electricity		319,058	
Natural Gas		52,459	
Water and Sewer		13,629	
Other Supplies and Materials		22,901	
Boiler Insurance		2,261	
Building and Contents Insurance		44,989	
Other Charges		14,535	
Plant Operation Equipment		1,260	
Total Operation of Plant			772,764

Maintenance of Plant

Supervisor/Director	\$	57,125
Maintenance Personnel		72,631
Social Security		7,402
State Retirement		9,589
Life Insurance		383
Medical Insurance		13,540
Employer Medicare		1,731
Maintenance and Repair Services - Buildings		1,475
Maintenance and Repair Services - Equipment		2,970
Travel		967
Other Contracted Services		33,758

(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.)

Maintenance of Plant (Cont.)

Equipment and Machinery Parts	\$	10,854	
Other Supplies and Materials		16,766	
Maintenance Equipment		4,000	
Total Maintenance of Plant			\$ 233,191

Transportation

Mechanic(s)	\$	31,385	
Bus Drivers		138,372	
Other Salaries and Wages		35,635	
In-Service Training		675	
Social Security		12,561	
State Retirement		13,078	
Life Insurance		458	
Unemployment Compensation		213	
Employer Medicare		2,938	
Travel		25	
Other Contracted Services		2,637	
Diesel Fuel		43,171	
Gasoline		4,930	
Tires and Tubes		5,933	
Vehicle Parts		24,945	
Other Supplies and Materials		2,537	
Vehicle and Equipment Insurance		12,715	
In Service/Staff Development		345	
Other Charges		2,016	
Total Transportation			334,569

Central and Other

Data Processing Personnel	\$	126,134	
Social Security		7,004	
State Retirement		9,321	
Life Insurance		455	
Medical Insurance		15,948	
Employer Medicare		1,638	
Total Central and Other			160,500

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	35,532	
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(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 Salaries and Wages	\$ 112,473	
Social Security	8,636	
State Retirement	4,211	
Unemployment Compensation	225	
Employer Medicare	2,138	
Food Supplies	11,189	
Other Supplies and Materials	3,053	
Total Community Services		\$ 177,457

Early Childhood Education

Supervisor/Director	\$ 5,500	
Teachers	122,909	
Other Salaries and Wages	37,689	
Certified Substitute Teachers	900	
Non-certified Substitute Teachers	1,152	
Social Security	9,574	
State Retirement	10,124	
Life Insurance	225	
Medical Insurance	15,000	
Unemployment Compensation	78	
Employer Medicare	2,239	
Other Contracted Services	4,657	
Electricity	5,000	
Instructional Supplies and Materials	12,909	
Other Supplies and Materials	24,549	
In Service/Staff Development	2,144	
Other Equipment	24,740	
Total Early Childhood Education		279,389

Capital Outlay

Regular Capital Outlay

Building Construction	\$ 163,763	
Building Improvements	33,416	
Other Capital Outlay	41,675	
Total Regular Capital Outlay		238,854

Principal on Debt

Education

Principal on Bonds	\$ 525,000	
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(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Principal on Debt (Cont.)

Education (Cont.)

Principal on Notes	\$ 200,000	
Total Education		\$ 725,000

Interest on Debt

Education

Interest on Bonds	\$ 23,362	
Interest on Notes	72,456	
Total Education		95,818

Total General Purpose School Fund \$ 11,563,030

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 72,850	
Educational Assistants	277,333	
Other Salaries and Wages	1,750	
Social Security	21,362	
State Retirement	25,277	
Medical Insurance	2,302	
Employer Medicare	4,996	
Other Contracted Services	285	
Instructional Supplies and Materials	17,323	
Other Supplies and Materials	25,363	
Total Regular Instruction Program		\$ 448,841

Special Education Program

Educational Assistants	\$ 172,589	
Social Security	10,485	
State Retirement	11,578	
Employer Medicare	2,285	
Evaluation and Testing	20,500	
Other Contracted Services	29,077	
Instructional Supplies and Materials	2,953	
Other Supplies and Materials	16,499	
Total Special Education Program		265,966

(Continued)

Exhibit F-5

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

School Federal Projects Fund (Cont.)

Support Services

Regular Instruction Program

Other Salaries and Wages	\$	3,000	
Social Security		174	
State Retirement		192	
Employer Medicare		41	
Instructional Supplies and Materials		8,208	
Other Supplies and Materials		7,236	
In Service/Staff Development		29,259	
Total Regular Instruction Program			\$ 48,110

Special Education Program

Travel	\$	1,788	
In Service/Staff Development		2,971	
Total Special Education Program			4,759

Total School Federal Projects Fund \$ 767,676

Central Cafeteria Fund

Support Services

Board of Education

Workers' Compensation Insurance	\$	6,800	
Total Board of Education			\$ 6,800

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	252,892	
Other Salaries and Wages		33,744	
In-Service Training		1,821	
Social Security		17,603	
State Retirement		19,089	
Life Insurance		1,800	
Medical Insurance		2,912	
Unemployment Compensation		376	
Employer Medicare		4,117	
Communication		1,874	
Maintenance and Repair Services - Equipment		1,106	
Transportation - Other than Students		7,974	
Travel		63	
Other Contracted Services		1,038	
Food Supplies		345,409	

(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 (Cont.)

Food Service (Cont.)

Uniforms	\$	2,181	
Other Supplies and Materials		28,701	
In Service/Staff Development		752	
Other Charges		258	
Food Service Equipment		1,906	
Total Food Service			\$ 725,616

Total Central Cafeteria Fund \$ 732,416

Education Debt Service Fund

Support Services

Board of Education

Trustee's Commission	\$	5,763	
Total Board of Education			\$ 5,763

Principal on Debt

Education

Principal on Bonds	\$	170,000	
Total Education			170,000

Interest on Debt

Education

Interest on Bonds	\$	77,811	
Total Education			77,811

Other Debt Service

Education

Other Debt Issuance Charges	\$	28,578	
Other Debt Service		19	
Total Education			28,597

Total Education Debt Service Fund 282,171

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Other Salaries and Wages	\$	30,706	
Social Security		1,904	
Unemployment Compensation		78	

(Continued)

Exhibit F-5

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

Education Capital Projects Fund (Cont.)

Capital Projects (Cont.)

Education Capital Projects (Cont.)

Employer Medicare	\$ 445	
Architects	5,091	
Other Contracted Services	3,306	
Building Construction	253,667	
Building Improvements	12,992	
Site Development	<u>7,321</u>	
Total Education Capital Projects		<u>\$ 315,510</u>

Total Education Capital Projects Fund \$ 315,510

Total Governmental Funds - Paris Special School District \$ 13,660,803

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SINGLE AUDIT SECTION

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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 18, 2010

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, 2009, which collectively comprise the Paris Special School District's basic financial statements and have issued our report thereon dated March 18, 2010. 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, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 significant deficiency in internal control over financial reporting is described in the accompanying Schedule of Findings and Questioned as item 09.01.

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.

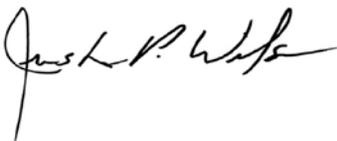
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

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,



Justin P. Wilson
Comptroller of the Treasury

JPW/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

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

March 18, 2010

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, 2009. 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, 2009.

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.

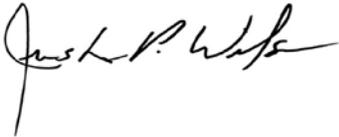
Schedule of Expenditures of Federal Awards

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, 2009, and have issued our report thereon dated March 18, 2010. 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, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a prominent vertical stroke at the beginning.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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Paris Special School District
Schedule of Expenditures of Federal Awards and State Grant(1)
For the Year Ended June 30, 2009

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:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 69,464 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	126,602
National School Lunch Program	10.555	N/A	396,169 (3)
Total U.S. Department of Agriculture			\$ 592,235
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 371,337
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	260,009
Special Education - Preschool Grants	84.173	N/A	8,565
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	7,602
State Grants for Innovative Programs	84.298	N/A	161
Education Technology State Grants	84.318	(2)	3,407
Rural Education	84.358	N/A	31,414
Improving Teacher Quality State Grants	84.367	N/A	85,181
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	N/A	80,800
Total U.S. Department of Education			\$ 848,476
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			\$ 33,300
Total Expenditures of Federal Awards			\$ 1,474,011
State Grants:			
		Contract Number	
Coordinated School Health Expansion - State Department of Education	N/A	(2)	\$ 268,068
Safe Schools Act - State Department of Education	N/A	(2)	9,500
Early Childhood Education - State Department of Education	N/A	(2)	87,000
Connect Tenn - State Department of Education	N/A	(2)	7,602
Total State Grants			\$ 372,170

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$465,633.

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Paris Special School District
Schedule of Audit Findings Not Corrected
June 30, 2009

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, 2008, which have not been corrected.

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PARIS SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

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 one significant deficiency in internal control. This deficiency was not considered to be a material weakness.
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) was determined to be a major program.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. The Paris Special School District did qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

A finding and recommendation, as a result of our examination, are presented below. We reviewed this finding and recommendation with management to provide an opportunity for their response; however, management did not provide a response for inclusion in this report.

FINDING 09.01 THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT
(Internal Control – Significant Deficiency Under Government Auditing Standards)

At June 30, 2009, the School Federal Projects Fund had a cash overdraft of \$97,566. Sound business practices dictate that expenditures be held within available funds. This overdraft resulted from the issuance of checks exceeding cash in bank.

RECOMMENDATION

The School Department should not issue checks exceeding cash in bank.

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

There were no findings and questioned costs for federal awards.

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**PARIS SPECIAL SCHOOL DISTRICT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2009**

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