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# ANNUAL FINANCIAL REPORT PARIS SPECIAL SCHOOL DISTRICT



**FOR THE YEAR ENDED JUNE 30, 2013**



**ANNUAL FINANCIAL REPORT  
PARIS SPECIAL SCHOOL DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2013**

***COMPTROLLER OF THE TREASURY  
JUSTIN P. WILSON***

***DIVISION OF LOCAL GOVERNMENT AUDIT  
JAMES R. ARNETTE  
Director***

***JAN PAGE, CPA, CFE  
Audit Manager***

***LEE ANN WEST, CPA, CGFM  
Auditor 4***

***TIFFANY NOLEN, CFE  
B. KEITH RICE, CGFM  
SHELBI TUCKER  
MANDY SPENCER  
ELISHA CROWELL, CFE  
State Auditors***

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

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***Audit Highlights***  
Annual Financial Report  
Paris Special School District  
For the Year Ended June 30, 2013

***Scope***

We have audited the basic financial statements of the Paris Special School District as of and for the year ended June 30, 2013.

***Results***

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

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

***Finding and Best Practice***

The following is a summary of the audit finding and best practice:

- ◆ Purchase orders were not issued properly in some instances.

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**BEST PRACTICE**

The Paris Special School District does not have an Audit Committee. The Division of Local Government Audit strongly believes that an Audit Committee is a best practice that should be adopted by the governing body to assist the board of directors by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks.

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# INTRODUCTORY SECTION

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Paris Special School District Officials  
June 30, 2013

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**Official**

Mike Brown, Director of Schools and  
Assistant Secretary-Treasurer

**Board of Directors**

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

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# FINANCIAL SECTION

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

Independent Auditor's Report

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

To the Director of Schools and Board of Directors:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paris Special School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Paris Special School District, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

We draw attention to Note I.D.8. in the financial statements, which describes a restatement to the beginning balance of the government-wide financial statements totaling \$17,205. This restatement was necessary because prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, debt issuance costs become period costs.

As described in Note V.B., the Paris Special School District has adopted the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. The Paris Special School District early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

## ***Other Matters***

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedules of funding progress – pension plan and other postemployment benefits plan on pages 46-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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 miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds,

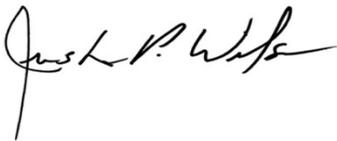
and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2014, on our consideration of the Paris Special School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Paris Special School District's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

March 13, 2014

JPW/sb

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## **BASIC FINANCIAL STATEMENTS**

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Exhibit A

Paris Special School District  
Statement of Net Position  
June 30, 2013

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 2,913,301
Investments	2,262,322
Due from Other Governments	506,625
Property Taxes Receivable	3,604,335
Allowance for Uncollectible Property Taxes	(97,459)
Capital Assets:	
Assets Not Depreciated:	
Land	130,000
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	14,896,340
Infrastructure	106,539
Other Capital Assets	988,165
Total Assets	<u>\$ 25,310,168</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Charge on Refunding	\$ 4,232
Total Deferred Outflows of Resources	<u>\$ 4,232</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 56,847
Payroll Deductions Payable	99,940
Accrued Interest Payable	907
Noncurrent Liabilities:	
Due Within One Year	527,486
Due in More Than One Year	2,488,595
Total Liabilities	<u>\$ 3,173,775</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Current Property Taxes	\$ 3,417,646
Total Deferred Inflows of Resources	<u>\$ 3,417,646</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 13,430,596
Restricted for:	
Instruction	10,380
Operation of Non-Instructional Services	342,216
Debt Service	591,572
Unrestricted	<u>4,348,215</u>
Total Net Position	<u>\$ 18,722,979</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, 2013

Functions/Programs	Program Revenues		Expenses	Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions		Total	Governmental Activities
Governmental Activities:					
Instruction	\$ 9,232,575	\$ 33,055	\$ 789,725	\$ (8,409,795)	
Support Services	3,844,667	99,702	239,877	(3,505,088)	
Operation of Non-Instructional Services	1,582,910	495,502	1,017,069	(70,339)	
Interest on Long-term Debt	124,303	0	0	(124,303)	
Total Governmental Activities	\$ 14,784,455	\$ 628,259	\$ 2,046,671	\$ (12,109,525)	
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 3,077,005	
Property Taxes Levied for Debt Service				284,030	
Local Option Sales Tax				1,517,200	
Business Tax				98,893	
Interstate Telecommunications Tax				1,098	
Grants and Contributions Not Restricted to Specific Programs				8,205,325	
Unrestricted Investment Income				11,229	
Miscellaneous				16,463	
Total General Revenues				\$ 13,211,243	
Change in Net Position				\$ 1,101,718	
Net Position, July 1, 2012				17,638,466	
Restatement - See Note I.D.8.				(17,205)	
Net Position, June 30, 2013				\$ 18,722,979	

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, 2013

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 2,239,237	\$ 674,064	\$ 2,913,301
Investments	1,904,252	358,070	2,262,322
Due from Other Governments	505,311	1,314	506,625
Property Taxes Receivable	3,298,290	306,045	3,604,335
Allowance for Uncollectible Property Taxes	(89,235)	(8,224)	(97,459)
Total Assets	<u>\$ 7,857,855</u>	<u>\$ 1,331,269</u>	<u>\$ 9,189,124</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 47,774	\$ 9,073	\$ 56,847
Payroll Deductions Payable	99,940	0	99,940
Total Liabilities	<u>\$ 147,714</u>	<u>\$ 9,073</u>	<u>\$ 156,787</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 3,133,568	\$ 284,078	\$ 3,417,646
Deferred Delinquent Property Taxes	64,486	12,859	77,345
Other Deferred/Unavailable Revenue	127,018	0	127,018
Total Deferred Inflows of Resources	<u>\$ 3,325,072</u>	<u>\$ 296,937</u>	<u>\$ 3,622,009</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 9,754	\$ 626	\$ 10,380
Restricted for Operation of Non-Instructional Services	0	342,216	342,216
Restricted for Debt Service	0	574,481	574,481
Committed:			
Committed for Debt Service	0	7,936	7,936
Assigned:			
Assigned for Education	39,292	100,000	139,292
Unassigned	4,336,023	0	4,336,023
Total Fund Balances	<u>\$ 4,385,069</u>	<u>\$ 1,025,259</u>	<u>\$ 5,410,328</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,857,855</u>	<u>\$ 1,331,269</u>	<u>\$ 9,189,124</u>

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

Exhibit C-2

Paris Special School District  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 5,410,328	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	130,000	
Add: buildings and improvements net of accumulated depreciation		14,896,340	
Add: infrastructure net of accumulated depreciation		106,539	
Add: other capital assets net of accumulated depreciation		<u>988,165</u>	16,121,044
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(1,445,448)	
Less: bonds payable		(1,245,000)	
Add: deferred amount on refunding		4,232	
Less: accrued interest on notes		(907)	
Less: other postemployment benefits liability		<u>(325,633)</u>	(3,012,756)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>204,363</u>
Net position of governmental activities (Exhibit A)			<u>\$ 18,722,979</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, 2013

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	Total
	Purpose	Govern- mental	Governmental
	School	Funds	Funds
<u>Revenues</u>			
Local Taxes	\$ 4,937,382	\$ 288,959	\$ 5,226,341
Licenses and Permits	1,092	0	1,092
Charges for Current Services	363,233	261,652	624,885
Other Local Revenues	49,907	14,038	63,945
State of Tennessee	8,108,471	10,975	8,119,446
Federal Government	19,208	1,966,369	1,985,577
Total Revenues	<u>\$ 13,479,293</u>	<u>\$ 2,541,993</u>	<u>\$ 16,021,286</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 7,732,395	\$ 972,097	\$ 8,704,492
Support Services	3,658,323	229,075	3,887,398
Operation of Non-Instructional Services	546,310	1,012,017	1,558,327
Capital Outlay	265,002	0	265,002
Debt Service:			
Principal on Debt	293,962	205,000	498,962
Interest on Debt	67,097	55,822	122,919
Capital Projects	0	917,703	917,703
Total Expenditures	<u>\$ 12,563,089</u>	<u>\$ 3,391,714</u>	<u>\$ 15,954,803</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 916,204</u>	<u>\$ (849,721)</u>	<u>\$ 66,483</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 2,576	\$ 0	\$ 2,576
Transfers In	147,128	0	147,128
Transfers Out	0	(147,128)	(147,128)
Total Other Financing Sources (Uses)	<u>\$ 149,704</u>	<u>\$ (147,128)</u>	<u>\$ 2,576</u>
Net Change in Fund Balances	\$ 1,065,908	\$ (996,849)	\$ 69,059
Fund Balance, July 1, 2012	3,319,161	2,022,108	5,341,269
Fund Balance, June 30, 2013	<u>\$ 4,385,069</u>	<u>\$ 1,025,259</u>	<u>\$ 5,410,328</u>

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

Exhibit C-4

Paris Special School District  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2013

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)		\$ 69,059
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 1,439,526	
Less: current-year depreciation expense	<u>(701,774)</u>	737,752
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2013	\$ 204,363	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(339,476)</u>	(135,113)
<p>(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 position. Also, governmental funds report the effect of 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:</p>		
Less: change in deferred amount on refunding debt	\$ (1,611)	
Add: principal payments on notes	293,962	
Add: principal payments on bonds	<u>205,000</u>	497,351
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest payable	\$ 227	
Change in other postemployment benefits liability	<u>(67,558)</u>	<u>(67,331)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 1,101,718</u>

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

Exhibit C-5

Paris Special School District  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Purpose School Fund  
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)		Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
				Budgeted Amounts				
				Original	Final			
<u>Revenues</u>								
Local Taxes	\$ 4,937,382	\$ 0	\$ 0	\$ 4,937,382	\$ 4,531,534	\$ 4,531,534	\$	405,848
Licenses and Permits	1,092	0	0	1,092	519	519		573
Charges for Current Services	363,233	0	0	363,233	342,318	331,622		31,611
Other Local Revenues	49,907	0	0	49,907	31,100	46,624		3,283
State of Tennessee	8,108,471	0	0	8,108,471	8,023,098	8,051,512		56,959
Federal Government	19,208	0	0	19,208	20,000	19,208		0
Total Revenues	\$ 13,479,293	\$ 0	\$ 0	\$ 13,479,293	\$ 12,867,351	\$ 12,981,019	\$	498,274
<u>Expenditures</u>								
<u>Instruction</u>								
Regular Instruction Program	\$ 7,105,640	\$ (17,543)	\$ 16,398	\$ 7,104,495	\$ 7,503,275	\$ 7,297,570	\$	193,075
Special Education Program	568,704	0	0	568,704	494,057	571,357		2,653
Student Body Education Program	58,051	0	3,476	61,527	57,420	63,932		2,405
<u>Support Services</u>								
Attendance	17,571	0	0	17,571	17,754	17,754		183
Health Services	149,801	(2,961)	0	146,840	163,077	163,177		16,337
Other Student Support	295,878	0	1,257	297,135	294,831	303,831		6,696
Regular Instruction Program	372,666	0	931	373,597	386,943	385,764		12,167
Special Education Program	36,991	0	0	36,991	34,959	37,084		93
Other Programs	63,601	0	0	63,601	0	63,601		0
Board of Education	182,750	0	0	182,750	181,676	186,014		3,264
Director of Schools	171,924	0	0	171,924	182,295	180,295		8,371
Office of the Principal	503,576	0	0	503,576	545,181	517,817		14,241
Fiscal Services	111,611	0	0	111,611	117,997	114,952		3,341
Operation of Plant	787,195	0	0	787,195	853,282	838,488		51,293
Maintenance of Plant	266,217	0	3,292	269,509	282,022	305,472		35,963
Transportation	527,119	0	0	527,119	551,822	563,535		36,416
Central and Other	171,423	0	0	171,423	174,151	172,761		1,338

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Operation of Non-Instructional Services</u>							
Community Services	\$ 266,807	\$ 0	\$ 0	\$ 266,807	\$ 273,318	\$ 273,318	\$ 6,511
Early Childhood Education	279,503	(1,652)	6,948	284,799	284,811	284,811	12
<u>Capital Outlay</u>							
Regular Capital Outlay	265,002	0	6,990	271,992	265,000	281,000	9,008
<u>Principal on Debt</u>							
Education	293,962	0	0	293,962	293,793	293,962	0
<u>Interest on Debt</u>							
Education	67,097	0	0	67,097	67,268	67,099	2
Total Expenditures	\$ 12,563,089	\$ (22,156)	\$ 39,292	\$ 12,580,225	\$ 13,024,932	\$ 12,983,594	\$ 403,369
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 916,204	\$ 22,156	\$ (39,292)	\$ 899,068	\$ (157,581)	\$ (2,575)	\$ 901,643
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 2,576	\$ 0	\$ 0	\$ 2,576	\$ 0	\$ 2,575	\$ 1
Transfers In	147,128	0	0	147,128	0	147,129	(1)
Total Other Financing Sources	\$ 149,704	\$ 0	\$ 0	\$ 149,704	\$ 0	\$ 149,704	\$ 0
Net Change in Fund Balance	\$ 1,065,908	\$ 22,156	\$ (39,292)	\$ 1,048,772	\$ (157,581)	\$ 147,129	\$ 901,643
Fund Balance, July 1, 2012	3,319,161	(22,156)	0	3,297,005	3,319,161	3,319,770	(22,765)
Fund Balance, June 30, 2013	\$ 4,385,069	\$ 0	\$ (39,292)	\$ 4,345,777	\$ 3,161,580	\$ 3,466,899	\$ 878,878

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

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## PARIS SPECIAL SCHOOL DISTRICT

### Index of Notes to the Financial Statements

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**PARIS SPECIAL SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2013**

**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 Position 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 fund:

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

Additionally, the district reports the following fund types:

**Special Revenue Funds** – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

**Capital Projects Fund** – The Education Capital Projects Fund accounts for financial resources to be used for school renovations.

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.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**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 position as 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 are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. 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. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. 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.

## **2. Receivables and Payables**

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.43 percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources 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 as a deferred inflow of resources 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 - 20
Infrastructure:	
Improvements Other Than Buildings	20 - 30

**4. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources,

represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**5. 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.

**6. 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 Position. Debt premiums and discounts are deferred and are amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner 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.

## **7. Net Position and Fund Balance**

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

- a. Net investment in capital assets – 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 position – Consists of net position 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 position – All other net position that does not meet the definition of restricted or net investment in capital assets.

It is the district's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the district's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the board of directors, the district’s highest level of decision-making authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the district’s intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The board of directors is the authorized body to make assignments.

Unassigned Fund Balance – the residual classification of the General Purpose School Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Purpose School Fund.

**8. Restatement**

Prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of GASB Statement No. 65, debt issuance costs become period costs. A restatement to beginning net position totaling \$17,205 has been recognized for accumulated debt issuance costs on the government-wide financial statements.

**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 Position**

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 Position.

**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 position of governmental activities reported in the government-wide Statement of Activities.

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### Budgetary Information

In prior years, the budgetary statements for the General Purpose School Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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.

### 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 position as 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 Comptroller’s Office 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 fair value of the securities on the day of purchase.

**Investment Balances.** As of June 30, 2013, the district had the following investments carried at fair value. All investments are in the district’s investment pool.

Investment	Weighted Average Maturity (days)	Fair Value
State Treasurer's Investment Pool	11 to 138	\$ 2,262,322

**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, 2013, 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, 2013, was as follows:

**Governmental Activities:**

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets				
Not Depreciated:				
Land	\$ 130,000	\$ 0	\$ 0	\$ 130,000
Construction in Progress	110,830	0	110,830	0
Total Capital Assets				
Not Depreciated	<u>\$ 240,830</u>	<u>\$ 0</u>	<u>\$ 110,830</u>	<u>\$ 130,000</u>
Capital Assets				
Depreciated:				
Buildings and				
Improvements	\$ 22,976,423	\$ 1,069,347	\$ 0	\$ 24,045,770
Infrastructure	253,814	0	0	253,814
Other Capital Assets	1,734,663	481,009	0	2,215,672
Total Capital Assets				
Depreciated	<u>\$ 24,964,900</u>	<u>\$ 1,550,356</u>	<u>\$ 0</u>	<u>\$ 26,515,256</u>
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 8,577,255	\$ 572,175	\$ 0	\$ 9,149,430
Infrastructure	134,585	12,690	0	147,275
Other Capital Assets	1,110,598	116,909	0	1,227,507
Total Accumulated				
Depreciation	<u>\$ 9,822,438</u>	<u>\$ 701,774</u>	<u>\$ 0</u>	<u>\$ 10,524,212</u>

**Governmental Activities (Cont.):**

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Total Capital Assets				
Depreciated, Net	\$ 15,142,462	\$ 848,582	\$ 0	\$ 15,991,044
Governmental Activities				
Capital Assets, Net	\$ 15,383,292	\$ 848,582	\$ 110,830	\$ 16,121,044

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

**Governmental Activities:**

Instruction	\$ 450,344
Support Services	226,847
Operation of Non-Instructional Services	<u>24,583</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 701,774</u>

**C. Interfund Transfer**

Interfund transfers for the year ended June 30, 2013, consisted of the following amount:

<u>Transfer Out</u>	<u>Transfer In</u> General Purpose School Fund
Nonmajor governmental fund	\$ 147,128

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

**D. Long-term Obligations**

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, 2013, will be retired from the General Purpose School and Education Debt Service funds.

General obligation bonds and capital outlay notes outstanding as of June 30, 2013, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-13
General Obligation Bonds -				
Refunding	3.85 %	6-1-18	\$ 2,145,000	\$ 1,245,000
Capital Outlay Notes	3.9 to 4.14	6-30-19	3,000,000	1,445,448

The annual requirements to amortize all general obligation bonds and capital outlay notes outstanding as of June 30, 2013, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	\$ 1,245,000	\$ 146,685	\$ 1,391,685

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 297,486	\$ 55,294	\$ 352,780
2015	301,325	43,175	344,500
2016	305,315	30,939	336,254
2017	309,463	18,477	327,940
2018	113,773	7,951	121,724
2019	118,086	3,469	121,555
Total	\$ 1,445,448	\$ 159,305	\$ 1,604,753

There is \$582,417, available in the Education Debt Service Fund to service long-term debt.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2013, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2012	\$ 1,450,000	\$ 1,739,410
Reductions	<u>(205,000)</u>	<u>(293,962)</u>
Balance, June 30, 2013	<u>\$ 1,245,000</u>	<u>\$ 1,445,448</u>
Balance Due Within One Year	<u>\$ 230,000</u>	<u>\$ 297,486</u>

	<u>Other Postemployment Benefits</u>
Balance, July 1, 2012	\$ 258,075
Additions	128,365
Reductions	<u>(60,807)</u>
Balance, June 30, 2013	<u>\$ 325,633</u>
Balance Due Within One Year	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 3,016,081
Less: Balance Due Within One Year	<u>(527,486)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 2,488,595</u>

Other postemployment benefits will be paid from the employing funds, primarily the General Purpose School Fund.

**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, 2013, were \$53,129 and \$10,472, 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. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. The district early implemented Statement No. 65, *Items Previously Reported as Assets and*

*Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66 decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modifies guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

**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**

**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 Paris Special School District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

**Funding Policy**

The Paris Special School District requires employees to contribute five percent of their earnable compensation to the plan. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 5.95 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

## Annual Pension Cost

For the year ended June 30, 2013, the Paris Special School District's annual pension cost of \$120,321 to TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 2011, 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 three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 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 ten-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, 2011, was three years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

### Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-13	\$120,321	100%	\$0
6-30-12	135,912	100	0
6-30-11	125,311	100	0

### Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 97.99 percent funded. The actuarial accrued liability for benefits was \$4.46 million, and the actuarial value of assets was \$4.37 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.09 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.86 million, and the ratio of the UAAL to the covered payroll was 4.83 percent.

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

## **SCHOOL TEACHERS**

### **Plan Description**

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

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

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries 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, 2013, was 8.88 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, 2013, 2012, and 2011, were \$574,963, \$558,477, and \$545,489, 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 between the standard or partnership preferred provider organization (PPO) 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 plan is 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 employer in the plan develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides 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, 2013, the district contributed \$60,807 for postemployment health care.

Annual OPEB Cost and Net OPEB Obligation

	<u>Local Education Group Plan</u>
ARC	\$ 129,000
Interest on the NOPEBO	10,323
Adjustment to the ARC	<u>(10,958)</u>
Annual OPEB cost	\$ 128,365
Less: amount of contribution	<u>(60,807)</u>
Increase/decrease in NOPEBO	\$ 67,558
Net OPEB obligation, 7-1-12	<u>258,075</u>
Net OPEB obligation, 6-30-13	<u><u>\$ 325,633</u></u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-11	Local Education Group	\$ 104,347	61 %	\$ 186,496
6-30-12	"	127,542	44	258,075
6-30-13	"	128,365	47	325,633

### Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-11
Actuarial accrued liability (AAL)	\$ 1,226,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,226,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 5,034,429
UAAL as a % of covered payroll	24%

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 multi-year 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, 2011, actuarial valuation for the Local Education Group Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.75 percent for fiscal year 2013. The trend will decrease to 8.25 percent in fiscal year 2014 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The rate includes a 2.5 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 July 1, 2007.

**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 president 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 Funding Progress – Pension Plan  
June 30, 2013

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-11	\$ 4,371	\$ 4,461	\$ 90	97.99 %	\$ 1,860	4.83 %
7-1-09	3,476	3,476	0	100	1,711	0
7-1-07	3,148	3,148	0	100	1,698	0

Exhibit D-2

Paris Special School District  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
June 30, 2013

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (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	7-1-09	\$ 0	\$ 1,072	\$ 1,072	0%	\$ 4,733	23%
"	7-1-10	0	1,106	1,106	0	4,981	22
"	7-1-11	0	1,226	1,226	0	5,034	24

**PARIS SPECIAL SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2013**

**BUDGETARY INFORMATION**

In prior years, the budgetary statements for the General Purpose School Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

## Debt Service Fund

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Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

# Capital Projects Fund

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Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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Education Capital Projects Fund – The Education Capital Projects Fund was used to account for financial resources to be used for school renovations. This fund was closed during the year.

Exhibit E-1

Paris Special School District  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2013

	<u>Special Revenue Funds</u>			<u>Debt Service Fund</u>	<u>Total</u>
	<u>School Federal Projects</u>	<u>Central Cafeteria</u>	<u>Total</u>	<u>Education Debt Service</u>	<u>Nonmajor Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash	\$ 106,535	\$ 238,539	\$ 345,074	\$ 328,990	\$ 674,064
Investments	0	106,841	106,841	251,229	358,070
Due from Other Governments	0	0	0	1,314	1,314
Property Taxes Receivable	0	0	0	306,045	306,045
Allowance for Uncollectible Property Taxes	0	0	0	(8,224)	(8,224)
Total Assets	<u>\$ 106,535</u>	<u>\$ 345,380</u>	<u>\$ 451,915</u>	<u>\$ 879,354</u>	<u>\$ 1,331,269</u>
<b><u>LIABILITIES</u></b>					
Accounts Payable	\$ 5,909	\$ 3,164	\$ 9,073	\$ 0	\$ 9,073
Total Liabilities	<u>\$ 5,909</u>	<u>\$ 3,164</u>	<u>\$ 9,073</u>	<u>\$ 0</u>	<u>\$ 9,073</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Deferred Current Property Taxes	\$ 0	\$ 0	\$ 0	\$ 284,078	\$ 284,078
Deferred Delinquent Property Taxes	0	0	0	12,859	12,859
Total Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 296,937</u>	<u>\$ 296,937</u>
<b><u>FUND BALANCES</u></b>					
Restricted:					
Restricted for Education	\$ 626	\$ 0	\$ 626	\$ 0	\$ 626
Restricted for Operation of Non-Instructional Services	0	342,216	342,216	0	342,216
Restricted for Debt Service	0	0	0	574,481	574,481
Committed:					
Committed for Debt Service	0	0	0	7,936	7,936
Assigned:					
Assigned for Education	100,000	0	100,000	0	100,000
Total Fund Balances	<u>\$ 100,626</u>	<u>\$ 342,216</u>	<u>\$ 442,842</u>	<u>\$ 582,417</u>	<u>\$ 1,025,259</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 106,535</u>	<u>\$ 345,380</u>	<u>\$ 451,915</u>	<u>\$ 879,354</u>	<u>\$ 1,331,269</u>

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, 2013

	Special Revenue Funds			Debt Service Fund		Capital Projects Fund		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Debt Service	Education Capital Projects	Education Capital Projects	Nonmajor Governmental Funds	
<u>Revenues</u>								
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 288,959	\$ 0	\$ 0	\$ 288,959	
Charges for Current Services	0	261,652	261,652	0	0	0	261,652	
Other Local Revenues	0	13,703	13,703	335	0	0	14,038	
State of Tennessee	0	10,975	10,975	0	0	0	10,975	
Federal Government	1,187,389	778,980	1,966,369	0	0	0	1,966,369	
Total Revenues	\$ 1,187,389	\$ 1,065,310	\$ 2,252,699	\$ 289,294	\$ 0	\$ 0	\$ 2,541,993	
<u>Expenditures</u>								
Current:								
Instruction	\$ 972,097	\$ 0	\$ 972,097	\$ 0	\$ 0	\$ 0	\$ 972,097	
Support Services	217,030	6,270	223,300	5,775	0	0	229,075	
Operation of Non-Instructional Services	0	1,012,017	1,012,017	0	0	0	1,012,017	
Debt Service:								
Principal on Debt	0	0	0	205,000	0	0	205,000	
Interest on Debt	0	0	0	55,822	0	0	55,822	
Capital Projects	0	0	0	0	917,703	0	917,703	
Total Expenditures	\$ 1,189,127	\$ 1,018,287	\$ 2,207,414	\$ 266,597	\$ 917,703	\$ 917,703	\$ 3,391,714	
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,738)	\$ 47,023	\$ 45,285	\$ 22,697	\$ (917,703)	\$ (917,703)	\$ (849,721)	
<u>Other Financing Sources (Uses)</u>								
Transfers Out	\$ 0	\$ 0	\$ 0	\$ 0	\$ (147,128)	\$ (147,128)	\$ (147,128)	
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (147,128)	\$ (147,128)	\$ (147,128)	
Net Change in Fund Balances	\$ (1,738)	\$ 47,023	\$ 45,285	\$ 22,697	\$ (1,064,831)	\$ (1,064,831)	\$ (996,849)	
Fund Balance, July 1, 2012	102,364	295,193	397,557	559,720	1,064,831	1,064,831	2,022,108	
Fund Balance, June 30, 2013	\$ 100,626	\$ 342,216	\$ 442,842	\$ 582,417	\$ 0	\$ 0	\$ 1,025,259	

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, 2013

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,187,389	0 \$	1,187,389 \$	1,382,873 \$	1,258,249 \$	(70,860)
Total Revenues	\$ 1,187,389	0 \$	1,187,389 \$	1,382,873 \$	1,258,249 \$	(70,860)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 555,016	0 \$	555,016 \$	581,371 \$	579,371 \$	24,355
Special Education Program	417,081	1,117	418,198	518,740	427,151	8,953
<u>Support Services</u>						
Other Student Support	6,875	0	6,875	11,777	11,777	4,902
Regular Instruction Program	200,491	0	200,491	252,985	227,585	27,094
Special Education Program	9,664	0	9,664	18,000	18,000	8,336
Total Expenditures	\$ 1,189,127	1,117 \$	1,190,244 \$	1,382,873 \$	1,263,884 \$	73,640
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,738)	(1,117) \$	(2,855) \$	0 \$	(5,635) \$	2,780
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ (1,738)	(1,117) \$	(2,855) \$	0 \$	(5,635) \$	2,780
	102,364	0	102,364	102,364	102,364	0
Fund Balance, June 30, 2013	\$ 100,626	(1,117) \$	99,509 \$	102,364 \$	96,729 \$	2,780

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 261,652	\$ 261,300	\$ 261,650	\$ 2
Other Local Revenues	13,703	16,100	13,652	51
State of Tennessee	10,975	10,632	10,975	0
Federal Government	778,980	731,553	778,540	440
Total Revenues	<u>\$ 1,065,310</u>	<u>\$ 1,019,585</u>	<u>\$ 1,064,817</u>	<u>\$ 493</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 6,270	\$ 6,270	\$ 6,270	\$ 0
<u>Operation of Non-Instructional Services</u>				
Food Service	1,012,017	1,013,315	1,034,647	22,630
Total Expenditures	<u>\$ 1,018,287</u>	<u>\$ 1,019,585</u>	<u>\$ 1,040,917</u>	<u>\$ 22,630</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 47,023</u>	<u>\$ 0</u>	<u>\$ 23,900</u>	<u>\$ 23,123</u>
Net Change in Fund Balance	\$ 47,023	\$ 0	\$ 23,900	\$ 23,123
Fund Balance, July 1, 2012	295,193	295,193	295,193	0
Fund Balance, June 30, 2013	<u>\$ 342,216</u>	<u>\$ 295,193</u>	<u>\$ 319,093</u>	<u>\$ 23,123</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 288,959	\$ 278,879	\$ 286,733	\$ 2,226
Other Local Revenues	335	155	314	21
Total Revenues	<u>\$ 289,294</u>	<u>\$ 279,034</u>	<u>\$ 287,047</u>	<u>\$ 2,247</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 5,775	\$ 7,000	\$ 7,000	\$ 1,225
<u>Principal on Debt</u>				
Education	205,000	205,000	205,000	0
<u>Interest on Debt</u>				
Education	55,822	55,825	55,825	3
Total Expenditures	<u>\$ 266,597</u>	<u>\$ 267,825</u>	<u>\$ 267,825</u>	<u>\$ 1,228</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 22,697</u>	<u>\$ 11,209</u>	<u>\$ 19,222</u>	<u>\$ 3,475</u>
Net Change in Fund Balance	\$ 22,697	\$ 11,209	\$ 19,222	\$ 3,475
Fund Balance, July 1, 2012	<u>559,720</u>	<u>559,720</u>	<u>559,720</u>	<u>0</u>
Fund Balance, June 30, 2013	<u>\$ 582,417</u>	<u>\$ 570,929</u>	<u>\$ 578,942</u>	<u>\$ 3,475</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, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Paid and/or		
						Matured During Period	Outstanding 6-30-13	
<u>NOTES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
School Renovation	\$ 2,000,000	4.14 %	6-20-07	6-20-17	\$ 1,000,000	\$ 200,000	\$ 800,000	
School Renovation	1,000,000	3.9	6-26-09	6-30-19	739,410	93,962	645,448	
Total Notes Payable					\$ 1,739,410	\$ 293,962	\$ 1,445,448	
<u>BONDS PAYABLE</u>								
<u>Payable through Education Debt Service Fund</u>								
School Refunding Bonds, Series 2008	2,145,000	3.85	7-29-08	6-1-18	\$ 1,450,000	\$ 205,000	\$ 1,245,000	
Total Bonds Payable					\$ 1,450,000	\$ 205,000	\$ 1,245,000	

Exhibit F-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 297,486	\$ 55,294	\$ 352,780
2015	301,325	43,175	344,500
2016	305,315	30,939	336,254
2017	309,463	18,477	327,940
2018	113,773	7,951	121,724
2019	118,086	3,469	121,555
Total	<u>\$ 1,445,448</u>	<u>\$ 159,305</u>	<u>\$ 1,604,753</u>

Year Ending June 30	Bonds		
	Principal	Interest	Total
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>\$ 1,245,000</u>	<u>\$ 146,685</u>	<u>\$ 1,391,685</u>

Exhibit F-3

Paris Special School District  
Schedule of Transfers  
For the Year Ended June 30, 2013

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Education Capital Projects	General Purpose School	Close fund	<u>\$ 147,128</u>
Total Transfers			<u><u>\$ 147,128</u></u>

Exhibit F-4

Paris Special School District  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2013

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	\$ 99,375 (1)	\$ 301,800	RLI Insurance Company
Employees' Blanket Bond			150,000	Tennessee Risk Management Trust

(1) Includes a chief executive officer supplement of \$1,000. Does not include \$1,759 life insurance allowance, \$5,741 medical insurance allowance, \$885 dental and vision insurance allowance, \$16,440 tax shelter annuity, and \$6,240 vehicle allowance.

Exhibit F-5

Paris Special School District  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
 For the Year Ended June 30, 2013

	General Purpose School	Special Revenue Funds		Debt Service Fund	Total
		School Federal Projects	Central Cafeteria	Education Debt Service	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,285,074	\$ 0	\$ 0	\$ 0	\$ 2,285,074
Trustee's Collections - Prior Year	74,747	0	0	0	74,747
Trustee's Collections - Bankruptcy	4,254	0	0	0	4,254
Circuit/Clerk & Master Collections - Prior Years	27,968	0	0	0	27,968
Interest and Penalty	15,838	0	0	0	15,838
Pick-up Taxes	5,875	0	0	0	5,875
Payments in-Lieu-of Taxes - T.V.A.	1,612	0	0	0	1,612
Payments in-Lieu-of Taxes - Local Utilities	71,758	0	0	0	71,758
Payments in-Lieu-of Taxes - Other	67,683	0	0	0	67,683
<u>County Local Option Taxes</u>					
Local Option Sales Tax	1,519,231	0	0	0	1,519,231
Business Tax	97,513	0	0	0	97,513
<u>Statutory Local Taxes</u>					
Bank Excise Tax	39,558	0	0	0	39,558
Interstate Telecommunications Tax	1,002	0	0	0	1,002
<u>City/School District Property Taxes</u>					
Current Property Tax	677,435	0	0	269,887	947,322
Prior Year Property Tax	25,179	0	0	10,223	35,402
Interest and Penalty	5,017	0	0	1,794	6,811
Payments in-Lieu-of Taxes	17,638	0	0	7,055	24,693
Total Local Taxes	\$ 4,937,382	\$ 0	\$ 0	288,959	\$ 5,226,341
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,092	\$ 0	\$ 0	\$ 0	\$ 1,092
Total Licenses and Permits	\$ 1,092	\$ 0	\$ 0	\$ 0	\$ 1,092
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 33,055	\$ 0	\$ 0	\$ 0	\$ 33,055
Lunch Payments - Children	0	0	186,272	0	186,272
Lunch Payments - Adults	0	0	50,635	0	50,635
Income from Breakfast	0	0	16,296	0	16,296
Special Milk Sales	0	0	2,749	0	2,749
A la carte Sales	0	0	5,700	0	5,700
Receipts from Individual Schools	96,328	0	0	0	96,328
Community Service Fees - Children	233,850	0	0	0	233,850
Total Charges for Current Services	\$ 363,233	\$ 0	\$ 261,652	\$ 0	\$ 624,885
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 10,244	\$ 0	\$ 650	\$ 335	\$ 11,229
Miscellaneous Refunds	2,423	0	13,053	0	15,476
<u>Nonrecurring Items</u>					
Damages Recovered from Individuals	987	0	0	0	987
Contributions and Gifts	32,879	0	0	0	32,879
<u>Other Local Revenues</u>					
Other Local Revenues	3,374	0	0	0	3,374
Total Other Local Revenues	\$ 49,907	\$ 0	\$ 13,703	\$ 335	\$ 63,945

(Continued)

Exhibit F-5

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

	General Purpose School	Special Revenue Funds		Debt Service Fund	Total
		School Federal Projects	Central Cafeteria	Education Debt Service	
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 63,601	\$ 0	\$ 0	\$ 0	63,601
<u>State Education Funds</u>					
Basic Education Program	7,495,317	0	0	0	7,495,317
Early Childhood Education	284,811	0	0	0	284,811
School Food Service	0	0	10,975	0	10,975
Energy Efficient School Initiative	2,500	0	0	0	2,500
Other State Education Funds	126,863	0	0	0	126,863
Career Ladder Program	51,263	0	0	0	51,263
Career Ladder - Extended Contract	25,100	0	0	0	25,100
<u>Other State Revenues</u>					
Income Tax	49,706	0	0	0	49,706
Mixed Drink Tax	8,410	0	0	0	8,410
Other State Grants	900	0	0	0	900
Total State of Tennessee	\$ 8,108,471	\$ 0	\$ 10,975	\$ 0	\$ 8,119,446
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 523,526	\$ 0	523,526
USDA - Commodities	0	0	57,697	0	57,697
Breakfast	0	0	175,822	0	175,822
USDA - Other	0	0	21,935	0	21,935
Title I Grants to Local Education Agencies	0	537,798	0	0	537,798
Special Education - Grants to States	19,208	409,086	0	0	428,294
Special Education Preschool Grants	0	18,131	0	0	18,131
Rural Education	0	50,587	0	0	50,587
Eisenhower Professional Development State Grants	0	80,830	0	0	80,830
Race-to-the-Top - ARRA	0	90,957	0	0	90,957
Total Federal Government	\$ 19,208	\$ 1,187,389	\$ 778,980	\$ 0	\$ 1,985,577
Total	\$ 13,479,293	\$ 1,187,389	\$ 1,065,310	\$ 289,294	\$ 16,021,286

Exhibit F-6

Paris Special School District  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	4,552,590	
Career Ladder Program		40,350	
Career Ladder Extended Contracts		28,030	
Homebound Teachers		6,284	
Educational Assistants		185,553	
Other Salaries and Wages		87,928	
Certified Substitute Teachers		37,275	
Non-certified Substitute Teachers		39,210	
Social Security		283,661	
State Retirement		423,429	
Life Insurance		18,764	
Medical Insurance		533,464	
Employer Medicare		67,485	
Other Contracted Services		167,083	
Instructional Supplies and Materials		96,112	
Textbooks		93,259	
Other Supplies and Materials		88,813	
Other Charges		8,440	
Regular Instruction Equipment		347,910	
Total Regular Instruction Program	\$		7,105,640

Special Education Program

Teachers	\$	362,759	
Homebound Teachers		9,471	
Educational Assistants		27,163	
Speech Pathologist		36,101	
Social Security		25,205	
State Retirement		36,942	
Medical Insurance		41,201	
Employer Medicare		5,890	
Other Contracted Services		23,972	
Total Special Education Program			568,704

Student Body Education Program

Other Salaries and Wages	\$	210	
Social Security		13	
State Retirement		19	
Employer Medicare		3	
Other Contracted Services		14,323	
Other Supplies and Materials		30,641	
Other Charges		12,842	
Total Student Body Education Program			58,051

Support Services

Attendance

Clerical Personnel	\$	15,628	
Social Security		821	
State Retirement		930	
Employer Medicare		192	
Total Attendance			17,571

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services

Medical Personnel	\$	58,296	
Other Salaries and Wages		60,858	
Social Security		7,353	
State Retirement		6,801	
Employer Medicare		1,720	
Travel		452	
Other Contracted Services		200	
Drugs and Medical Supplies		2,603	
Other Supplies and Materials		11,057	
In Service/Staff Development		461	
Total Health Services	\$		149,801

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		110,450	
Social Workers		55,225	
Assessment Personnel		53,540	
Clerical Personnel		12,891	
Social Security		14,249	
State Retirement		18,931	
Life Insurance		660	
Medical Insurance		14,373	
Employer Medicare		3,333	
Other Supplies and Materials		9,226	
Total Other Student Support			295,878

Regular Instruction Program

Supervisor/Director	\$	81,824	
Librarians		140,749	
Materials Supervisor		4,368	
Clerical Personnel		34,784	
Social Security		14,971	
State Retirement		21,879	
Life Insurance		668	
Medical Insurance		29,291	
Employer Medicare		3,501	
Travel		6,854	
Library Books/Media		3,288	
In Service/Staff Development		30,489	
Total Regular Instruction Program			372,666

Special Education Program

Supervisor/Director	\$	31,771	
Social Security		1,944	
State Retirement		2,821	
Employer Medicare		455	
Total Special Education Program			36,991

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Programs

On-Behalf Payments to OPEB	\$ 63,601	
Total Other Programs		\$ 63,601

Board of Education

Secretary to Board	\$ 100	
Unemployment Compensation	10,201	
Audit Services	9,596	
Dues and Memberships	10,898	
Legal Services	284	
Travel	247	
Other Contracted Services	2,190	
Liability Insurance	15,406	
Premiums on Corporate Surety Bonds	1,056	
Trustee's Commission	78,951	
Workers' Compensation Insurance	46,081	
Criminal Investigation of Applicants - TBI	778	
Refund to Applicant for Criminal Investigation	252	
Other Charges	6,710	
Total Board of Education		182,750

Director of Schools

County Official/Administrative Officer	\$ 98,375	
Career Ladder Program	1,000	
Social Security	7,020	
State Retirement	11,583	
Life Insurance	1,759	
Medical Insurance	16,587	
Dental Insurance	885	
Employer Medicare	1,833	
Other Fringe Benefits	22,680	
Communication	5,647	
Postal Charges	2,591	
Travel	752	
Other Supplies and Materials	799	
Other Charges	413	
Total Director of Schools		171,924

Office of the Principal

Principals	\$ 241,590	
Career Ladder Program	1,600	
Assistant Principals	96,122	
Secretary(ies)	67,812	
Social Security	19,850	
State Retirement	33,247	
Life Insurance	921	
Medical Insurance	24,736	
Employer Medicare	5,557	
Communication	7,933	
Postal Charges	1,758	

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Travel	\$	1,141	
Office Supplies		409	
Other Charges		900	
Total Office of the Principal			\$ 503,576

Fiscal Services

Accountants/Bookkeepers	\$	56,112	
Clerical Personnel		30,437	
Social Security		5,187	
State Retirement		5,150	
Life Insurance		285	
Medical Insurance		5,003	
Employer Medicare		1,213	
Travel		231	
Other Contracted Services		5,764	
Office Supplies		1,929	
Administration Equipment		300	
Total Fiscal Services			111,611

Operation of Plant

Custodial Personnel	\$	225,548	
Social Security		13,671	
State Retirement		11,633	
Life Insurance		719	
Employer Medicare		3,197	
Other Contracted Services		38,074	
Custodial Supplies		28,708	
Electricity		329,026	
Natural Gas		31,924	
Water and Sewer		19,048	
Other Supplies and Materials		27,556	
Boiler Insurance		1,697	
Building and Contents Insurance		36,829	
Other Charges		19,565	
Total Operation of Plant			787,195

Maintenance of Plant

Supervisor/Director	\$	68,088	
Maintenance Personnel		73,780	
Social Security		8,020	
State Retirement		8,441	
Life Insurance		440	
Medical Insurance		16,009	
Employer Medicare		1,876	
Maintenance and Repair Services - Buildings		2,698	
Maintenance and Repair Services - Equipment		1,607	
Other Contracted Services		28,478	
Equipment and Machinery Parts		33,582	
Other Supplies and Materials		11,498	
Maintenance Equipment		11,700	
Total Maintenance of Plant			266,217

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation

Mechanic(s)	\$	37,561	
Bus Drivers		159,317	
Other Salaries and Wages		47,765	
In-Service Training		400	
Social Security		14,777	
State Retirement		11,732	
Life Insurance		795	
Medical Insurance		742	
Employer Medicare		3,456	
Travel		381	
Other Contracted Services		836	
Diesel Fuel		67,429	
Gasoline		9,271	
Tires and Tubes		8,525	
Vehicle Parts		48,059	
Other Supplies and Materials		965	
Vehicle and Equipment Insurance		10,356	
In Service/Staff Development		750	
Other Charges		3,221	
Transportation Equipment		100,781	
Total Transportation	\$		527,119

Central and Other

Data Processing Personnel	\$	135,267	
Social Security		7,350	
State Retirement		8,048	
Life Insurance		396	
Medical Insurance		18,643	
Employer Medicare		1,719	
Total Central and Other			171,423

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	43,911	
Other Salaries and Wages		193,323	
Social Security		12,203	
State Retirement		5,760	
Employer Medicare		3,433	
Other Supplies and Materials		8,177	
Total Community Services			266,807

Early Childhood Education

Supervisor/Director	\$	5,500	
Teachers		137,192	
Other Salaries and Wages		59,554	
Certified Substitute Teachers		75	
Non-certified Substitute Teachers		1,430	
Social Security		11,469	
State Retirement		15,000	

(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Life Insurance	\$	600	
Medical Insurance		23,861	
Employer Medicare		2,689	
Other Contracted Services		2,985	
Other Supplies and Materials		9,988	
In Service/Staff Development		1,949	
Other Equipment		7,211	
Total Early Childhood Education			\$ 279,503

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	221,824	
Other Capital Outlay		43,178	
Total Regular Capital Outlay			265,002

Principal on Debt

Education

Principal on Notes	\$	293,962	
Total Education			293,962

Interest on Debt

Education

Interest on Notes	\$	67,097	
Total Education			67,097

Total General Purpose School Fund \$ 12,563,089

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	120,329	
Educational Assistants		314,413	
Other Salaries and Wages		3,500	
Social Security		26,752	
State Retirement		29,269	
Employer Medicare		6,216	
Instructional Supplies and Materials		54,511	
Other Charges		26	
Total Regular Instruction Program			\$ 555,016

Special Education Program

Teachers	\$	61,168	
Educational Assistants		208,867	
Speech Pathologist		46,210	
Social Security		17,687	
State Retirement		19,375	
Medical Insurance		8,834	
Employer Medicare		4,477	
Evaluation and Testing		9,125	

(Continued)

Exhibit F-6

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Instructional Supplies and Materials	\$	15,735	
Other Supplies and Materials		7,143	
Special Education Equipment		18,460	
Total Special Education Program			\$ 417,081

Support Services

Other Student Support

Other Salaries and Wages	\$	5,402	
Social Security		315	
State Retirement		480	
Employer Medicare		74	
Other Charges		604	
Total Other Student Support			6,875

Regular Instruction Program

Other Salaries and Wages	\$	99,306	
In-Service Training		25,992	
Social Security		7,537	
State Retirement		10,994	
Medical Insurance		7,229	
Employer Medicare		1,763	
Other Contracted Services		11,400	
In Service/Staff Development		36,270	
Total Regular Instruction Program			200,491

Special Education Program

Travel	\$	576	
Other Contracted Services		6,652	
In Service/Staff Development		2,436	
Total Special Education Program			9,664

Total School Federal Projects Fund \$ 1,189,127

Central Cafeteria Fund

Support Services

Board of Education

Workers' Compensation Insurance	\$	6,270	
Total Board of Education			\$ 6,270

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	298,996	
Other Salaries and Wages		17,967	
In-Service Training		1,445	
Social Security		19,227	
State Retirement		17,117	
Life Insurance		1,800	
Medical Insurance		10,725	
Employer Medicare		4,497	

(Continued)

Exhibit F-6

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.)

Transportation - Other than Students	\$	6,086	
Other Contracted Services		4,645	
Food Supplies		530,637	
Uniforms		1,653	
USDA - Commodities		57,697	
Other Supplies and Materials		30,172	
Food Service Equipment		9,353	
Total Food Service			\$ 1,012,017

Total Central Cafeteria Fund \$ 1,018,287

Education Debt Service Fund

Support Services

Board of Education

Trustee's Commission	\$	5,775	
Total Board of Education			\$ 5,775

Principal on Debt

Education

Principal on Bonds	\$	205,000	
Total Education			205,000

Interest on Debt

Education

Interest on Bonds	\$	55,822	
Total Education			55,822

Total Education Debt Service Fund 266,597

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$	12,450	
Printing, Stationery, and Forms		389	
Rentals		672	
Concrete		271	
Other Supplies and Materials		15,605	
Building Construction		883,696	
Site Development		4,620	
Total Education Capital Projects			\$ 917,703

Total Education Capital Projects Fund 917,703

Total Governmental Funds - Paris Special School District \$ 15,954,803

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## **SINGLE AUDIT SECTION**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT 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***

Independent Auditor's Report

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paris Special School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Paris Special School District's basic financial statements, and have issued our report thereon dated March 13, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Paris Special School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Paris Special School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Paris Special School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a

deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency: 2013-001.

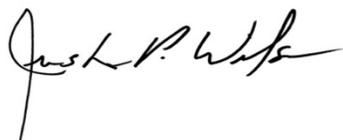
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Paris Special School District's financial statements are free from 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Paris Special School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

March 13, 2014

JPW/sb



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

**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Independent Auditor's Report

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

To the Director of Schools and Board of Directors:

**Report on Compliance for Each Major Federal Program**

We have audited the Paris Special School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Paris Special School District's major federal programs for the year ended June 30, 2013. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Paris Special School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local*

*Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Paris Special School District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Paris Special School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of the Paris Special School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Paris Special School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Paris Special School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

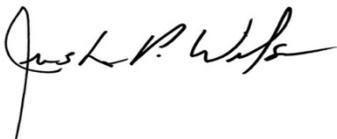
consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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, 2013, and the related notes to the financial statements, which collectively comprise the Paris Special School District's basic financial statements. We issued our report thereon dated March 13, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

March 13, 2014

JPW/sb

Paris Special School District  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2013

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 Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 175,822
National School Lunch Program	10.555	N/A	545,461 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	<u>57,697 (3)</u>
Total U.S. Department of Agriculture			<u>\$ 778,980</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 540,147
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	427,823
Special Education - Preschool Grants	84.173	N/A	18,131
Rural Education	84.358	N/A	50,587
Improving Teacher Quality State Grants	84.367	N/A	80,690
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	<u>90,957</u>
Total U.S. Department of Education			<u>\$ 1,208,335</u>
Total Expenditures of Federal Awards			<u>\$ 1,987,315</u>
 <u>State Grants</u>			
		<u>Contract Number</u>	
Early Childhood Education - State Department of Education	N/A	(2)	\$ 284,811
Family Resource Center - State Department of Education	N/A	(2)	29,612
Coordinated School Health - State Department of Education	N/A	(2)	82,000
Safe Schools Act of 1998 - State Department of Education	N/A	(2)	8,500
Arts Student Ticket Subsidy - State Department of Education	N/A	(2)	900
Energy Efficient School Initiative - State Department of Education	N/A	(2)	2,500
ACT/Explore - State Department of Education	N/A	(2)	1,167
ConnecTenn - State Department of Education	N/A	(2)	<u>5,584</u>
Total State Grants			<u>\$ 415,074</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$603,158.

Paris Special School District  
Schedule of Audit Findings Not Corrected  
June 30, 2013

*Government Auditing Standards* require auditors to report the status of uncorrected findings from prior audits. There were no findings in the Annual Financial Report for the Paris Special School District for the year ended June 30, 2012, which had not been corrected.

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**PARIS SPECIAL SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2013**

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

1. Our report on the financial statements of the Paris Special School District is unmodified.
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 unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555) and Title I Grants to Local Educational Agencies (CFDA No. 84.010) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. The Paris Special School District did not qualify as a low-risk auditee.

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

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 2013-001**

### **PURCHASE ORDERS WERE NOT ISSUED PROPERLY IN SOME INSTANCES**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

As part of our audit procedures for determining whether the purchasing process was operating as designed, we selected a sample of 40 disbursements totaling \$277,330 from a population of 9,496 vendor checks totaling \$10,649,730. Our examination revealed the following deficiencies, which are the result of a lack of management oversight.

- A. Purchase orders were not issued in 4 of 24 applicable instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. The failure to issue purchase orders could result in unauthorized purchases.
- B. Purchase orders did not include any descriptions of the items to be purchased in 21 of 24 applicable instances. This detailed information is necessary to identify the items to be purchased and to quantify purchasing commitments.

### **RECOMMENDATION**

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the Paris Special School District should issue purchase orders for all applicable purchases. These purchase orders should include adequate descriptions of items to be purchased.

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### **BEST PRACTICE**

### **PARIS SPECIAL SCHOOL DISTRICT SHOULD ESTABLISH AN AUDIT COMMITTEE**

The Paris Special School District does not have an Audit Committee. Sound business practices dictate that establishing an Audit Committee would significantly improve management oversight and accountability. The absence of an Audit Committee has been a management decision by the board of directors. The Division of Local Government Audit strongly believes that an Audit Committee is a best practice that should be adopted to assist the board of directors by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks.

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

There were no findings and questioned costs for federal awards.

**PARIS SPECIAL SCHOOL DISTRICT  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2013**

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