



ANNUAL FINANCIAL REPORT PARIS SPECIAL SCHOOL DISTRICT



FOR THE YEAR ENDED JUNE 30, 2014



**ANNUAL FINANCIAL REPORT
PARIS SPECIAL SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2014**

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

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

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

***B. KEITH RICE, CGFM
LEE ANN WEST, CPA, CGFM
Auditor 4s***

***SHELBI TUCKER
MANDY SPENCER
JACOB McNATT, CFE
ELISHA CROWELL, CISA, CFE
State Auditors***

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

PARIS SPECIAL SCHOOL DISTRICT TABLE OF CONTENTS

	Exhibit	Page(s)
Summary of Audit Findings		5
<u>INTRODUCTORY SECTION</u>		6
Paris Special School District Officials		7
<u>FINANCIAL SECTION</u>		8
Independent Auditor's Report		9-11
BASIC FINANCIAL STATEMENTS:		12
Government-wide Financial Statements:		
Statement of Net Position	A	13
Statement of Activities	B	14
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	C-2	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	18
Statement of Revenues, Expenditures, and Changes in Fund Balance – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	C-5	19-20
Index and Notes to the Financial Statements		21-41
REQUIRED SUPPLEMENTARY INFORMATION:		42
Schedule of Funding Progress – Pension Plan	D-1	43
Schedule of Funding Progress – Other Postemployment Benefits Plan	D-2	44
Notes to the Required Supplementary Information		45

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		46
Nonmajor Governmental Funds:		47
Combining Balance Sheet	E-1	48-49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	50
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
School Federal Projects Fund	E-3	51
Central Cafeteria Fund	E-4	52
Education Debt Service Fund	E-5	53
Miscellaneous Schedules:		54
Schedule of Changes in Long-term Notes and Bonds	F-1	55
Schedule of Long-term Debt Requirements by Year	F-2	56
Schedule of Salaries and Official Bonds of Principal Officials	F-3	57
Schedule of Detailed Revenues – All Governmental Fund Types	F-4	58-61
Schedule of Detailed Expenditures – All Governmental Fund Types	F-5	62-69
 <u>SINGLE AUDIT SECTION</u>		 70
 Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		 71-72
Auditor's 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		 73-75
Schedule of Expenditures of Federal Awards and State Grants		76
Schedule of Audit Findings Not Corrected		77
Schedule of Findings and Questioned Costs		78-80
Best Practice		81
Auditee Reporting Responsibilities		82

Summary of Audit Findings

Annual Financial Report
Paris Special School District
For the Year Ended June 30, 2014

Scope

We have audited the basic financial statements of the Paris Special School District as of and for the year ended June 30, 2014.

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

The following is a summary of the audit finding:

- ◆ The office had deficiencies in purchasing procedures.

INTRODUCTORY SECTION

Paris Special School District Officials
June 30, 2014

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

FINANCIAL SECTION



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, 2014, 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, 2014, 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.

Change in Accounting Principles

As described in Note V.B., the Paris Special School District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and GASB Statement No. 70, *Accounting and Reporting for Nonexchange Financial Guarantees*, which have an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

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 43 - 45 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.

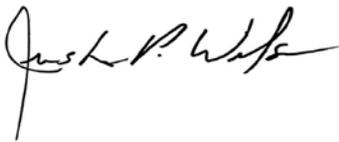
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 18, 2015, 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 18, 2015

JPW/yu

BASIC FINANCIAL STATEMENTS

Paris Special School District
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 3,143,855
Investments	2,264,359
Due from Other Governments	540,282
Property Taxes Receivable	3,702,754
Allowance for Uncollectible Property Taxes	(104,328)
Capital Assets:	
Assets Not Depreciated:	
Land	130,000
Construction in Progress	58,810
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	14,298,059
Infrastructure	93,848
Other Capital Assets	988,990
Total Assets	<u>\$ 25,116,629</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Charge on Refunding	\$ 2,849
Total Deferred Outflows of Resources	<u>\$ 2,849</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 55,294
Payroll Deductions Payable	105,816
Accrued Interest Payable	681
Noncurrent Liabilities:	
Due Within One Year	450,000
Due in More Than One Year	1,487,980
Total Liabilities	<u>\$ 2,099,771</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Current Property Taxes	\$ 3,410,737
Total Deferred Inflows of Resources	<u>\$ 3,410,737</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 13,954,707
Restricted for:	
Education	16,226
Operation of Non-instructional Services	381,277
Debt Service	594,414
Unrestricted	<u>4,662,346</u>
Total Net Position	<u>\$ 19,608,970</u>

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

Paris Special School District
Statement of Activities
For the Year Ended June 30, 2014

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions		
Functions/Programs	Expenses		Total Governmental Activities	
Governmental Activities:				
Instruction	\$ 9,483,931	\$ 33,681	\$ 719,488	\$ (8,730,762)
Support Services	4,053,972	89,056	223,165	(3,741,751)
Operation of Non-instructional Services	1,565,249	463,705	1,131,980	30,436
Interest on Long-term Debt	83,648	0	0	(83,648)
Total Governmental Activities	\$ 15,186,800	\$ 586,442	\$ 2,074,633	\$ (12,525,725)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 3,288,743
Property Taxes Levied for Debt Service				287,719
Local Option Sales Tax				1,398,121
Business Tax				63,142
Other Local Taxes				9,040
Grants and Contributions Not Restricted to Specific Programs				8,325,831
Unrestricted Investment Income				7,514
Miscellaneous				31,606
Total General Revenues				\$ 13,411,716
Change in Net Position				\$ 885,991
Net Position, July 1, 2013				18,722,979
Net Position, June 30, 2014				\$ 19,608,970

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

Paris Special School District
 Balance Sheet - Governmental Funds
 June 30, 2014

	<u>Major Fund</u> General Purpose School	<u>Nonmajor Funds</u> Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 2,448,669	\$ 695,186	\$ 3,143,855
Investments	1,905,967	358,392	2,264,359
Due from Other Governments	491,503	48,779	540,282
Property Taxes Receivable	3,394,952	307,802	3,702,754
Allowance for Uncollectible Property Taxes	(95,615)	(8,713)	(104,328)
Total Assets	<u>\$ 8,145,476</u>	<u>\$ 1,401,446</u>	<u>\$ 9,546,922</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 25,575	\$ 29,719	\$ 55,294
Payroll Deductions Payable	105,816	0	105,816
Total Liabilities	<u>\$ 131,391</u>	<u>\$ 29,719</u>	<u>\$ 161,110</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 3,126,285	\$ 284,452	\$ 3,410,737
Deferred Delinquent Property Taxes	164,263	14,235	178,498
Other Deferred/Unavailable Revenue	131,918	0	131,918
Total Deferred Inflows of Resources	<u>\$ 3,422,466</u>	<u>\$ 298,687</u>	<u>\$ 3,721,153</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 9,955	\$ 6,271	\$ 16,226
Restricted for Operation of Non-instructional Services	0	381,277	381,277
Restricted for Debt Service	0	577,330	577,330
Committed:			
Committed for Debt Service	0	8,162	8,162
Assigned:			
Assigned for Education	114,815	100,000	214,815
Unassigned	4,466,849	0	4,466,849
Total Fund Balances	<u>\$ 4,591,619</u>	<u>\$ 1,073,040</u>	<u>\$ 5,664,659</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,145,476</u>	<u>\$ 1,401,446</u>	<u>\$ 9,546,922</u>

Paris Special School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2014

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)		\$ 5,664,659
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 130,000	
Add: construction in progress	58,810	
Add: buildings and improvements net of accumulated depreciation	14,298,059	
Add: infrastructure net of accumulated depreciation	93,848	
Add: other capital assets net of accumulated depreciation	<u>988,990</u>	15,569,707
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: note payable	\$ (600,000)	
Less: bonds payable	(1,015,000)	
Add: deferred charge on refunding	2,849	
Less: accrued interest on note	(681)	
Less: other postemployment benefits liability	<u>(322,980)</u>	(1,935,812)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>310,416</u>
Net position of governmental activities (Exhibit A)		<u>\$ 19,608,970</u>

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

Paris Special School District
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2014

	<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	\$ 4,724,261	\$ 286,343	\$ 5,010,604
Licenses and Permits	906	0	906
Charges for Current Services	353,552	229,825	583,377
Other Local Revenues	70,392	11,946	82,338
State of Tennessee	8,428,713	11,830	8,440,543
Federal Government	19,199	1,829,771	1,848,970
Total Revenues	<u>\$ 13,597,023</u>	<u>\$ 2,369,715</u>	<u>\$ 15,966,738</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 8,088,917	\$ 877,994	\$ 8,966,911
Support Services	3,781,079	164,084	3,945,163
Operation of Non-instructional Services	565,469	1,002,098	1,567,567
Capital Outlay	89,953	0	89,953
Debt Service:			
Principal on Debt	845,448	230,000	1,075,448
Interest on Debt	34,733	47,758	82,491
Total Expenditures	<u>\$ 13,405,599</u>	<u>\$ 2,321,934</u>	<u>\$ 15,727,533</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 191,424</u>	<u>\$ 47,781</u>	<u>\$ 239,205</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 15,126	\$ 0	\$ 15,126
Total Other Financing Sources (Uses)	<u>\$ 15,126</u>	<u>\$ 0</u>	<u>\$ 15,126</u>
Net Change in Fund Balances	\$ 206,550	\$ 47,781	\$ 254,331
Fund Balance, July 1, 2013	4,385,069	1,025,259	5,410,328
Fund Balance, June 30, 2014	<u>\$ 4,591,619</u>	<u>\$ 1,073,040</u>	<u>\$ 5,664,659</u>

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, 2014

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)		\$ 254,331
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 191,772	
Less: current-year depreciation expense	<u>(743,109)</u>	(551,337)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2014	\$ 310,416	
Less: deferred delinquent property taxes and other deferred June 30, 2013	<u>(204,363)</u>	106,053
(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:		
Add: principal payments on notes	\$ 845,448	
Add: principal payments on bonds	230,000	
Less: change in deferred amount on refunding debt	<u>(1,383)</u>	1,074,065
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 226	
Change in other postemployment benefits liability	<u>2,653</u>	<u>2,879</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 885,991</u>

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

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, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 4,724,261	\$ 0	\$ 0	\$ 4,724,261	\$ 4,531,534	\$ 4,531,703	\$ 192,558
Licenses and Permits	906	0	0	906	519	519	387
Charges for Current Services	353,552	0	0	353,552	344,318	334,200	19,352
Other Local Revenues	70,392	0	0	70,392	45,700	70,228	164
State of Tennessee	8,428,713	0	0	8,428,713	8,357,445	8,392,352	36,361
Federal Government	19,199	0	0	19,199	20,000	19,198	1
Total Revenues	\$ 13,597,023	\$ 0	\$ 0	\$ 13,597,023	\$ 13,299,516	\$ 13,348,200	\$ 248,823
Expenditures							
Instruction							
Regular Instruction Program	\$ 7,461,895	\$ (16,398)	\$ 31,472	\$ 7,476,969	\$ 7,667,513	\$ 7,612,331	\$ 135,362
Special Education Program	561,007	0	0	561,007	583,846	573,646	12,639
Student Body Education Program	66,015	(3,476)	4,166	66,705	61,660	71,497	4,792
Support Services							
Attendance	17,627	0	0	17,627	17,825	17,825	198
Health Services	145,012	0	7,575	152,587	163,682	165,696	13,109
Other Student Support	364,394	(1,257)	750	363,887	368,620	366,821	2,934
Regular Instruction Program	379,300	(931)	2,374	380,743	391,916	393,916	13,173
Special Education Program	36,991	0	0	36,991	36,991	36,991	0
Other Programs	65,881	0	0	65,881	0	65,881	0
Board of Education	194,152	0	720	194,872	196,214	203,903	9,031
Director of Schools	175,433	0	0	175,433	187,496	184,955	9,522
Office of the Principal	541,139	0	0	541,139	573,608	582,833	41,694
Fiscal Services	113,374	0	0	113,374	119,099	118,026	4,652
Operation of Plant	785,605	0	0	785,605	875,110	850,485	64,880
Maintenance of Plant	233,903	(3,292)	0	230,611	292,014	265,540	34,929
Transportation	555,073	0	0	555,073	576,100	594,824	39,751
Central and Other	173,195	0	0	173,195	174,706	174,776	1,581

(Continued)

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 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
Operation of Non-instructional Services							
Community Services	\$ 274,419	\$ 0	\$ 0	\$ 274,419	\$ 274,318	\$ 287,318	\$ 12,899
Early Childhood Education	291,050	(6,948)	0	284,102	284,811	286,750	2,648
Capital Outlay							
Regular Capital Outlay	89,953	(6,990)	67,758	150,721	95,080	151,237	516
Principal on Debt							
Education	845,448	0	0	845,448	845,618	845,768	320
Interest on Debt							
Education	34,733	0	0	34,733	37,373	37,223	2,490
Total Expenditures	\$ 13,405,599	\$ (39,292)	\$ 114,815	\$ 13,481,122	\$ 13,823,600	\$ 13,888,242	\$ 407,120
Excess (Deficiency) of Revenues Over Expenditures	\$ 191,424	\$ 39,292	\$ (114,815)	\$ 115,901	\$ (524,084)	\$ (540,042)	\$ 655,943
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 15,126	\$ 0	\$ 0	\$ 15,126	\$ 0	\$ 15,125	\$ 1
Total Other Financing Sources	\$ 15,126	\$ 0	\$ 0	\$ 15,126	\$ 0	\$ 15,125	\$ 1
Net Change in Fund Balance Fund Balance, July 1, 2013	\$ 206,550	\$ 39,292	\$ (114,815)	\$ 131,027	\$ (524,084)	\$ (524,917)	\$ 655,944
Fund Balance, July 1, 2013	4,385,069	(39,292)	0	4,345,777	4,385,069	4,385,069	(39,292)
Fund Balance, June 30, 2014	\$ 4,591,619	\$ 0	\$ (114,815)	\$ 4,476,804	\$ 3,860,985	\$ 3,860,152	\$ 616,652

PARIS SPECIAL SCHOOL DISTRICT

Index of Notes to the Financial Statements

Note	Page(s)
I. Summary of Significant Accounting Policies	
A. Reporting Entity	22
B. Government-wide and Fund Financial Statements	22
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	23
D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance	
1. Deposits and Investments	24
2. Receivables and Payables	25
3. Capital Assets	26
4. Deferred Outflows/Inflows of Resources	26
5. Compensated Absences	27
6. Long-term Obligations	27
7. Net Position and Fund Balance	28
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	29
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	29
III. Stewardship, Compliance, and Accountability	
Budgetary Information	29
IV. Detailed Notes on All Funds	
A. Deposits and Investments	30
B. Capital Assets	31
C. Long-term Obligations	33
D. On-Behalf Payments	34
V. Other Information	
A. Risk Management	35
B. Accounting Changes	35
C. Contingent Liabilities	36
D. Retirement Commitments	36
E. Other Postemployment Benefits (OPEB)	39
F. Purchasing Laws	41

**PARIS SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

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.

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 1.51 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.

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

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. 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, 2014, the district had the following investments carried at fair value. All investments are in the district's investment pool.

<u>Investment</u>	<u>Weighted Average Maturity (days)</u>	<u>Fair Value</u>
State Treasurer's Investment Pool	109	\$ 2,264,359

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, 2014, 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, 2014, was as follows:

Governmental Activities:

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets				
Not Depreciated:				
Land	\$ 130,000	\$ 0	\$ 0	\$ 130,000
Construction in Progress	0	58,810	0	58,810
Total Capital Assets				
Not Depreciated	<u>\$ 130,000</u>	<u>\$ 58,810</u>	<u>\$ 0</u>	<u>\$ 188,810</u>
Capital Assets				
Depreciated:				
Buildings and				
Improvements	\$ 24,045,770	\$ 0	\$ 0	\$ 24,045,770
Infrastructure	253,814	0	0	253,814
Other Capital Assets	2,215,672	132,962	(90,000)	2,258,634
Total Capital Assets				
Depreciated	<u>\$ 26,515,256</u>	<u>\$ 132,962</u>	<u>\$ (90,000)</u>	<u>\$ 26,558,218</u>
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 9,149,430	\$ 598,281	\$ 0	\$ 9,747,711
Infrastructure	147,275	12,691	0	159,966
Other Capital Assets	1,227,507	132,137	(90,000)	1,269,644
Total Accumulated				
Depreciation	<u>\$ 10,524,212</u>	<u>\$ 743,109</u>	<u>\$ (90,000)</u>	<u>\$ 11,177,321</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 15,991,044</u>	<u>\$ (610,147)</u>	<u>\$ 0</u>	<u>\$ 15,380,897</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 16,121,044</u>	<u>\$ (551,337)</u>	<u>\$ 0</u>	<u>\$ 15,569,707</u>

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

Governmental Activities:

Instruction	\$ 476,452
Support Services	241,886
Operation of Non-instructional Services	<u>24,771</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 743,109</u>

C. 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 the note included in long-term debt as of June 30, 2014, will be retired from the General Purpose School and Education Debt Service funds.

General obligation bonds and the capital outlay note outstanding as of June 30, 2014, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-14
School Bonds - Refunding	3.85 %	6-1-18	\$ 2,145,000	\$ 1,015,000
Capital Outlay Note	4.14	6-20-17	2,000,000	600,000

The annual requirements to amortize all general obligation bonds and the capital outlay note outstanding as of June 30, 2014, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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>\$ 1,015,000</u>	<u>\$ 98,753</u>	<u>\$ 1,113,753</u>

Year Ending June 30	Note		
	Principal	Interest	Total
2015	\$ 200,000	\$ 22,776	\$ 222,776
2016	200,000	14,530	214,530
2017	200,000	6,216	206,216
Total	\$ 600,000	\$ 43,522	\$ 643,522

There is \$585,492, 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, 2014, was as follows:

Governmental Activities:	Other		
	Bonds	Notes	Postemployment Benefits
Balance, July 1, 2013	\$ 1,245,000	\$ 1,445,448	\$ 325,633
Additions	0	0	69,335
Reductions	(230,000)	(845,448)	(71,988)
Balance, June 30, 2014	\$ 1,015,000	\$ 600,000	\$ 322,980
Balance Due Within One Year	\$ 250,000	\$ 200,000	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 1,937,980
Less: Balance Due Within One Year	<u>(450,000)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,487,980</u>

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

D. 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, 2014, were \$55,905 and \$9,976 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. 67, *Financial Reporting for Pension Plans* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* became effective for the year ended June 30, 2014.

GASB Statement No. 67 replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts or equivalent arrangements.

GASB Statement No. 70 relates to accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

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, 2014, 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, 2014, the Paris Special School District's annual pension cost of \$105,057 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
6-30-14	\$105,057	100%	\$0
6-30-13	120,321	100	0
6-30-12	135,912	100	0

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 95.3 percent funded. The actuarial accrued liability for benefits was \$5.25 million, and the actuarial value of assets was \$5 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.25 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.79 million, and the ratio of the UAAL to the covered payroll was 13.81 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.

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, 2014, 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, 2014, 2013, and 2012, were \$581,333, \$574,963, and \$558,477, 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 health care 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 health care 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, 2014, the district contributed \$71,988 for postemployment health care.

Annual OPEB Cost and Net OPEB Obligation

	<u>Local Education Group Plan</u>
ARC	\$ 69,000
Interest on the NOPEBO	13,025
Adjustment to the ARC	<u>(12,690)</u>
Annual OPEB cost	\$ 69,335
Less: amount of contribution	<u>(71,988)</u>
Increase/decrease in NOPEBO	\$ (2,653)
Net OPEB obligation, 7-1-13	<u>325,633</u>
Net OPEB obligation, 6-30-14	<u><u>\$ 322,980</u></u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-12	Local Education Group	\$ 127,542	44 %	\$ 258,075
6-30-13	"	128,365	47	325,633
6-30-14	"	69,335	104	322,980

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows:

	Local Education Group Plan
Actuarial valuation date	7-1-13
Actuarial accrued liability (AAL)	\$ 668,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 668,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 5,641,949
UAAL as a % of covered payroll	12%

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, 2013, 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 health care cost trend rate of 7.5 percent for fiscal year 2014. The trend will decrease to seven percent in fiscal year 2015 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Paris Special School District
Schedule of Funding Progress – Pension Plan
June 30, 2014

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial 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)
7-1-13	\$ 5,001	\$ 5,248	\$ 247	95.3	% \$ 1,786	13.81 %
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

Exhibit D-2

Paris Special School District
Schedule of Funding Progress – Other Postemployment Benefits Plan
June 30, 2014

(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	7-1-10	\$ 0	\$ 1,106	\$ 1,106	0%	\$ 4,981	22%
"	7-1-11	0	1,226	1,226	0	5,034	24
"	7-1-13	0	668	668	0	5,462	12

**PARIS SPECIAL SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014**

NONE

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

Nonmajor Governmental Funds

Special Revenue Funds

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.

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

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

Debt Service Fund

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

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.

Paris Special School District
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2014

	Special Revenue Funds			Debt Service		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Debt Service		
Cash	\$ 61,856	\$ 301,429	\$ 363,285	\$ 331,901	\$	695,186
Investments	0	106,937	106,937	251,455		358,392
Due from Other Governments	47,045	0	47,045	1,734		48,779
Property Taxes Receivable	0	0	0	307,802		307,802
Allowance for Uncollectible Property Taxes	0	0	0	(8,713)		(8,713)
Total Assets	\$ 108,901	\$ 408,366	\$ 517,267	\$ 884,179	\$	1,401,446

ASSETS

LIABILITIES

Accounts Payable	\$ 2,630	\$ 27,089	\$ 29,719	\$ 0	\$	29,719
Total Liabilities	\$ 2,630	\$ 27,089	\$ 29,719	\$ 0	\$	29,719

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	\$ 0	\$ 0	\$ 0	\$ 284,452	\$	284,452
Deferred Delinquent Property Taxes	0	0	0	14,235		14,235
Total Deferred Inflows of Resources	\$ 0	\$ 0	\$ 0	\$ 298,687	\$	298,687

FUND BALANCES

Restricted:						
Restricted for Education	\$ 6,271	\$ 0	\$ 6,271	\$ 0	\$	6,271
Restricted for Operation of Non-instructional Services	0	381,277	381,277	0	0	381,277

(Continued)

Paris Special School District
 Combining Balance Sheet - Nonmajor Governmental Funds (Cont.)

	Special Revenue Funds			Debt Service Fund		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Debt Service		
\$	0	0	0	0	577,330	\$ 577,330
	0	0	0	0	8,162	8,162
	100,000	0	100,000	0	0	100,000
\$	106,271	381,277	487,548	585,492		\$ 1,073,040
\$	108,901	408,366	517,267	884,179		\$ 1,401,446

FUND BALANCES (Cont.)

Restricted (Cont.):
 Restricted for Debt Service
 Committed:
 Committed for Debt Service
 Assigned:
 Assigned for Education
 Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

Paris Special School District
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue Funds			Total	Debt Service Fund		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria			Education Debt Service		
<u>Revenues</u>							
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 286,343	\$ 286,343	
Charges for Current Services	0	229,825	229,825	229,825	0	229,825	
Other Local Revenues	0	11,720	11,720	11,720	226	11,946	
State of Tennessee	0	11,830	11,830	11,830	0	11,830	
Federal Government	1,035,717	794,054	1,829,771	1,829,771	0	1,829,771	
Total Revenues	\$ 1,035,717	\$ 1,047,429	\$ 2,083,146	\$ 2,083,146	\$ 286,569	\$ 2,369,715	
<u>Expenditures</u>							
Current:							
Instruction	\$ 877,994	\$ 0	\$ 877,994	\$ 877,994	\$ 0	\$ 877,994	
Support Services	152,078	6,270	158,348	158,348	5,736	164,084	
Operation of Non-instructional Services	0	1,002,098	1,002,098	1,002,098	0	1,002,098	
Debt Service:							
Principal on Debt	0	0	0	0	230,000	230,000	
Interest on Debt	0	0	0	0	47,758	47,758	
Total Expenditures	\$ 1,030,072	\$ 1,008,368	\$ 2,038,440	\$ 2,038,440	\$ 283,494	\$ 2,321,934	
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,645	\$ 39,061	\$ 44,706	\$ 44,706	\$ 3,075	\$ 47,781	
Net Change in Fund Balances	\$ 5,645	\$ 39,061	\$ 44,706	\$ 44,706	\$ 3,075	\$ 47,781	
Fund Balance, July 1, 2013	100,626	342,216	442,842	442,842	582,417	1,025,259	
Fund Balance, June 30, 2014	\$ 106,271	\$ 381,277	\$ 487,548	\$ 487,548	\$ 585,492	\$ 1,073,040	

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, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 1,035,717 \$	0 \$	0 \$	1,035,717 \$	1,130,675 \$	1,102,764 \$	(67,047)
Total Revenues	\$ 1,035,717 \$	0 \$	0 \$	1,035,717 \$	1,130,675 \$	1,102,764 \$	(67,047)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 502,764 \$	0 \$	0 \$	502,764 \$	497,735 \$	504,757 \$	1,993
Special Education Program	375,230	(1,117)	45	374,158	434,087	408,768	34,610
<u>Support Services</u>							
Other Student Support	6,597	0	0	6,597	9,277	9,277	2,680
Regular Instruction Program	131,533	0	0	131,533	171,576	161,962	30,429
Special Education Program	13,948	0	0	13,948	18,000	18,000	4,052
Total Expenditures	\$ 1,030,072 \$	(1,117) \$	45 \$	1,029,000 \$	1,130,675 \$	1,102,764 \$	73,764
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,645 \$	1,117 \$	(45) \$	6,717 \$	0 \$	0 \$	6,717
Net Change in Fund Balance Fund Balance, July 1, 2013	\$ 5,645 \$	1,117 \$	(45) \$	6,717 \$	0 \$	0 \$	6,717
	100,626	(1,117)	0	99,509	100,626	100,626	(1,117)
Fund Balance, June 30, 2014	\$ 106,271 \$	0 \$	(45) \$	106,226 \$	100,626 \$	100,626 \$	5,600

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 229,825	\$ 261,650	\$ 229,823	\$ 2
Other Local Revenues	11,720	13,652	11,633	87
State of Tennessee	11,830	10,975	11,830	0
Federal Government	794,054	778,541	794,000	54
Total Revenues	<u>\$ 1,047,429</u>	<u>\$ 1,064,818</u>	<u>\$ 1,047,286</u>	<u>\$ 143</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	1,002,098	1,058,548	1,041,016	38,918
Total Expenditures	<u>\$ 1,008,368</u>	<u>\$ 1,064,818</u>	<u>\$ 1,047,286</u>	<u>\$ 38,918</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 39,061</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 39,061</u>
Net Change in Fund Balance	\$ 39,061	\$ 0	\$ 0	\$ 39,061
Fund Balance, July 1, 2013	<u>342,216</u>	<u>342,216</u>	<u>342,216</u>	<u>0</u>
Fund Balance, June 30, 2014	<u>\$ 381,277</u>	<u>\$ 342,216</u>	<u>\$ 342,216</u>	<u>\$ 39,061</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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 286,343	\$ 286,733	\$ 284,429	\$ 1,914
Other Local Revenues	226	314	211	15
Total Revenues	<u>\$ 286,569</u>	<u>\$ 287,047</u>	<u>\$ 284,640</u>	<u>\$ 1,929</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 5,736	\$ 7,000	\$ 7,000	\$ 1,264
<u>Principal on Debt</u>				
Education	230,000	230,000	230,000	0
<u>Interest on Debt</u>				
Education	47,758	47,933	47,758	0
Total Expenditures	<u>\$ 283,494</u>	<u>\$ 284,933</u>	<u>\$ 284,758</u>	<u>\$ 1,264</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,075</u>	<u>\$ 2,114</u>	<u>\$ (118)</u>	<u>\$ 3,193</u>
Net Change in Fund Balance	\$ 3,075	\$ 2,114	\$ (118)	\$ 3,193
Fund Balance, July 1, 2013	<u>582,417</u>	<u>582,417</u>	<u>582,417</u>	<u>0</u>
Fund Balance, June 30, 2014	<u>\$ 585,492</u>	<u>\$ 584,531</u>	<u>\$ 582,299</u>	<u>\$ 3,193</u>

MISCELLANEOUS SCHEDULES

Exhibit F-1

Paris Special School District
Schedule of Changes in Long-term Notes and Bonds
For the Year Ended June 30, 2014

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-13	Paid and/or Matured		
						During Period	Outstanding 6-30-14	
<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	\$ 800,000	\$ 200,000	\$ 600,000	
School Renovation	1,000,000	3.9	6-26-09	8-26-13	645,448	645,448	0	
Total Notes Payable					<u>\$ 1,445,448</u>	<u>\$ 845,448</u>	<u>\$ 600,000</u>	
<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	\$ 1,245,000	\$ 230,000	\$ 1,015,000	
Total Bonds Payable					<u>\$ 1,245,000</u>	<u>\$ 230,000</u>	<u>\$ 1,015,000</u>	

Exhibit F-2

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

Year Ending June 30	Note		
	Principal	Interest	Total
2015	\$ 200,000	\$ 22,776	\$ 222,776
2016	200,000	14,530	214,530
2017	200,000	6,216	206,216
Total	<u>\$ 600,000</u>	<u>\$ 43,522</u>	<u>\$ 643,522</u>

Year Ending June 30	Bonds		
	Principal	Interest	Total
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>\$ 1,015,000</u>	<u>\$ 98,753</u>	<u>\$ 1,113,753</u>

Exhibit F-3

Paris Special School District
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2014

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	\$ 103,783 (1)	\$ 301,800	RLI Insurance Company
Employees' Blanket Bond			150,000	Tennessee Risk Management Trust

(1) Includes a chief executive officer supplement of \$2,000. Does not include \$1,759 life insurance allowance, \$13,002 medical insurance allowance, \$551 dental and vision insurance allowance, \$16,440 tax shelter annuity, and \$8,640 vehicle allowance.

Exhibit F-4

Paris Special School District
 Schedule of Detailed Revenues -
All Governmental Fund Types
 For the Year Ended June 30, 2014

	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	\$ 2,271,390	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,271,390
Trustee's Collections - Prior Year	71,256	0	0	0	0	0	71,256
Trustee's Collections - Bankruptcy	1,543	0	0	0	0	0	1,543
Circuit/Clerk and Master Collections - Prior Years	43,875	0	0	0	0	0	43,875
Interest and Penalty	14,371	0	0	0	0	0	14,371
Pickup Taxes	165	0	0	0	0	0	165
Payments in-Lieu-of Taxes - T.V.A.	1,589	0	0	0	0	0	1,589
Payments in-Lieu-of Taxes - Local Utilities	36,284	0	0	0	0	0	36,284
Payments in-Lieu-of Taxes - Other	70,512	0	0	0	0	0	70,512
<u>County Local Option Taxes</u>							
Local Option Sales Tax	1,392,634	0	0	0	0	0	1,392,634
Business Tax	64,038	0	0	0	0	0	64,038
Mixed Drink Tax	7,445	0	0	0	0	0	7,445
<u>Statutory Local Taxes</u>							
Bank Excise Tax	32,019	0	0	0	0	0	32,019
Interstate Telecommunications Tax	1,286	0	0	0	0	0	1,286
<u>City/School District Property Taxes</u>							
Current Property Tax	673,971	0	0	0	0	269,589	943,560
Prior Year's Property Tax	21,186	0	0	0	0	8,475	29,661
Interest and Penalty	4,101	0	0	0	0	1,640	5,741
Payments in-Lieu-of Taxes	16,596	0	0	0	0	6,639	23,235
Total Local Taxes	\$ 4,724,261	\$ 0	\$ 0	\$ 0	\$ 0	\$ 286,343	\$ 5,010,604

(Continued)

Exhibit F-4

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

	General Purpose School	Special Revenue Funds			Debt Service Fund		Total
		School Federal Projects	Central Cafeteria	Education Debt Service	Education Debt Service		
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Marriage Licenses	906 \$	0 \$	0 \$	0 \$	0 \$	0 \$	906
Total Licenses and Permits	906 \$	0 \$	0 \$	0 \$	0 \$	0 \$	906
<u>Charges for Current Services</u>							
<u>Education Charges</u>							
Tuition - Regular Day Students	33,681 \$	0 \$	0 \$	0 \$	0 \$	0 \$	33,681
Lunch Payments - Children	0	0	163,442	0	0	0	163,442
Lunch Payments - Adults	0	0	43,622	0	0	0	43,622
Income from Breakfast	0	0	15,400	0	0	0	15,400
Special Milk Sales	0	0	2,276	0	0	0	2,276
A la carte Sales	0	0	5,085	0	0	0	5,085
Receipts from Individual Schools	85,991	0	0	0	0	0	85,991
Community Service Fees - Children	233,880	0	0	0	0	0	233,880
Total Charges for Current Services	353,552 \$	0 \$	229,825 \$	0 \$	0 \$	0 \$	583,377
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	6,454 \$	0 \$	834 \$	226 \$	0	0	7,514
Miscellaneous Refunds	1,003	0	10,886	0	0	0	11,889
<u>Nonrecurring Items</u>							
Sale of Equipment	19,006	0	0	0	0	0	19,006
Damages Recovered from Individuals	711	0	0	0	0	0	711
Contributions and Gifts	40,153	0	0	0	0	0	40,153

(Continued)

Exhibit F-4

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

	Special Revenue Funds			Debt Service Fund		Total
	General Purpose School	School Federal Projects	Central Cafeteria	Education Debt	Service	
<u>Other Local Revenues (Cont.)</u>						
<u>Other Local Revenues</u>	3,065 \$	0 \$	0 \$	0 \$	0 \$	3,065
Total Other Local Revenues	70,392 \$	0 \$	11,720 \$	226 \$	82,338	
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-behalf Contributions for OPEB	65,881 \$	0 \$	0 \$	0 \$	0 \$	65,881
<u>State Education Funds</u>						
Basic Education Program	7,740,000	0	0	0	0	7,740,000
Early Childhood Education	284,811	0	0	0	0	284,811
School Food Service	0	0	11,830	0	0	11,830
Other State Education Funds	233,446	0	0	0	0	233,446
Career Ladder Program	46,049	0	0	0	0	46,049
Career Ladder - Extended Contract	19,795	0	0	0	0	19,795
<u>Other State Revenues</u>						
Income Tax	38,731	0	0	0	0	38,731
Total State of Tennessee	8,428,713 \$	0 \$	11,830 \$	0 \$	0 \$	8,440,543
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	0 \$	0 \$	527,941 \$	0 \$	0 \$	527,941
USDA - Commodities	0	0	72,108	0	0	72,108
Breakfast	0	0	173,289	0	0	173,289
USDA - Other	0	0	20,716	0	0	20,716
Title I Grants to Local Education Agencies	0	476,302	0	0	0	476,302

(Continued)

Exhibit F-4

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

	General Purpose School	Special Revenue Funds			Debt Service Fund		Total
		School Federal Projects	Central Cafeteria	Education Debt Service	Education Debt Service		
Federal Government (Cont.)							
Federal Through State (Cont.)							
Special Education - Grants to States	\$ 19,199	\$ 374,846	\$ 0	\$ 0	\$ 0	\$ 0	\$ 394,045
Special Education Preschool Grants	0	14,180	0	0	0	0	14,180
Rural Education	0	17,009	0	0	0	0	17,009
Eisenhower Professional Development State Grants	0	71,136	0	0	0	0	71,136
Race-to-the-Top - ARRA	0	82,244	0	0	0	0	82,244
Total Federal Government	\$ 19,199	\$ 1,035,717	\$ 794,054	\$ 0	\$ 0	\$ 0	\$ 1,848,970
Total	\$ 13,597,023	\$ 1,035,717	\$ 1,047,429	\$ 286,569	\$ 15,966,738		

Exhibit F-5

Paris Special School District
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2014

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	4,643,852	
Career Ladder Program		36,650	
Career Ladder Extended Contracts		16,706	
Homebound Teachers		1,573	
Educational Assistants		218,357	
Other Salaries and Wages		90,680	
Certified Substitute Teachers		28,067	
Non-certified Substitute Teachers		36,644	
Social Security		289,478	
State Retirement		429,526	
Life Insurance		19,107	
Medical Insurance		597,996	
Employer Medicare		68,994	
Other Contracted Services		199,337	
Instructional Supplies and Materials		88,828	
Textbooks		141,568	
Other Supplies and Materials		78,628	
Other Charges		7,930	
Regular Instruction Equipment		467,974	
Total Regular Instruction Program			\$ 7,461,895

Special Education Program

Teachers	\$	366,387	
Homebound Teachers		2,173	
Educational Assistants		27,176	
Speech Pathologist		44,557	
Social Security		25,369	
State Retirement		37,482	
Medical Insurance		52,430	
Employer Medicare		5,433	
Total Special Education Program			561,007

Student Body Education Program

Other Salaries and Wages	\$	210	
Employer Medicare		3	
Other Contracted Services		22,764	
Other Supplies and Materials		36,846	
Other Charges		6,192	
Total Student Body Education Program			66,015

Support Services

Attendance

Clerical Personnel	\$	15,690	
Social Security		814	
State Retirement		933	
Employer Medicare		190	
Total Attendance			17,627

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services

Medical Personnel	\$	58,458	
Other Salaries and Wages		59,239	
Social Security		7,281	
State Retirement		6,671	
Employer Medicare		1,703	
Travel		405	
Other Contracted Services		686	
Drugs and Medical Supplies		3,459	
Instructional Supplies and Materials		1,428	
Other Supplies and Materials		5,082	
In Service/Staff Development		600	
Total Health Services			\$ 145,012

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		104,016	
Social Workers		55,778	
Assessment Personnel		54,395	
Clerical Personnel		13,048	
Social Security		13,612	
State Retirement		18,386	
Life Insurance		558	
Medical Insurance		20,188	
Employer Medicare		3,184	
Other Contracted Services		54,000	
Other Supplies and Materials		25,229	
Total Other Student Support			364,394

Regular Instruction Program

Supervisor/Director	\$	88,516	
Librarians		143,884	
Clerical Personnel		34,922	
Social Security		15,129	
State Retirement		22,715	
Life Insurance		684	
Medical Insurance		26,210	
Employer Medicare		3,538	
Travel		4,915	
Library Books/Media		3,702	
In Service/Staff Development		35,085	
Total Regular Instruction Program			379,300

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-5

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	\$ 65,881	
Total Other Programs		\$ 65,881

Board of Education

Secretary to Board	\$ 100	
Unemployment Compensation	9,661	
Audit Services	10,090	
Dues and Memberships	8,333	
Legal Services	1,677	
Other Contracted Services	2,135	
Liability Insurance	16,324	
Premiums on Corporate Surety Bonds	1,056	
Trustee's Commission	79,512	
Workers' Compensation Insurance	56,249	
Refund to Applicant for Criminal Investigation	858	
Other Charges	8,157	
Total Board of Education		194,152

Director of Schools

County Official/Administrative Officer	\$ 101,783	
Career Ladder Program	2,000	
Social Security	7,288	
State Retirement	12,226	
Life Insurance	1,759	
Medical Insurance	13,002	
Dental Insurance	551	
Employer Medicare	1,968	
Other Fringe Benefits	25,080	
Communication	5,275	
Postal Charges	1,307	
Travel	436	
Other Supplies and Materials	2,083	
Other Charges	675	
Total Director of Schools		175,433

Office of the Principal

Principals	\$ 233,203
Career Ladder Program	1,600
Assistant Principals	132,097
Secretary(ies)	67,631
Social Security	21,444
State Retirement	30,832
Life Insurance	1,021
Medical Insurance	33,577
Employer Medicare	5,957
Communication	10,139

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Postal Charges	\$	269	
Travel		1,315	
Office Supplies		1,792	
Other Charges		262	
Total Office of the Principal			\$ 541,139

Fiscal Services

Accountants/Bookkeepers	\$	57,074	
Clerical Personnel		30,637	
Social Security		5,251	
State Retirement		5,219	
Life Insurance		290	
Medical Insurance		5,369	
Employer Medicare		1,228	
Travel		488	
Other Contracted Services		6,003	
Office Supplies		1,613	
Administration Equipment		202	
Total Fiscal Services			113,374

Operation of Plant

Custodial Personnel	\$	15,202	
Social Security		872	
State Retirement		813	
Employer Medicare		204	
Other Contracted Services		291,296	
Custodial Supplies		1,839	
Electricity		334,309	
Natural Gas		43,353	
Water and Sewer		15,913	
Other Supplies and Materials		21,935	
Boiler Insurance		1,852	
Building and Contents Insurance		39,021	
Other Charges		18,996	
Total Operation of Plant			785,605

Maintenance of Plant

Supervisor/Director	\$	65,788	
Maintenance Personnel		75,530	
Social Security		7,935	
State Retirement		8,328	
Life Insurance		443	
Medical Insurance		17,181	
Employer Medicare		1,856	
Maintenance and Repair Services - Buildings		1,829	
Maintenance and Repair Services - Equipment		1,579	

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Travel	\$	655	
Other Contracted Services		23,064	
Equipment and Machinery Parts		12,456	
Other Supplies and Materials		17,259	
Total Maintenance of Plant			\$ 233,903

Transportation

Mechanic(s)	\$	37,241	
Bus Drivers		168,000	
Other Salaries and Wages		51,981	
In-service Training		793	
Social Security		15,513	
State Retirement		11,388	
Life Insurance		715	
Medical Insurance		1,110	
Employer Medicare		3,628	
Contracts with Parents		18,188	
Other Contracted Services		2,267	
Diesel Fuel		63,162	
Gasoline		8,684	
Tires and Tubes		8,034	
Vehicle Parts		44,789	
Other Supplies and Materials		524	
Vehicle and Equipment Insurance		11,214	
In Service/Staff Development		650	
Other Charges		1,319	
Transportation Equipment		105,873	
Total Transportation			555,073

Central and Other

Data Processing Personnel	\$	135,667	
Social Security		7,300	
State Retirement		8,072	
Life Insurance		399	
Medical Insurance		20,050	
Employer Medicare		1,707	
Total Central and Other			173,195

Operation of Non-instructional Services

Community Services

Supervisor/Director	\$	43,972	
Other Salaries and Wages		202,511	
Social Security		12,757	
State Retirement		6,072	
Employer Medicare		3,561	
Other Supplies and Materials		5,546	
Total Community Services			274,419

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Operation of Non-instructional Services (Cont.)

Early Childhood Education

Supervisor/Director	\$	5,500	
Teachers		140,581	
Other Salaries and Wages		39,789	
Certified Substitute Teachers		112	
Non-certified Substitute Teachers		918	
Social Security		10,242	
State Retirement		16,031	
Life Insurance		485	
Medical Insurance		25,531	
Employer Medicare		2,396	
Other Contracted Services		23,280	
Other Supplies and Materials		19,457	
In Service/Staff Development		1,541	
Other Equipment		5,187	
Total Early Childhood Education			\$ 291,050

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	29,468	
Other Capital Outlay		60,485	
Total Regular Capital Outlay			89,953

Principal on Debt

Education

Principal on Notes	\$	845,448	
Total Education			845,448

Interest on Debt

Education

Interest on Notes	\$	34,733	
Total Education			34,733

Total General Purpose School Fund \$ 13,405,599

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	111,680	
Educational Assistants		315,000	
Other Salaries and Wages		3,500	
Social Security		26,355	
State Retirement		28,969	
Medical Insurance		3,749	
Employer Medicare		6,213	
Instructional Supplies and Materials		7,298	
Total Regular Instruction Program			\$ 502,764

(Continued)

Exhibit F-5

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$	57,241	
Educational Assistants		198,082	
Speech Pathologist		48,260	
Social Security		17,717	
State Retirement		17,880	
Employer Medicare		4,144	
Evaluation and Testing		10,000	
Instructional Supplies and Materials		6,561	
Other Supplies and Materials		2,359	
Special Education Equipment		12,986	
Total Special Education Program			\$ 375,230

Support Services

Other Student Support

Other Salaries and Wages	\$	5,670	
Social Security		343	
State Retirement		504	
Employer Medicare		80	
Total Other Student Support			6,597

Regular Instruction Program

Other Salaries and Wages	\$	79,806	
In-service Training		20,627	
Social Security		4,673	
State Retirement		6,797	
Employer Medicare		1,436	
Other Contracted Services		11,400	
In Service/Staff Development		6,794	
Total Regular Instruction Program			131,533

Special Education Program

Travel	\$	2,000	
Other Contracted Services		7,729	
In Service/Staff Development		4,219	
Total Special Education Program			13,948

Total School Federal Projects Fund \$ 1,030,072

Central Cafeteria Fund

Support Services

Board of Education

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

(Continued)

Exhibit F-5

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

Central Cafeteria Fund (Cont.)

Operation of Non-instructional Services

Food Service

Cafeteria Personnel	\$	278,544	
Other Salaries and Wages		17,280	
In-service Training		627	
Social Security		17,540	
State Retirement		14,580	
Life Insurance		1,500	
Medical Insurance		7,264	
Employer Medicare		4,124	
Maintenance and Repair Services - Equipment		1,725	
Transportation - Other than Students		7,340	
Other Contracted Services		7,780	
Food Supplies		493,498	
Uniforms		2,002	
USDA - Commodities		72,108	
Other Supplies and Materials		32,060	
In Service/Staff Development		1,100	
Other Charges		240	
Food Service Equipment		42,786	
Total Food Service		<u>1,002,098</u>	\$ 1,002,098

Total Central Cafeteria Fund \$ 1,008,368

Education Debt Service Fund

Support Services

Board of Education

Trustee's Commission	\$	5,736	
Total Board of Education			\$ 5,736

Principal on Debt

Education

Principal on Bonds	\$	230,000	
Total Education			230,000

Interest on Debt

Education

Interest on Bonds	\$	47,758	
Total Education			<u>47,758</u>

Total Education Debt Service Fund 283,494

Total Governmental Funds - Paris Special School District \$ 15,727,533

SINGLE AUDIT SECTION



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, 2014, 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 18, 2015.

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. 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: 2014-001.

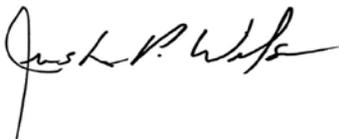
Compliance and Other Matters

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 18, 2015

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, 2014. 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, 2014.

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

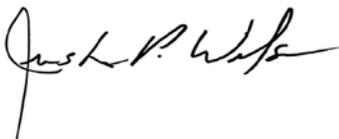
consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2014, 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 18, 2015, 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 basic 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 basic 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 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

March 18, 2015

JPW/yu

Paris Special School District
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2014

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	\$ 173,289
National School Lunch Program	10.555	N/A	548,657 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	<u>72,108 (3)</u>
Total U.S. Department of Agriculture			<u>\$ 794,054</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 475,875
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	394,458
Special Education - Preschool Grants	84.173	N/A	13,919
Rural Education	84.358	N/A	17,009
Improving Teacher Quality State Grants	84.367	N/A	71,276
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	<u>76,734</u>
Total U.S. Department of Education			<u>\$ 1,049,271</u>
Total Expenditures of Federal Awards			<u>\$ 1,843,325</u>
 <u>State Grants</u>			
		<u>Contract Number</u>	
Early Childhood Education - State Department of Education	N/A	(2)	\$ 284,811
ACT/EXPLORE/PLAN - State Department of Education	N/A	(2)	1,304
ConnecTenn - State Department of Education	N/A	(2)	4,931
Safe Schools Act of 1998 - State Department of Education	N/A	(2)	9,400
Family Resource Center - State Department of Education	N/A	(2)	29,612
Coordinated School Health - State Department of Education	N/A	(2)	<u>82,000</u>
Total State Grants			<u>\$ 412,058</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 \$620,765.

Paris Special School District
Schedule of Audit Findings Not Corrected
June 30, 2014

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below is the finding from the Annual Financial Report for the Paris Special School District for the year ended June 30, 2013, which has not been corrected.

Finding Number	Page Number	Subject
2013-001	81	Purchase orders were not issued properly in some instances

PARIS SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

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 are 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 the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. The Paris Special School District did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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 2014-001

THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES

(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 \$199,800 from a population of 1,861 vendor checks totaling \$5,651,039. Our examination revealed the following deficiencies, which are the result of management's failure to correct the finding noted in the prior-year audit report.

- A. Purchase orders were not issued in three of 24 applicable instances. Purchase orders are necessary to control who has purchasing authority for the district and to document purchasing commitments. The failure to issue purchase orders could result in unauthorized purchases.
- B. Purchase orders did not include descriptions of the items to be purchased in ten of 24 applicable instances. This detailed information is necessary to identify the items to be purchased and to quantify purchasing commitments.
- C. Invoices and/or receiving reports had not been signed as evidence that goods had been received or services had been rendered in 13 of 40 applicable instances. The practice of paying invoices without documentation that goods were received or services were rendered increases the risk of paying for something that was never received.

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. The office should maintain adequate documentation that goods have been received and/or services have been rendered before invoices are paid.

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

There were no findings and questioned costs for federal awards.

BEST PRACTICE

Accounting literature describes a best practice as a recommended policy, procedure, or technique that aids management in improving financial performance. Historically, a best practice has consistently shown superior results over conventional methods.

The Division of Local Government Audit strongly believes that the item noted below is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided by the Paris Special School District.

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.

**PARIS SPECIAL SCHOOL DISTRICT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2014**

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