

ANNUAL FINANCIAL REPORT
PARIS SPECIAL SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2015



DIVISION OF LOCAL GOVERNMENT AUDIT



**ANNUAL FINANCIAL REPORT
PARIS SPECIAL SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2015**

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

***DIVISION OF LOCAL GOVERNMENT AUDIT
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Director***

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State Auditors***

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

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Summary of Audit Findings

Annual Financial Report
Paris Special School District
For the Year Ended June 30, 2015

Scope

We have audited the basic financial statements of the Paris Special School District as of and for the year ended June 30, 2015.

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, 2015

Official

Mike Brown, Director of Schools and
Assistant Secretary-Treasurer

Board of Directors

Richard Edwards, President
Amy Cathey
Harry Cowan
Bill Jelks
Missy Klutts
Christy Minor
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
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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, 2015, 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, 2015, 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. 68, *Accounting and Financial Reporting for Pensions*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

We draw attention to Note I.D.8. to the financial statements, which describes a restatement decreasing the beginning net position by \$2,401,198 on the Government-wide Statement of Activities. This restatement was necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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 schedule of changes in the district's net pension liability (asset) and related ratios, schedules of district contributions, schedule of the district's proportionate share of the net pension asset, and schedule of funding progress – other postemployment benefits plan on pages 55 - 61 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.

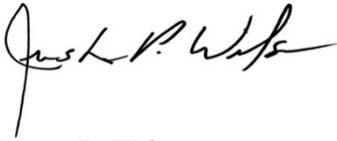
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 9, 2016, 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,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

March 9, 2016

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Paris Special School District
Statement of Net Position
For the Year Ended June 30, 2015

	<u>Governmental</u> <u>Activities</u>
<u>ASSETS</u>	
Cash	\$ 3,834,627
Investments	2,266,319
Accounts Receivable	543
Due from Other Governments	534,842
Property Taxes Receivable	3,648,709
Allowance for Uncollectible Property Taxes	(117,672)
Net Pension Asset - Agent Plan	244,808
Net Pension Asset - Cost-sharing Plan	27,103
Capital Assets:	
Assets Not Depreciated:	
Land	130,000
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	13,715,994
Infrastructure	81,157
Other Capital Assets	1,012,289
Total Assets	<u>\$ 25,378,719</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Charge on Refunding	\$ 1,721
Pension Changes in Experience	65,799
Pension Contributions After Measurement Date	698,472
Total Deferred Outflows of Resources	<u>\$ 765,992</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 12,553
Payroll Deductions Payable	106,373
Accrued Interest Payable	454
Noncurrent Liabilities:	
Due Within One Year	450,000
Due in More Than One Year	1,043,636
Total Liabilities	<u>\$ 1,613,016</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Current Property Taxes	\$ 3,359,922
Pension Changes in Experience	144,088
Pension Changes in Investment Earnings	2,575,725
Pension Other Deferrals	1,268
Total Deferred Inflows of Resources	<u>\$ 6,081,003</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 13,774,440
Restricted for:	
Education	292,197
Operation of Non-instructional Services	430,271
Debt Service	583,689
Unrestricted	<u>3,370,095</u>
Total Net Position	<u>\$ 18,450,692</u>

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

Exhibit B

Paris Special School District
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position Total Governmental Activities
Governmental Activities:				
Instruction	\$ 9,020,386	\$ 32,305	\$ 565,140	\$ (8,422,941)
Support Services	4,165,062	229,235	232,045	(3,703,782)
Operation of Non-instructional Services	1,613,558	464,189	1,166,177	16,808
Interest on Long-term Debt	62,630	0	0	(62,630)
Total Governmental Activities	\$ 14,861,636	\$ 725,729	\$ 1,963,362	\$ (12,172,545)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 3,194,410
Property Taxes Levied for Debt Service				285,124
Local Option Sales Tax				1,493,549
Business Tax				67,822
Other Local Taxes				22,384
Grants and Contributions Not Restricted to Specific Programs				8,304,497
Unrestricted Investment Income				8,856
Pension Income				23,455
Miscellaneous				15,368
Total General Revenues				\$ 13,415,465
Change in Net Position				\$ 1,242,920
Net Position, July 1, 2014				19,608,970
Restatement - Pension Liability (see Note I.D.8)				(2,401,198)
Net Position, June 30, 2015				\$ 18,450,692

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

Exhibit C-1

Paris Special School District
Balance Sheet - Governmental Funds
Discretely Presented Paris Special School District
For the Year Ended June 30, 2015

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 3,084,198	\$ 750,429	\$ 3,834,627
Investments	1,907,616	358,703	2,266,319
Accounts Receivable	543	0	543
Due from Other Governments	534,007	835	534,842
Property Taxes Receivable	3,314,379	334,330	3,648,709
Allowance for Uncollectible Property Taxes	(107,295)	(10,377)	(117,672)
Total Assets	<u>\$ 8,733,448</u>	<u>\$ 1,433,920</u>	<u>\$ 10,167,368</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 12,553	\$ 0	\$ 12,553
Payroll Deductions Payable	106,373	0	106,373
Total Liabilities	<u>\$ 118,926</u>	<u>\$ 0</u>	<u>\$ 118,926</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 3,047,337	\$ 312,585	\$ 3,359,922
Deferred Delinquent Property Taxes	144,591	9,455	154,046
Other Deferred/Unavailable Revenue	140,536	0	140,536
Total Deferred Inflows of Resources	<u>\$ 3,332,464</u>	<u>\$ 322,040</u>	<u>\$ 3,654,504</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 19,570	\$ 716	\$ 20,286
Restricted for Operation of Non-instructional Services	0	430,271	430,271
Restricted for Debt Service	0	572,513	572,513
Committed:			
Committed for Debt Service	0	8,380	8,380
Assigned:			
Assigned for Education	111,402	100,000	211,402
Unassigned	5,151,086	0	5,151,086
Total Fund Balances	<u>\$ 5,282,058</u>	<u>\$ 1,111,880</u>	<u>\$ 6,393,938</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,733,448</u>	<u>\$ 1,433,920</u>	<u>\$ 10,167,368</u>

Exhibit C-2

Paris Special School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
For the Year Ended June 30, 2015

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)		\$ 6,393,938	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	130,000	
Add: buildings and improvements net of accumulated depreciation		13,715,994	
Add: infrastructure net of accumulated depreciation		81,157	
Add: other capital assets net of accumulated depreciation		<u>1,012,289</u>	14,939,440
(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	\$	(400,000)	
Less: bonds payable		(765,000)	
Add: deferred charge on refunding		1,721	
Less: accrued interest on note		(454)	
Less: other postemployment benefits liability		<u>(328,636)</u>	(1,492,369)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.			
Add: deferred outflows of resources related to pensions	\$	764,271	
Less: deferred inflows of resources related to pensions		<u>(2,721,081)</u>	(1,956,810)
(4) Net pension assets are not current financial resources and therefore are not reported in the governmental funds.			
Add: net pension asset - agent plan	\$	244,808	
Add: net pension asset - cost-sharing plan		<u>27,103</u>	271,911
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>294,582</u>
Net position of governmental activities (Exhibit A)			<u>\$ 18,450,692</u>

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

Exhibit C-3

Paris Special School District
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Paris Special School District
For the Year Ended June 30, 2015

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 4,870,748	\$ 289,904	\$ 5,160,652
Licenses and Permits	905	0	905
Charges for Current Services	367,188	223,505	590,693
Other Local Revenues	80,051	146,794	226,845
State of Tennessee	8,336,753	11,639	8,348,392
Federal Government	18,188	1,751,260	1,769,448
Total Revenues	<u>\$ 13,673,833</u>	<u>\$ 2,423,102</u>	<u>\$ 16,096,935</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 8,141,693	\$ 877,724	\$ 9,019,417
Support Services	4,009,604	210,434	4,220,038
Operation of Non-instructional Services	539,751	1,008,706	1,548,457
Capital Outlay	105,810	0	105,810
Debt Service:			
Principal on Debt	200,000	250,000	450,000
Interest on Debt	22,776	38,953	61,729
Total Expenditures	<u>\$ 13,019,634</u>	<u>\$ 2,385,817</u>	<u>\$ 15,405,451</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 654,199</u>	<u>\$ 37,285</u>	<u>\$ 691,484</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 36,240	\$ 1,555	\$ 37,795
Total Other Financing Sources (Uses)	<u>\$ 36,240</u>	<u>\$ 1,555</u>	<u>\$ 37,795</u>
Net Change in Fund Balances	\$ 690,439	\$ 38,840	\$ 729,279
Fund Balance, July 1, 2014	4,591,619	1,073,040	5,664,659
Fund Balance, June 30, 2015	<u>\$ 5,282,058</u>	<u>\$ 1,111,880</u>	<u>\$ 6,393,938</u>

Exhibit C-4

Paris Special School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

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)		\$	729,279
(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	\$	107,841	
Less: current-year depreciation expense		<u>(738,108)</u>	(630,267)
(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, 2015	\$	294,582	
Less: deferred delinquent property taxes and other deferred June 30, 2014		<u>(310,416)</u>	(15,834)
(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	\$	200,000	
Add: principal payments on bonds		250,000	
Less: change in deferred amount on refunding debt		<u>(1,128)</u>	448,872
(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	\$	227	
Change in other postemployment benefits liability		(5,656)	
Change in net pension asset - agent plan		481,086	
Change in net pension asset - cost-sharing plan		2,192,023	
Change in deferred outflows related to pensions		764,271	
Change in deferred inflows related to pensions		<u>(2,721,081)</u>	710,870
Change in net position of governmental activities (Exhibit B)		\$	<u><u>1,242,920</u></u>

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

Exhibit C-5

Paris Special School District
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Paris Special School District
General Purpose School Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,870,748	\$ 0	\$ 0	\$ 4,870,748	\$ 4,535,019	\$ 4,605,019	\$ 265,729
Licenses and Permits	905	0	0	905	519	519	386
Charges for Current Services	367,188	0	0	367,188	318,636	345,941	21,247
Other Local Revenues	80,051	0	0	80,051	47,303	64,777	15,274
State of Tennessee	8,336,753	0	0	8,336,753	8,260,493	8,288,598	48,155
Federal Government	18,188	0	0	18,188	20,000	18,188	0
Total Revenues	\$ 13,673,833	\$ 0	\$ 0	\$ 13,673,833	\$ 13,181,970	\$ 13,323,042	\$ 350,791
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 7,530,185	\$ (31,472)	\$ 21,657	\$ 7,520,370	\$ 7,751,144	\$ 7,657,264	\$ 136,894
Special Education Program	545,104	0	0	545,104	572,313	572,313	27,209
Student Body Education Program	66,404	(4,166)	2,421	64,659	73,877	74,027	9,368
<u>Support Services</u>							
Attendance	17,738	0	0	17,738	17,995	17,995	257
Health Services	147,132	(7,575)	1,001	140,558	165,763	165,763	25,205
Other Student Support	351,749	(750)	0	350,999	369,855	359,567	8,568
Regular Instruction Program	478,801	(2,374)	0	476,427	495,840	487,796	11,369
Special Education Program	38,808	0	0	38,808	38,899	38,899	91
Other Programs	67,855	0	0	67,855	0	67,855	0
Board of Education	194,143	(720)	0	193,423	207,060	201,303	7,880
Director of Schools	179,748	0	0	179,748	187,372	188,376	8,628
Office of the Principal	660,297	0	0	660,297	677,089	680,351	20,054
Fiscal Services	120,254	0	0	120,254	127,189	122,412	2,158
Operation of Plant	789,274	0	0	789,274	847,276	843,676	54,402
Maintenance of Plant	214,227	0	6,204	220,431	271,415	268,785	48,354
Transportation	578,365	0	4,301	582,666	616,516	631,811	49,145
Central and Other	171,213	0	0	171,213	177,360	171,460	247

(Continued)

Exhibit C-5

Paris speci County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Paris Special School District
General Purpose School Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Operation of Non-instructional Services</u>							
Community Services	\$ 264,238	\$ 0	\$ 0	\$ 264,238	\$ 281,418	\$ 285,918	\$ 21,680
Early Childhood Education	275,513	0	10,911	286,424	284,811	284,811	(1,613)
<u>Capital Outlay</u>							
Regular Capital Outlay	105,810	(67,758)	64,907	102,959	80,000	138,635	35,676
<u>Principal on Debt</u>							
Education	200,000	0	0	200,000	200,000	200,000	0
<u>Interest on Debt</u>							
Education	22,776	0	0	22,776	22,776	22,776	0
Total Expenditures	\$ 13,019,634	\$ (114,815)	\$ 111,402	\$ 13,016,221	\$ 13,465,968	\$ 13,481,793	\$ 465,572
Excess (Deficiency) of Revenues Over Expenditures	\$ 654,199	\$ 114,815	\$ (111,402)	\$ 657,612	\$ (283,998)	\$ (158,751)	\$ 816,363
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 36,240	\$ 0	\$ 0	\$ 36,240	\$ 0	\$ 36,240	\$ 0
Total Other Financing Sources	\$ 36,240	\$ 0	\$ 0	\$ 36,240	\$ 0	\$ 36,240	\$ 0
Net Change in Fund Balance	\$ 690,439	\$ 114,815	\$ (111,402)	\$ 693,852	\$ (283,998)	\$ (122,511)	\$ 816,363
Fund Balance, July 1, 2014	4,591,619	(114,815)	0	4,476,804	4,591,619	4,591,619	(114,815)
Fund Balance, June 30, 2015	\$ 5,282,058	\$ 0	\$ (111,402)	\$ 5,170,656	\$ 4,307,621	\$ 4,469,108	\$ 701,548

PARIS SPECIAL SCHOOL DISTRICT

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**PARIS SPECIAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

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 1.71 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. Deferred outflows of resources represent a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position. These items are for the deferred charge on refunding, pension changes in experience, and employer contributions made to the pension plan after the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent 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 items are from the following sources: current and delinquent property taxes, pension changes in experience and investment earnings, pension changes in proportionate share of contributions, and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Compensated Absences

The general policy of the district (with the exception of sick leave for teachers) does not allow for the accumulation of sick and vacation days beyond year-end. General policy for all professional personnel (teachers) permits the unlimited accumulation of unused sick leave days. The granting of sick leave has no guaranteed payment attached and therefore requires no accrual or recording.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and are amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including other postemployment benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

7. Net Position and Fund Balance

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

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

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

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

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

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

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

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

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

8. Restatement

In prior years, the district was not required to recognize a liability for its defined pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement decreasing the Paris Special School District’s beginning net position by \$2,401,198, has been recognized on the Statement of Activities for liabilities of the pension agent plan (\$236,278) and the pension cost-sharing plan (\$2,164,920).

E. Pension Plan

Non-certified Employees

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the district’s participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the district’s fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Certified Employees

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the

benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

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

A. 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.

B. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the Board of Directors in the Operation of Non-Instructional Services – Early Childhood Education major appropriation category (the legal level of control) of the General Purpose School Fund by \$1,613. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

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, 2015, 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	3 to 139	\$ 2,266,319

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, 2015, 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, 2015, was as follows:

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets				
Not Depreciated:				
Land	\$ 130,000	\$ 0	\$ 0	\$ 130,000
Construction in Progress	58,810	0	(58,810)	0
Total Capital Assets				
Not Depreciated	<u>\$ 188,810</u>	<u>\$ 0</u>	<u>\$ (58,810)</u>	<u>\$ 130,000</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	2,258,634	166,651	0	2,425,285
Total Capital Assets				
Depreciated	<u>\$ 26,558,218</u>	<u>\$ 166,651</u>	<u>\$ 0</u>	<u>\$ 26,724,869</u>
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 9,747,711	\$ 582,065	\$ 0	\$ 10,329,776
Infrastructure	159,966	12,691	0	172,657
Other Capital Assets	1,269,644	143,352	0	1,412,996
Total Accumulated				
Depreciation	<u>\$ 11,177,321</u>	<u>\$ 738,108</u>	<u>\$ 0</u>	<u>\$ 11,915,429</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 15,380,897</u>	<u>\$ (571,457)</u>	<u>\$ 0</u>	<u>\$ 14,809,440</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 15,569,707</u>	<u>\$ (571,457)</u>	<u>\$ (58,810)</u>	<u>\$ 14,939,440</u>

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

Governmental Activities:

Instruction	\$ 469,965
Support Services	243,086
Operation of Non-instructional Services	<u>25,057</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 738,108</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, 2015, 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, 2015, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-15
School Bonds - Refunding	3.85 %	6-1-18	\$ 2,145,000	\$ 765,000
Capital Outlay Note	4.14	6-20-17	2,000,000	400,000

The annual requirements to amortize all general obligation bonds and the capital outlay note outstanding as of June 30, 2015, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2016	\$ 250,000	\$ 29,453	\$ 279,453
2017	245,000	19,827	264,827
2018	270,000	10,395	280,395
Total	\$ 765,000	\$ 59,675	\$ 824,675

Year Ending June 30	Note		
	Principal	Interest	Total
2016	\$ 200,000	\$ 14,530	\$ 214,530
2017	200,000	6,216	206,216
Total	\$ 400,000	\$ 20,746	\$ 420,746

There is \$580,893 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, 2015, was as follows:

Governmental Activities:	Bonds	Notes	Other
			Postemployment Benefits
Balance, July 1, 2014	\$ 1,015,000	\$ 600,000	\$ 322,980
Additions	0	0	72,333
Reductions	(250,000)	(200,000)	(66,677)
Balance, June 30, 2015	\$ 765,000	\$ 400,000	\$ 328,636
Balance Due Within One Year	\$ 250,000	\$ 200,000	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 1,493,636
Less: Balance Due Within One Year	<u>(450,000)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,043,636</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, 2015, were

\$55,905 and \$11,950, 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. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68* became effective for the year ended June 30, 2015.

GASB Statement No. 68, replaces the requirements of Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement. This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows, and expenses/expenditures.

GASB Statement No. 69, establishes accounting and financial reporting standards related to government combinations and disposals of government operations such as mergers, acquisitions, and transfer of operations.

GASB Statement No. 71, addresses issues related to amounts of contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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

Tennessee Consolidated Retirement System (TCRS)

Non-certified Employees

General Information About the Pension Plan

Plan Description. Employees of Paris Special School District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior

calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	56
Inactive Employees Entitled to But Not Yet Receiving Benefits	74
Active Employees	<u>77</u>
 Total	 <u><u>207</u></u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Paris Special School District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Paris Special School District were \$99,094 based on a rate of 5.88 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Paris Special School District's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Paris Special School District's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.4	5
U.S. Fixed Income Real Estate	4.61	8
	0.98	29
	4.73	7
Short-term Securities	0	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Paris Special School District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 5,070,118	\$ 4,728,783	\$ 341,335
Changes for the Year:			
Service Cost	\$ 176,022	\$ 0	\$ 176,022
Interest	385,221	0	385,221
Differences Between Expected and Actual Experience	(180,110)	0	(180,110)
Contributions-Employer	0	105,057	(105,057)
Contributions-Employees	0	83,606	(83,606)
Net Investment Income	0	781,663	(781,663)
Benefit Payments, Including Refunds of Employee Contributions	(219,718)	(219,718)	0
Administrative Expense	0	(3,050)	3,050
Other Changes	0	0	0
Net Changes	\$ 161,415	\$ 747,558	\$ (586,143)
Balance, June 30, 2014	\$ 5,231,533	\$ 5,476,341	\$ (244,808)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Paris Special School District calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

Paris Special School District	1%	Current	1%
	Decrease 6.5%	Discount Rate 7.5%	Increase 8.5%
Net Pension Liability	\$ 463,667	\$ (244,808)	\$ (835,013)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

Pension Expense. For the year ended June 30, 2015, Paris Special School District recognized pension expense of \$5,628.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, Paris Special School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 0	\$ 144,088
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	342,626
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	<u>99,094</u>	<u>N/A</u>
Total	<u>\$ 99,094</u>	<u>\$ 486,714</u>

- (1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources, with the exception of contributions after the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (121,679)
2017	(121,679)
2018	(121,679)
2019	(121,677)
2020	0
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the Paris Special School District with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members of the Teachers Retirement Plan are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015, to the Teacher Retirement Plan were \$15,201, which is four percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities. Since the measurement date is June 30, 2014, which is prior to the July 1, 2014, inception of the Teacher Retirement Plan, there is no net pension liability to report at June 30, 2015.

Pension Expense. Since the measurement date is June 30, 2014, the Paris Special School District did not recognize any pension expense at June 30, 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Paris Special School District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	\$ 15,201	N/A

The Paris Special School District’s employer contributions of \$15,201 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ending June 30, 2016.

Teacher Legacy Pension Plan

General Information About the Pension Plan

Plan Description. Teachers of the Paris Special School District with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer

contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Paris Special School District for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were \$584,177, which is 9.04 percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Assets. At June 30, 2015, the Paris Special School District reported an asset of \$27,103 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Paris Special School District's proportion of the net pension asset was based on Paris Special School District's employer contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014, measurement date, the Paris Special School District's proportion was .166791 percent. The proportion measured as of June 30, 2013, was .166881 percent.

Pension Income. For the year ended June 30, 2015, the Paris Special School District recognized a pension income of \$23,455.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Paris Special School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 65,799	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	2,233,099
Changes in Proportion and Differences Between LEAs Contributions and Proportionate Share of Contributions LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	0	1,268
	<u>584,177</u>	<u>N/A</u>
Total	<u>\$ 649,976</u>	<u>\$ 2,234,367</u>

The Paris Special School District's employer contributions of \$584,177 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (547,520)
2017	(547,520)
2018	(547,520)
2019	(547,520)
2020	10,756
Thereafter	10,756

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions. The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income	4.61	8
Real Estate	0.98	29
Short-term Securities	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the four factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents Paris Special School District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Paris Special School District's proportionate share of the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
---------------------------------------------------------------------------------------	------------------------	-------------------------------------	------------------------

Net Pension Liability \$ 4,571,195 \$ (27,103) \$ (3,833,995)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

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 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, 2015, the district contributed \$66,677 for postemployment health care.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 72,000
Interest on the NOPEBO	12,919
Adjustment to the ARC	(12,586)
Annual OPEB cost	<hr/> \$ 72,333
Less: amount of contribution	(66,677)
Increase/decrease in NOPEBO	<hr/> \$ 5,656
Net OPEB obligation, 7-1-14	<hr/> 322,980
	<hr/>
Net OPEB obligation, 6-30-15	<hr/> <hr/> \$ 328,636

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>				
6-30-13	Local Education Group	\$ 128,365	47	% \$ 325,633
6-30-14	"	69,335	104	322,980
6-30-15	"	72,333	92	328,636

Funded Status and Funding Progress

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

	Local Education Group Plan
	<hr/>
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)	\$ 5,461,949
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 healthcare cost trend rate of seven percent for fiscal year 2015. The trend will decrease to 6.5 percent in fiscal year 2016 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 Changes in Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Teacher Pension Plan of TCRS - Non-certified Employees
For the Fiscal Year Ended June 30

	<u>2014</u>
Total Pension Liability (Asset)	
Service Cost	\$ 176,022
Interest	385,221
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	(180,110)
Changes in Assumptions	0
Benefit Payments, Including Refunds of Employee Contributions	(219,718)
Net Change in Total Pension Liability (Asset)	\$ 161,415
Total Pension Liability (Asset), Beginning	<u>5,070,118</u>
 Total Pension Liability (Asset), Ending (a)	 <u>\$ 5,231,533</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 105,057
Contributions - Employee	83,606
Net Investment Income	781,663
Benefit Payments, Including Refunds of Employee Contributions	(219,718)
Administrative Expense	(3,050)
Net Change in Plan Fiduciary Net Position	\$ 747,558
Plan Fiduciary Net Position, Beginning	<u>4,728,783</u>
 Plan Fiduciary Net Position, Ending (b)	 <u>\$ 5,476,341</u>
 Net Pension Liability (Asset), Ending (a - b)	 <u>\$ (244,808)</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 104.68%
Covered Employee Payroll	\$ 1,765,665
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	13.86%

Note: ten years of data will be presented when available.

Exhibit D-2

Paris Special School District
Schedule of Contributions Based on Participation in the Public
Employee Pension Plan of TCRS - Non-certified Employees
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 105,057	\$ 99,094
Less Contributions in Relation to the Actuarially Determined Contribution	(105,057)	(99,094)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 1,765,665	\$ 2,162,497
Contributions as a Percentage of Covered Employee Payroll	5.95%	4.58%

Note: ten years of data will be presented when available.

Exhibit D-3

Paris Special School District
Schedule of Contributions Based on Participation in the Teacher
Retirement Plan of TCRS - Certified Employees
For the Fiscal Year Ended June 30

	<u>2015</u>
Actuarially Determined Contribution	\$ 9,501
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(15,201)</u>
Contribution Deficiency (Excess)	<u>\$ (5,700)</u>
Covered Employee Payroll	\$ 380,025
Contributions as a Percentage of Covered Employee Payroll	4.00%

Note: ten years of data will be presented when available.

Exhibit D-4

Paris Special School District
Schedule of Contributions Based on Participation in the Teacher
Legacy Pension Plan of TCRS - Certified Employees
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 581,333	\$ 584,177
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(581,333)</u>	<u>(584,177)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 6,546,543	\$ 6,915,286
Contributions as a Percentage of Covered Employee Payroll	8.88%	8.45%

Note: ten years of data will be presented when available.

Exhibit D-5

Paris Special School District
Schedule of Proportionate Share of the Net Pension Asset
in the Teacher Legacy Pension Plan of TCRS - Certified Employees
For the Fiscal Year Ended June 30 *

	<u>2014</u>
School Department's Proportion of the Net Pension Asset	0.166791%
School Department's Proportionate Share of the Net Pension Asset	\$ 27,103
Covered Employee Payroll	\$ 6,546,543
School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	0.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%

* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit D-6

Paris Special School District
Schedule of Funding Progress – Other Postemployment Benefits Plan
June 30, 2015

(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, 2015**

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Valuation Date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	Nine Years
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustment	2.5%

**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.

Exhibit E-1

Paris Special School District
Combining Balance Sheet - Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	<u>Special Revenue Funds</u>			<u>Debt Service</u>	<u>Total</u>
	<u>School</u>	<u>Central</u>		<u>Fund</u>	
	<u>Federal</u>	<u>Cafeteria</u>	<u>Total</u>	<u>Education</u>	<u>Nonmajor</u>
	<u>Projects</u>			<u>Debt</u>	<u>Governmental</u>
				<u>Service</u>	<u>Funds</u>
<u>ASSETS</u>					
Cash	\$ 100,622	\$ 323,241	\$ 423,863	\$ 326,566	\$ 750,429
Investments	0	107,030	107,030	251,673	358,703
Due from Other Governments	94	0	94	741	835
Property Taxes Receivable	0	0	0	334,330	334,330
Allowance for Uncollectible Property Taxes	0	0	0	(10,377)	(10,377)
Total Assets	<u>\$ 100,716</u>	<u>\$ 430,271</u>	<u>\$ 530,987</u>	<u>\$ 902,933</u>	<u>\$ 1,433,920</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 0	\$ 0	\$ 0	\$ 312,585	\$ 312,585
Deferred Delinquent Property Taxes	0	0	0	9,455	9,455
Total Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 322,040</u>	<u>\$ 322,040</u>
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Education	\$ 716	\$ 0	\$ 716	\$ 0	\$ 716
Restricted for Operation of Non-instructional Services	0	430,271	430,271	0	430,271
Restricted for Debt Service	0	0	0	572,513	572,513
Committed:					
Committed for Debt Service	0	0	0	8,380	8,380
Assigned:					
Assigned for Education	100,000	0	100,000	0	100,000
Total Fund Balances	<u>\$ 100,716</u>	<u>\$ 430,271</u>	<u>\$ 530,987</u>	<u>\$ 580,893</u>	<u>\$ 1,111,880</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 100,716</u>	<u>\$ 430,271</u>	<u>\$ 530,987</u>	<u>\$ 902,933</u>	<u>\$ 1,433,920</u>

Exhibit E-2

Paris Special School District
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Debt Service	
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 289,904	\$ 289,904
Charges for Current Services	0	223,505	223,505	0	223,505
Other Local Revenues	133,346	13,230	146,576	218	146,794
State of Tennessee	0	11,639	11,639	0	11,639
Federal Government	937,219	814,041	1,751,260	0	1,751,260
Total Revenues	\$ 1,070,565	\$ 1,062,415	\$ 2,132,980	\$ 290,122	\$ 2,423,102
<u>Expenditures</u>					
Current:					
Instruction	\$ 877,724	\$ 0	\$ 877,724	\$ 0	\$ 877,724
Support Services	198,396	6,270	204,666	5,768	210,434
Operation of Non-instructional Services	0	1,008,706	1,008,706	0	1,008,706
Debt Service:					
Principal on Debt	0	0	0	250,000	250,000
Interest on Debt	0	0	0	38,953	38,953
Total Expenditures	\$ 1,076,120	\$ 1,014,976	\$ 2,091,096	\$ 294,721	\$ 2,385,817
Excess (Deficiency) of Revenues Over Expenditures					
	\$ (5,555)	\$ 47,439	\$ 41,884	\$ (4,599)	\$ 37,285
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 0	\$ 1,555	\$ 1,555	\$ 0	\$ 1,555
Total Other Financing Sources (Uses)	\$ 0	\$ 1,555	\$ 1,555	\$ 0	\$ 1,555
Net Change in Fund Balances					
Fund Balance, July 1, 2014	\$ (5,555)	\$ 48,994	\$ 43,439	\$ (4,599)	\$ 38,840
	106,271	381,277	487,548	585,492	1,073,040
Fund Balance, June 30, 2015	\$ 100,716	\$ 430,271	\$ 530,987	\$ 580,893	\$ 1,111,880

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, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Other Local Revenues	\$ 133,346	\$ 0	\$ 133,346	\$ 0	\$ 133,346	\$ 0
Federal Government	937,219	0	937,219	1,036,249	1,012,148	(74,929)
Total Revenues	<u>\$ 1,070,565</u>	<u>\$ 0</u>	<u>\$ 1,070,565</u>	<u>\$ 1,036,249</u>	<u>\$ 1,145,494</u>	<u>\$ (74,929)</u>
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 490,796	\$ 0	\$ 490,796	\$ 491,360	\$ 506,163	\$ 15,367
Special Education Program	386,928	(45)	386,883	330,431	410,784	23,901
<u>Support Services</u>						
Other Student Support	7,787	0	7,787	10,277	10,277	2,490
Regular Instruction Program	180,816	0	180,816	186,181	208,410	27,594
Special Education Program	9,793	0	9,793	18,000	18,000	8,207
Total Expenditures	<u>\$ 1,076,120</u>	<u>\$ (45)</u>	<u>\$ 1,076,075</u>	<u>\$ 1,036,249</u>	<u>\$ 1,153,634</u>	<u>\$ 77,559</u>
<u>Excess (Deficiency) of Revenues</u>						
Over Expenditures	<u>\$ (5,555)</u>	<u>\$ 45</u>	<u>\$ (5,510)</u>	<u>\$ 0</u>	<u>\$ (8,140)</u>	<u>\$ 2,630</u>
Net Change in Fund Balance	\$ (5,555)	\$ 45	\$ (5,510)	\$ 0	\$ (8,140)	\$ 2,630
Fund Balance, July 1, 2014	<u>106,271</u>	<u>(45)</u>	<u>106,226</u>	<u>106,271</u>	<u>10,627</u>	<u>95,599</u>
Fund Balance, June 30, 2015	<u>\$ 100,716</u>	<u>\$ 0</u>	<u>\$ 100,716</u>	<u>\$ 106,271</u>	<u>\$ 2,487</u>	<u>\$ 98,229</u>

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 223,505	\$ 229,825	\$ 223,490	\$ 15
Other Local Revenues	13,230	11,719	13,186	44
State of Tennessee	11,639	11,829	11,638	1
Federal Government	814,041	798,108	813,797	244
Total Revenues	<u>\$ 1,062,415</u>	<u>\$ 1,051,481</u>	<u>\$ 1,062,111</u>	<u>\$ 304</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	1,008,706	1,045,211	1,055,841	47,135
Total Expenditures	<u>\$ 1,014,976</u>	<u>\$ 1,051,481</u>	<u>\$ 1,062,111</u>	<u>\$ 47,135</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 47,439</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 47,439</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,555	\$ 0	\$ 0	\$ 1,555
Total Other Financing Sources	<u>\$ 1,555</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,555</u>
Net Change in Fund Balance	\$ 48,994	\$ 0	\$ 0	\$ 48,994
Fund Balance, July 1, 2014	<u>381,277</u>	<u>381,277</u>	<u>381,277</u>	<u>0</u>
Fund Balance, June 30, 2015	<u><u>\$ 430,271</u></u>	<u><u>\$ 381,277</u></u>	<u><u>\$ 381,277</u></u>	<u><u>\$ 48,994</u></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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 289,904	\$ 284,169	\$ 284,167	\$ 5,737
Other Local Revenues	218	211	211	7
Total Revenues	<u>\$ 290,122</u>	<u>\$ 284,380</u>	<u>\$ 284,378</u>	<u>\$ 5,744</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 5,768	\$ 7,000	\$ 7,000	\$ 1,232
<u>Principal on Debt</u>				
Education	250,000	250,000	250,000	0
<u>Interest on Debt</u>				
Education	38,953	39,078	38,954	1
Total Expenditures	<u>\$ 294,721</u>	<u>\$ 296,078</u>	<u>\$ 295,954</u>	<u>\$ 1,233</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (4,599)</u>	<u>\$ (11,698)</u>	<u>\$ (11,576)</u>	<u>\$ 6,977</u>
Net Change in Fund Balance	\$ (4,599)	\$ (11,698)	\$ (11,576)	\$ 6,977
Fund Balance, July 1, 2014	<u>585,492</u>	<u>585,492</u>	<u>585,492</u>	<u>0</u>
Fund Balance, June 30, 2015	<u><u>\$ 580,893</u></u>	<u><u>\$ 573,794</u></u>	<u><u>\$ 573,916</u></u>	<u><u>\$ 6,977</u></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, 2015

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-14	Paid and/or Matured During Period	Outstanding 6-30-15
<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	\$ 600,000	\$ 200,000	\$ 400,000
Total Notes Payable					\$ 600,000	\$ 200,000	\$ 400,000
<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	\$ 1,015,000	\$ 250,000	\$ 765,000
Total Bonds Payable					\$ 1,015,000	\$ 250,000	\$ 765,000

Exhibit F-2

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

Year Ending June 30	Note		
	Principal	Interest	Total
2016	\$ 200,000	\$ 14,530	\$ 214,530
2017	200,000	6,216	206,216
Total	\$ 400,000	\$ 20,746	\$ 420,746

Year Ending June 30	Bonds		
	Principal	Interest	Total
2016	\$ 250,000	\$ 29,453	\$ 279,453
2017	245,000	19,827	264,827
2018	270,000	10,395	280,395
Total	\$ 765,000	\$ 59,675	\$ 824,675

Exhibit F-3

Paris Special School District
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2015

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	\$ 103,591 (1)	\$ 301,800	RLI Insurance Company
Employees' Blanket Bond			150,000	Tennessee Risk Management Trust

(1) Includes a chief executive officer supplement of \$1,000. Does not include \$1,759 life insurance allowance, \$6,683 medical insurance allowance, \$258 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, 2015

	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	\$ 2,291,369	\$ 0	\$ 0	\$ 0	\$ 2,291,369
Trustee's Collections - Prior Year	57,849	0	0	0	57,849
Circuit/Clerk and Master Collections - Prior Years	49,212	0	0	0	49,212
Interest and Penalty	12,674	0	0	0	12,674
Pickup Taxes	4,446	0	0	0	4,446
Payments in-Lieu-of Taxes - T.V.A.	1,589	0	0	0	1,589
Payments in-Lieu-of Taxes - Local Utilities	37,796	0	0	0	37,796
Payments in-Lieu-of Taxes - Other	73,770	0	0	0	73,770
<u>County Local Option Taxes</u>					
Local Option Sales Tax	1,485,255	0	0	0	1,485,255
Business Tax	66,911	0	0	0	66,911
Mixed Drink Tax	21,881	0	0	0	21,881
<u>Statutory Local Taxes</u>					
Bank Excise Tax	42,144	0	0	0	42,144
Interstate Telecommunications Tax	1,090	0	0	0	1,090
<u>City/School District Property Taxes</u>					
Current Property Tax	683,319	0	0	274,419	957,738
Prior Year's Property Tax	20,123	0	0	6,991	27,114
Interest and Penalty	3,395	0	0	1,324	4,719
Payments in-Lieu-of Taxes	17,925	0	0	7,170	25,095
Total Local Taxes	\$ 4,870,748	\$ 0	\$ 0	\$ 289,904	\$ 5,160,652

(Continued)

Exhibit F-4

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

	General Purpose School	Special Revenue Funds		Debt Service Fund	Total
		School Federal Projects	Central Cafeteria	Education Debt Service	
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 905	\$ 0	\$ 0	\$ 0	\$ 905
Total Licenses and Permits	\$ 905	\$ 0	\$ 0	\$ 0	\$ 905
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 32,305	\$ 0	\$ 0	\$ 0	\$ 32,305
Lunch Payments - Children	0	0	158,149	0	158,149
Lunch Payments - Adults	0	0	42,962	0	42,962
Income from Breakfast	0	0	16,299	0	16,299
Special Milk Sales	0	0	1,825	0	1,825
A la carte Sales	0	0	4,270	0	4,270
Receipts from Individual Schools	94,199	0	0	0	94,199
Community Service Fees - Children	240,684	0	0	0	240,684
Total Charges for Current Services	\$ 367,188	\$ 0	\$ 223,505	\$ 0	\$ 590,693
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 7,861	\$ 0	\$ 777	\$ 218	\$ 8,856
Miscellaneous Refunds	1,194	0	12,453	0	13,647
<u>Nonrecurring Items</u>					
Damages Recovered from Individuals	1,721	0	0	0	1,721
Contributions and Gifts	67,585	0	0	0	67,585
<u>Other Local Revenues</u>					
Other Local Revenues	1,690	133,346	0	0	135,036
Total Other Local Revenues	\$ 80,051	\$ 133,346	\$ 13,230	\$ 218	\$ 226,845

(Continued)

Exhibit F-4

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

	General Purpose School	Special Revenue Funds		Debt Service Fund	Total
		School Federal Projects	Central Cafeteria	Education Debt Service	
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-behalf Contributions for OPEB	\$ 67,855	\$ 0	\$ 0	\$ 0	\$ 67,855
<u>State Education Funds</u>					
Basic Education Program	7,745,000	0	0	0	7,745,000
Early Childhood Education	284,811	0	0	0	284,811
School Food Service	0	0	11,639	0	11,639
Other State Education Funds	133,199	0	0	0	133,199
Career Ladder Program	44,373	0	0	0	44,373
Career Ladder - Extended Contract	19,795	0	0	0	19,795
<u>Other State Revenues</u>					
Income Tax	40,670	0	0	0	40,670
Other State Grants	1,050	0	0	0	1,050
Total State of Tennessee	\$ 8,336,753	\$ 0	\$ 11,639	\$ 0	\$ 8,348,392
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 536,243	\$ 0	\$ 536,243
USDA - Commodities	0	0	60,520	0	60,520
Breakfast	0	0	186,796	0	186,796
USDA - Other	0	0	30,482	0	30,482
Title I Grants to Local Education Agencies	0	436,393	0	0	436,393
Special Education - Grants to States	18,188	381,617	0	0	399,805
Special Education Preschool Grants	0	15,060	0	0	15,060
Rural Education	0	32,301	0	0	32,301
Eisenhower Professional Development State Grants	0	71,848	0	0	71,848
Total Federal Government	\$ 18,188	\$ 937,219	\$ 814,041	\$ 0	\$ 1,769,448
Total	\$ 13,673,833	\$ 1,070,565	\$ 1,062,415	\$ 290,122	\$ 16,096,935

Exhibit F-5

Paris Special School District
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2015

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 4,704,109	
Career Ladder Program	32,525	
Career Ladder Extended Contracts	14,690	
Homebound Teachers	175	
Educational Assistants	213,291	
Other Salaries and Wages	106,139	
Certified Substitute Teachers	45,579	
Non-certified Substitute Teachers	26,973	
Social Security	291,565	
Pensions	442,200	
Life Insurance	17,514	
Medical Insurance	592,124	
Employer Medicare	69,350	
Other Contracted Services	215,613	
Instructional Supplies and Materials	103,553	
Textbooks	71,423	
Other Supplies and Materials	104,438	
Other Charges	6,709	
Regular Instruction Equipment	472,215	
Total Regular Instruction Program		\$ 7,530,185

Special Education Program

Teachers	\$ 359,270	
Homebound Teachers	491	
Educational Assistants	25,786	
Speech Pathologist	41,671	
Social Security	24,248	
Pensions	36,907	
Medical Insurance	51,060	
Employer Medicare	5,671	
Total Special Education Program		545,104

Student Body Education Program

Other Contracted Services	\$ 24,020	
Other Supplies and Materials	38,141	
Other Charges	4,243	
Total Student Body Education Program		66,404

Support Services

Attendance

Clerical Personnel	\$ 15,783	
Social Security	832	
Pensions	928	
Employer Medicare	195	
Total Attendance		17,738

(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	\$	56,199	
Other Salaries and Wages		57,490	
Social Security		6,948	
Pensions		5,108	
Employer Medicare		1,625	
Travel		215	
Other Contracted Services		817	
Drugs and Medical Supplies		2,774	
Other Supplies and Materials		15,334	
In Service/Staff Development		622	
Total Health Services			\$ 147,132

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		99,200	
Social Workers		56,625	
Assessment Personnel		55,560	
Clerical Personnel		13,398	
Social Security		13,255	
Pensions		18,215	
Life Insurance		612	
Medical Insurance		15,205	
Employer Medicare		3,100	
Other Contracted Services		54,000	
Other Supplies and Materials		21,579	
Total Other Student Support			351,749

Regular Instruction Program

Supervisor/Director	\$	90,798	
Librarians		139,134	
Clerical Personnel		35,129	
Other Salaries and Wages		78,177	
Social Security		18,293	
Pensions		27,727	
Life Insurance		608	
Medical Insurance		32,442	
Employer Medicare		4,630	
Travel		4,136	
Library Books/Media		5,921	
In Service/Staff Development		41,806	
Total Regular Instruction Program			478,801

Special Education Program

Supervisor/Director	\$	33,305	
Social Security		2,020	
Pensions		3,011	
Employer Medicare		472	
Total Special Education Program			38,808

(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	\$ 67,855	
Total Other Programs		\$ 67,855

Board of Education

Secretary to Board	\$ 100	
Unemployment Compensation	7,786	
Audit Services	8,044	
Dues and Memberships	10,184	
Legal Services	2,880	
Other Contracted Services	2,150	
Liability Insurance	17,183	
Premiums on Corporate Surety Bonds	1,056	
Trustee's Commission	80,507	
Workers' Compensation Insurance	52,776	
Refund to Applicant for Criminal Investigation	1,176	
Other Charges	10,301	
Total Board of Education		194,143

Director of Schools

County Official/Administrative Officer	\$ 102,591	
Career Ladder Program	1,000	
Social Security	7,264	
Pensions	12,418	
Life Insurance	1,877	
Medical Insurance	11,561	
Dental Insurance	258	
Employer Medicare	1,967	
Other Fringe Benefits	25,080	
Communication	8,087	
Postal Charges	2,775	
Travel	761	
Other Supplies and Materials	2,114	
Other Charges	1,995	
Total Director of Schools		179,748

Office of the Principal

Principals	\$ 236,866	
Career Ladder Program	1,000	
Assistant Principals	209,282	
Secretary(ies)	72,567	
Social Security	28,137	
Pensions	41,696	
Life Insurance	1,111	
Medical Insurance	49,892	
Employer Medicare	7,035	
Communication	8,923	

(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	\$	886	
Travel		800	
Office Supplies		1,052	
Other Charges		1,050	
Total Office of the Principal			\$ 660,297

Fiscal Services

Accountants/Bookkeepers	\$	58,472	
Clerical Personnel		31,998	
Social Security		5,342	
Pensions		5,317	
Life Insurance		292	
Medical Insurance		6,106	
Employer Medicare		1,249	
Travel		376	
Other Contracted Services		6,600	
Office Supplies		1,745	
Administration Equipment		2,757	
Total Fiscal Services			120,254

Operation of Plant

Custodial Personnel	\$	15,976	
Social Security		904	
Pensions		883	
Medical Insurance		3,091	
Employer Medicare		211	
Other Contracted Services		300,842	
Custodial Supplies		1,045	
Electricity		335,658	
Natural Gas		36,783	
Water and Sewer		10,993	
Other Supplies and Materials		20,357	
Boiler Insurance		1,986	
Building and Contents Insurance		41,461	
Other Charges		19,084	
Total Operation of Plant			789,274

Maintenance of Plant

Supervisor/Director	\$	66,088	
Maintenance Personnel		74,780	
Social Security		8,064	
Pensions		8,278	
Life Insurance		494	
Medical Insurance		17,223	
Employer Medicare		1,886	
Maintenance and Repair Services - Buildings		2,300	

(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.)

Other Contracted Services	\$	13,391	
Equipment and Machinery Parts		4,688	
Other Supplies and Materials		17,035	
Total Maintenance of Plant			\$ 214,227

Transportation

Mechanic(s)	\$	37,381	
Bus Drivers		172,970	
Other Salaries and Wages		57,187	
In-service Training		926	
Social Security		16,175	
Pensions		10,952	
Life Insurance		582	
Medical Insurance		1,690	
Employer Medicare		3,783	
Contracts with Parents		19,016	
Other Contracted Services		12,919	
Diesel Fuel		51,424	
Gasoline		5,077	
Tires and Tubes		9,414	
Vehicle Parts		55,939	
Other Supplies and Materials		633	
Vehicle and Equipment Insurance		11,968	
In Service/Staff Development		49	
Other Charges		2,439	
Transportation Equipment		107,841	
Total Transportation			578,365

Central and Other

Data Processing Personnel	\$	136,267	
Social Security		7,392	
Pensions		8,012	
Life Insurance		399	
Medical Insurance		17,414	
Employer Medicare		1,729	
Total Central and Other			171,213

Operation of Non-instructional Services

Community Services

Supervisor/Director	\$	44,023	
Other Salaries and Wages		190,390	
Social Security		11,466	
Pensions		5,401	
Medical Insurance		4,402	
Employer Medicare		3,331	
Other Supplies and Materials		5,225	
Total Community Services			264,238

(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	\$	9,500	
Teachers		144,592	
Other Salaries and Wages		10,401	
Certified Substitute Teachers		75	
Non-certified Substitute Teachers		1,837	
Social Security		9,228	
Pensions		13,752	
Life Insurance		531	
Medical Insurance		26,443	
Employer Medicare		2,158	
Other Contracted Services		22,411	
Other Supplies and Materials		31,677	
In Service/Staff Development		2,908	
Total Early Childhood Education			\$ 275,513

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	77,516	
Other Capital Outlay		28,294	
Total Regular Capital Outlay			105,810

Principal on Debt

Education

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

Interest on Debt

Education

Interest on Notes	\$	22,776	
Total Education			22,776

Total General Purpose School Fund \$ 13,019,634

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	109,760	
Educational Assistants		315,000	
Other Salaries and Wages		2,520	
Social Security		25,340	
Pensions		27,121	
Employer Medicare		5,937	
Instructional Supplies and Materials		5,118	
Total Regular Instruction Program			\$ 490,796

(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	\$	60,000	
Educational Assistants		215,114	
Speech Pathologist		48,930	
Social Security		18,965	
Pensions		20,477	
Employer Medicare		4,438	
Evaluation and Testing		9,800	
Instructional Supplies and Materials		3,964	
Other Supplies and Materials		2,600	
Special Education Equipment		2,640	
Total Special Education Program			\$ 386,928

Support Services

Other Student Support

Other Salaries and Wages	\$	6,468	
Social Security		388	
Pensions		545	
Employer Medicare		91	
Other Supplies and Materials		295	
Total Other Student Support			7,787

Regular Instruction Program

Supervisor/Director	\$	49,750	
Other Salaries and Wages		68,298	
In-service Training		14,711	
Social Security		8,154	
Pensions		11,950	
Life Insurance		331	
Medical Insurance		15,464	
Dental Insurance		1,444	
Employer Medicare		1,907	
In Service/Staff Development		8,807	
Total Regular Instruction Program			180,816

Special Education Program

Travel	\$	1,832	
Other Contracted Services		6,270	
In Service/Staff Development		1,691	
Total Special Education Program			9,793

Total School Federal Projects Fund \$ 1,076,120

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	\$ 270,965	
Other Salaries and Wages	17,280	
In-service Training	825	
Social Security	17,338	
Pensions	12,774	
Life Insurance	1,500	
Medical Insurance	13,321	
Employer Medicare	4,056	
Maintenance and Repair Services - Equipment	2,054	
Transportation - Other than Students	5,819	
Other Contracted Services	8,683	
Food Supplies	539,707	
Uniforms	2,344	
USDA - Commodities	60,520	
Other Supplies and Materials	32,533	
In Service/Staff Development	1,101	
Food Service Equipment	17,886	
Total Food Service		<u>\$ 1,008,706</u>

Total Central Cafeteria Fund \$ 1,014,976

Education Debt Service Fund

Support Services

Board of Education

Trustee's Commission	<u>\$ 5,768</u>	
Total Board of Education		\$ 5,768

Principal on Debt

Education

Principal on Bonds	<u>\$ 250,000</u>	
Total Education		250,000

Interest on Debt

Education

Interest on Bonds	<u>\$ 38,953</u>	
Total Education		<u>38,953</u>

Total Education Debt Service Fund 294,721

Total Governmental Funds - Paris Special School District \$ 15,405,451

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, 2015, 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 9, 2016.

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: 2015-001.

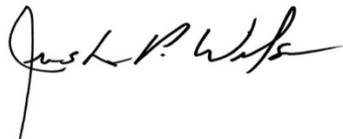
Compliance and Other Matters

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 9, 2016



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
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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 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, 2015. 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, 2015.

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

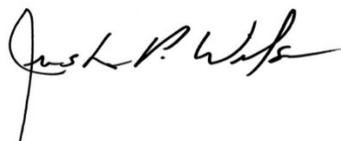
consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2015, 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 9, 2016, 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 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 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 9, 2016

JPW/sb

Paris Special School District
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2015

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	\$ 186,796
National School Lunch Program	10.555	N/A	566,725 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	<u>60,520 (3)</u>
Total U.S. Department of Agriculture			<u>\$ 814,041</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 436,393
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	399,850
Special Education - Preschool Grants	84.173	N/A	15,060
Rural Education	84.358	N/A	32,301
Improving Teacher Quality State Grants	84.367	N/A	71,848
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	<u>5,510</u>
Total U.S. Department of Education			<u>\$ 960,962</u>
Total Expenditures of Federal Awards			<u>\$ 1,775,003</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)	1,573
ConnecTenn - State Department of Education	N/A	(2)	4,924
Safe Schools Act of 1998 - State Department of Education	N/A	(2)	9,090
Family Resource Center - State Department of Education	N/A	(2)	29,612
Coordinated School Health - State Department of Education	N/A	(2)	82,000
Teacher Leader Council - State Department of Education	N/A	33105-02615	6,000
Student Ticket Subsidy Grant - Tennessee Arts Commission	N/A	(2)	<u>1,050</u>
Total State Grants			<u>\$ 419,060</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 \$627,245.

Paris Special School District
Schedule of Audit Findings Not Corrected
June 30, 2015

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, 2014, which has not been corrected.

Finding Number	Page Number	Subject
2014-001	79	The office had deficiencies in purchasing procedures

PARIS SPECIAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

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 reported 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 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 2015-001

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 58 disbursements totaling \$116,302 from a population of 1,752 vendor checks totaling \$3,965,686. 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 four of 34 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 five of 34 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 12 of 30 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, 2015**

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