

**PARIS INDEPENDENT SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS  
SUPPLEMENTAL INFORMATION  
INDEPENDENT AUDITOR'S REPORT**

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

**PARIS INDEPENDENT SCHOOL DISTRICT  
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FOR THE YEAR ENDED JUNE 30, 2013  
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**W. DUDLEY SHRYOCK, CPA, PSC  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 542  
145 COLLEGE STREET  
LAWRENCEBURG, KY 40342  
(502) 839-8112**

MEMBER AICPA

MEMBER KY SOCIETY OF CPA's

**INDEPENDENT AUDITOR'S REPORT**

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Paris Independent School District  
Paris, Kentucky

**Report on the Financial Statements**

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

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Audit Extension Request, and Appendix IV of the Independent Auditor's Contract – Instructions for Submission of the Audit Report. 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Paris Independent School District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 33-34 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Paris Independent School District's basic financial statements. The introductory section, and combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards 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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013, on our consideration of the Paris Independent 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 Paris Independent School District's internal control over financial reporting and compliance.

***W. Dudley Shryock, CPA, PSC***

Lawrenceburg, Kentucky

November 15, 2013

**PARIS INDEPENDENT SCHOOL DISTRICT  
PARIS, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
YEAR ENDED JUNE 30, 2013**

As management of the Paris Independent School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- As a result of lower than expected renovation costs for the Paris Elementary HVAC project, we were able to have construction funds to add additional renovation projects at Paris Elementary. All carpet was removed from the classrooms and vinyl tile installed. Exterior doors were replaced with energy efficient doors. Classrooms received all new door locks allowing teachers to lock their doors from inside the classroom increasing the safety factor. The building received a new paint scheme in the hallways.
- On the high school campus, new football field lights were installed replacing outdated overhead wiring and old wooden light poles. The results were a safer, more spacious looking athletic complex.
- Overall, our test scores improved resulting in the District being a "Top-Ten" for one year's growth on college and career readiness rates. The District is labeled as a "High Progress" district in KDE's school report card and Paris High School was rated a proficient/progressing high school.

**PARIS INDEPENDENT SCHOOL DISTRICT  
PARIS, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
YEAR ENDED JUNE 30, 2013**

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operations of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8-9 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10-18 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-32 of this report.

**PARIS INDEPENDENT SCHOOL DISTRICT  
PARIS, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
YEAR ENDED JUNE 30, 2013**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$825,632 as of June 30, 2013

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Net Position for the Period Ending**

Comparative data is presented for the reader's use.

|  | <u><b>6/30/2012</b></u> | <u><b>6/30/2013</b></u> |
|--|-------------------------|-------------------------|
| Current Assets                             | 2,743,697               | 1,438,569               |
| Noncurrent Assets                          | <u>6,437,907</u>        | <u>6,024,406</u>        |
| <b>Total Assets</b>                        | <u><b>9,181,604</b></u> | <u><b>7,462,975</b></u> |
| Current Liabilities                        | 433,435                 | 494,745                 |
| Noncurrent Liabilities                     | <u>6,496,366</u>        | <u>6,142,598</u>        |
| <b>Total Liabilities</b>                   | <u><b>6,929,801</b></u> | <u><b>6,637,343</b></u> |
| Investment in capital assets (net of debt) | (362,400)               | (479,450)               |
| Assigned                                   | 1,961,319               | 558,410                 |
| Unassigned                                 | <u>652,884</u>          | <u>746,672</u>          |
| <b>Total Net Position</b>                  | <u><b>2,251,803</b></u> | <u><b>825,632</b></u>   |

**Comments on Budget Comparisons**

- General fund budget to actual comparison varied favorably by \$699,665. Actual expenditures were more than budget by \$1,343,582, while actual revenue exceeded budget by \$1,266,346. Transfers and contingency made up the difference of \$776,901. Revenue is budgeted conservatively, while expenditures miss the budget mark due to on-behalf payments not being included in budgeted amounts.

**PARIS INDEPENDENT SCHOOL DISTRICT  
PARIS, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
YEAR ENDED JUNE 30, 2013**

- Special Revenue budget to actual comparison showed a \$-0- variance. Actual revenue was less than budget by \$92,991 and actual expenditures were under budget by \$92,991.

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2012 and 2013.

|                                     | <u>6/30/2012</u>        | <u>6/30//2013</u>         |
|-------------------------------------|-------------------------|---------------------------|
| <b>Revenues:</b>                    |                         |                           |
| Local revenue sources               | 1,698,898               | 1,741,814                 |
| State revenue sources               | 4,718,830               | 5,078,267                 |
| Federal Revenue                     | 891,710                 | 672,933                   |
| Food Services                       | <u>540,716</u>          | <u>568,669</u>            |
| <b>Total revenues</b>               | <b><u>7,850,154</u></b> | <b><u>8,061,683</u></b>   |
| <b>Expenses:</b>                    |                         |                           |
| Instruction                         | 3,958,156               | 3,984,447                 |
| Student Support Services            | 215,441                 | 221,535                   |
| Instructional Support               | 444,321                 | 403,144                   |
| District Administration             | 307,527                 | 386,212                   |
| School Administration               | 470,364                 | 441,359                   |
| Business and Other                  | 205,468                 | 288,860                   |
| Plant Operations                    | 480,365                 | 742,420                   |
| Student Transportation              | 202,819                 | 247,190                   |
| Community Support                   | 120,813                 | 141,744                   |
| Building Renovations                | -0-                     | 1,398,783                 |
| Interest                            | 165,950                 | 262,369                   |
| Food Services                       | 531,042                 | 610,387                   |
| Depreciation                        | 345,044                 | 330,496                   |
| Bond Issuance Costs                 | -0-                     | 88,396                    |
| Other                               | <u>33,682</u>           | <u>(33,682)</u>           |
| <b>Total Expenses</b>               | <b><u>7,480,992</u></b> | <b><u>9,513,660</u></b>   |
| <b>Revenue in Excess of Expense</b> | <b><u>369,162</u></b>   | <b><u>(1,451,977)</u></b> |

**PARIS INDEPENDENT SCHOOL DISTRICT  
PARIS, KY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
YEAR ENDED JUNE 30, 2013**

**BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1- June 30; other programs, i.e., some federal budgets operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a 2013-2014 budget with a contingency of \$395,236, or 5.6%, well in excess of the 2% state requirement. The beginning cash balance, including investments, in the Governmental and Business-Type Activities for fiscal year 2013-2014 is \$1,033,309. Significant Board action that impacts the finances includes a 4% increase in the property tax revenue which will support the above contingency projection as well as additional facility repairs and maintenance.

Questions regarding this report should be directed to Superintendent Gary Wiseman or to his representative, Finance Officer Martha Moore, at 859-987-2160 or by mail to:

Paris Independent School District  
310 West 7<sup>th</sup> Street  
Paris, Kentucky 40361

**PARIS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

|  | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>        |
|--|------------------------------------|-------------------------------------|---------------------|
| <b>Assets</b>                                    |                                    |                                     |                     |
| <u>Current Assets</u>                            |                                    |                                     |                     |
| Cash and cash equivalents                        | \$ 990,271                         | \$ 43,038                           | \$ 1,033,309        |
| Investments                                      | 252,043                            | -                                   | 252,043             |
| Accounts receivable                              | 133,292                            | -                                   | 133,292             |
| Inventories                                      | -                                  | 19,925                              | 19,925              |
| Total Current Assets                             | <u>1,375,606</u>                   | <u>62,963</u>                       | <u>1,438,569</u>    |
| <u>Capital Assets</u>                            |                                    |                                     |                     |
| Capital Assets                                   | 14,017,354                         | 98,839                              | 14,116,193          |
| Accumulated Depreciation                         | (8,029,586)                        | (62,201)                            | (8,091,787)         |
| Total Capital Assets                             | <u>5,987,768</u>                   | <u>36,638</u>                       | <u>6,024,406</u>    |
| Total Assets                                     | <u>\$ 7,363,374</u>                | <u>\$ 99,601</u>                    | <u>\$ 7,462,975</u> |
| <b>Liabilities</b>                               |                                    |                                     |                     |
| <u>Current Liabilities</u>                       |                                    |                                     |                     |
| Accounts payable                                 | \$ 24,414                          | \$ 1,060.00                         | \$ 25,474           |
| Accrued Benefits                                 | -                                  | -                                   | -                   |
| Accrued Sick Leave                               | 36,584                             | -                                   | 36,584              |
| Deferred revenue                                 | 71,429                             | -                                   | 71,429              |
| Portion due or payable within one year:          |                                    |                                     |                     |
| Bond obligations                                 | 320,000                            | -                                   | 320,000             |
| KISTA bond obligations                           | 41,258                             | -                                   | 41,258              |
| Total Current Liabilities                        | <u>493,685</u>                     | <u>1,060</u>                        | <u>494,745</u>      |
| <u>Long-Term Liabilities</u>                     |                                    |                                     |                     |
| Portion due or payable after one year:           |                                    |                                     |                     |
| Bond obligations                                 | 5,951,000                          | -                                   | 5,951,000           |
| KISTA bond obligations                           | 191,598                            | -                                   | 191,598             |
| Accrued sick leave                               | -                                  | -                                   | -                   |
| Total Long-Term Liabilities                      | <u>6,142,598</u>                   | <u>-</u>                            | <u>6,142,598</u>    |
| Total liabilities                                | <u>\$ 6,636,283</u>                | <u>\$ 1,060</u>                     | <u>\$ 6,637,343</u> |
| <b>Net Position</b>                              |                                    |                                     |                     |
| Restricted - capital assets, net of related debt | \$ (516,088)                       | \$ 36,638                           | \$ (479,450)        |
| Restricted - inventories                         | -                                  | 19,925                              | 19,925              |
| Restricted - capital expenditures                | -                                  | -                                   | -                   |
| Restricted future construction                   | 538,485                            | -                                   | 538,485             |
| Unrestricted                                     | 704,694                            | 41,978                              | 746,672             |
| Total net position                               | <u>\$ 727,091</u>                  | <u>\$ 98,541</u>                    | <u>\$ 825,632</u>   |

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

**PARIS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

| Functions/Programs                          | Program Revenues    |                         |  |  | Net (Expense) Revenue and<br>Changes in Net Position |                             |                       |
|---|---------------------|-------------------------|--|--|--|-----------------------------|-----------------------|
|   | Expenses            | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           | Business-Type<br>Activities | Total                 |
| <b>Primary government:</b>                  |                     |                         |  |  |  |                             |                       |
| Governmental activities:                    |                     |                         |  |  |  |                             |                       |
| Instruction                                 | \$ 3,984,447        | \$ -                    | \$ 688,781                               | \$ -                                   | \$ (3,295,666)                                       | \$ -                        | \$ (3,295,666)        |
| Support services:                           |                     |                         |  |  |  |                             |                       |
| Students                                    | 221,535             | -                       | 131,384                                  | -                                      | (90,151)   | -                           | (90,151)              |
| Instructional staff                         | 403,144             | -                       | 133,532                                  | -                                      | (269,612)  | -                           | (269,612)             |
| District administration                     | 386,212             | -                       | 1,421                                    | -                                      | (384,791)  | -                           | (384,791)             |
| School administration                       | 441,359             | -                       | -  | -                                      | (441,359)  | -                           | (441,359)             |
| Business and other support services         | 288,860             | -                       | 25,672                                   | -                                      | (263,188)  | -                           | (263,188)             |
| Operation and maintenance of plant          | 742,420             | -                       | -  | -                                      | (742,420)  | -                           | (742,420)             |
| Student transportation                      | 247,190             | -                       | 3,992                                    | -                                      | (243,198)  | -                           | (243,198)             |
| Community services                          | 141,744             | -                       | 78,690                                   | -                                      | (63,054)   | -                           | (63,054)              |
| Building renovations                        | 1,398,783           | -                       | -  | -                                      | (1,398,783)  | -                           | (1,398,783)           |
| Interest                                    | 262,369             | -                       | -  | -                                      | (262,369)  | -                           | (262,369)             |
| Depreciation                                | 330,496             | -                       | -  | -                                      | (330,496)  | -                           | (330,496)             |
| Bond Issuance Costs                         | 88,396              | -                       | -  | -                                      | (88,396)   | -                           | (88,396)              |
| Accrual for sick leave                      | (33,682)            | -                       | -  | -                                      | 33,682   | -                           | 33,682                |
| Total governmental activities               | <u>8,903,273</u>    | <u>-</u>                | <u>1,063,472</u>                         | <u>-</u>                               | <u>(7,839,801)</u>                                   | <u>-</u>                    | <u>(7,839,801)</u>    |
| Business-type activities:                   |                     |                         |  |  |  |                             |                       |
| Food service                                | 610,387             | 111,552                 | 457,117                                  | -                                      | -  | (41,718)                    | (41,718)              |
| Total business-type activities              | <u>610,387</u>      | <u>111,552</u>          | <u>457,117</u>                           | <u>-</u>                               | <u>-</u>   | <u>(41,718)</u>             | <u>(41,718)</u>       |
| Total primary government                    | <u>\$ 9,513,660</u> | <u>\$ 111,552</u>       | <u>\$ 1,520,589</u>                      | <u>\$ 0</u>                            | <u>\$ (7,839,801)</u>                                | <u>\$ (41,718)</u>          | <u>\$ (7,881,519)</u> |
| General revenues:                           |                     |                         |  |  |  |                             |                       |
| Taxes:                                      |                     |                         |  |  |  |                             |                       |
| Property taxes, levied for general purposes |                     |                         |  |  | \$ 1,197,361   | \$ -                        | \$ 1,197,361          |
| Motor vehicle                               |                     |                         |  |  | 137,270  | -                           | 137,270               |
| Utilities                                   |                     |                         |  |  | 344,034  | -                           | 344,034               |
| Penalties & Interest on Taxes               |                     |                         |  |  | 30,043   | -                           | 30,043                |
| Intergovernmental revenues:                 |                     |                         |  |  |  |                             |                       |
| State & Federal                             |                     |                         |  |  | 4,687,728  | -                           | 4,687,728             |
| Investment earnings                         |                     |                         |  |  | 20,132   | 587                         | 20,719                |
| Gain (Loss) on disposal of capital assets   |                     |                         |  |  | -  | -                           | -                     |
| Loss compensation                           |                     |                         |  |  | 3,828  | -                           | 3,828                 |
| Other local revenues                        |                     |                         |  |  | 8,559  | -                           | 8,559                 |
| Total general revenues and transfers        |                     |                         |  |  | <u>6,428,955</u>                                     | <u>587</u>                  | <u>6,429,542</u>      |
| Change in net assets                        |                     |                         |  |  | (1,410,846)  | (41,131)                    | (1,451,977)           |
| Prior year adjustment                       |                     |                         |  |  | 25,806   | -                           | 25,806                |
| Net position, June 30, 2012                 |                     |                         |  |  | <u>2,112,131</u>                                     | <u>139,672</u>              | <u>2,251,803</u>      |
| Net position, June 30, 2013                 |                     |                         |  |  | <u>\$ 727,091</u>                                    | <u>\$ 98,541</u>            | <u>\$ 825,632</u>     |

**PARIS INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

|                                      | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Funds</u> | <u>Capital<br/>Project<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--------------------------------------|-------------------------|--------------------------------------|--------------------------------------|---|
| <b>Assets</b>                        |                         |                                      |                                      |   |
| Cash and Cash Equivalents            | \$ 482,898              | \$ (31,112)                          | \$ 538,485                           | \$ 990,271                              |
| Investments                          | 252,043                 | -                                    | -                                    | 252,043                                 |
| Accounts Receivable                  | 30,711                  | 102,581                              | -                                    | 133,292                                 |
| Total Assets                         | <u>\$ 765,652</u>       | <u>\$ 71,469</u>                     | <u>\$ 538,485</u>                    | <u>\$ 1,375,606</u>                     |
| <b>Liabilities and Fund Balances</b> |                         |                                      |                                      |   |
| Liabilities:                         |                         |                                      |                                      |   |
| Accounts Payable                     | \$ 24,374               | \$ 40                                | \$ -                                 | \$ 24,414                               |
| Accrued Benefits                     | -                       | -                                    | -                                    | -                                       |
| Accrued Sick Leave                   | 36,584                  | -                                    | -                                    | 36,584                                  |
| Deferred Revenue                     | -                       | 71,429                               | -                                    | 71,429                                  |
| Total Liabilities                    | <u>60,958</u>           | <u>71,469</u>                        | <u>-</u>                             | <u>132,427</u>                          |
| Fund Balances:                       |                         |                                      |                                      |   |
| Restricted - capital expenditures    | \$ -                    | \$ -                                 | \$ -                                 | \$ -                                    |
| Restricted - future construction     | -                       | -                                    | 538,485                              | 538,485                                 |
| Unassigned                           | 704,694                 | -                                    | -                                    | 704,694                                 |
| Total Fund Balances                  | <u>704,694</u>          | <u>-</u>                             | <u>538,485</u>                       | <u>1,243,179</u>                        |
| Total Liabilities and Fund Balances  | <u>\$ 765,652</u>       | <u>\$ 71,469</u>                     | <u>\$ 538,485</u>                    | <u>\$ 1,375,606</u>                     |

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

**PARIS INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

|  |                          |
|--|--------------------------|
| Fund balances—total governmental funds   | \$ 1,243,179             |
| Amounts reported for governmental activities in the statement of net assets are different because:                                     |                          |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.                | 5,987,768                |
| Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds. | (6,503,856)              |
| Accrued sick leave   | <u>0</u>                 |
| Net position of governmental activities  | <u><u>\$ 727,091</u></u> |

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

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

|   | General<br>Fund   | Special<br>Revenue<br>Funds | Capital<br>Project<br>Funds | Total<br>Governmental<br>Funds |
|---|-------------------|-----------------------------|-----------------------------|--------------------------------|
| Revenues:   |                   |                             |                             |                                |
| From local sources:   |                   |                             |                             |                                |
| Taxes -   |                   |                             |                             |                                |
| Property  | \$ 1,087,045      | \$ -                        | \$ 110,316                  | \$ 1,197,361                   |
| Motor vehicles  | 137,270           | -                           | -                           | 137,270                        |
| Utilities   | 344,034           | -                           | -                           | 344,034                        |
| Penalties & Interest on Taxes   | 30,043            | -                           | -                           | 30,043                         |
| Tuition and fees  | 9,525             | -                           | -                           | 9,525                          |
| Interest income   | 20,132            | -                           | -                           | 20,132                         |
| Other local revenues  | 3,049             | (4,015)                     | -                           | (966)                          |
| Intergovernmental - State   | 4,110,838         | 403,847                     | 496,592                     | 5,011,277                      |
| Intergovernmental - Indirect federal  | 19,728            | 653,205                     | -                           | 672,933                        |
| Total revenues  | <u>5,761,664</u>  | <u>1,053,037</u>            | <u>606,908</u>              | <u>7,421,609</u>               |
| Expenditures:   |                   |                             |                             |                                |
| Current:  |                   |                             |                             |                                |
| Instruction   | 3,295,666         | 688,781                     | -                           | 3,984,447                      |
| Support services:   |                   |                             |                             |                                |
| Student   | 90,151            | 131,384                     | -                           | 221,535                        |
| Instructional staff   | 269,612           | 133,532                     | -                           | 403,144                        |
| District administration   | 384,791           | 1,421                       | -                           | 386,212                        |
| School administration   | 441,359           | -                           | -                           | 441,359                        |
| Business  | 263,188           | 25,672                      | -                           | 288,860                        |
| Plant operation and maintenance   | 717,716           | -                           | 24,704                      | 742,420                        |
| Student transportation  | 243,198           | 3,992                       | -                           | 247,190                        |
| Food service operation  | -                 | -                           | -                           | -                              |
| Community Services  | 63,054            | 78,690                      | -                           | 141,744                        |
| Debt service  | 42,400            | -                           | 490,602                     | 533,002                        |
| Building renovations/Site services  | -                 | -                           | 1,407,219                   | 1,407,219                      |
| Total expenditures  | <u>5,811,135</u>  | <u>1,063,472</u>            | <u>1,922,525</u>            | <u>8,797,132</u>               |
| Excess (deficiency) of revenues over expenditures                                     | <u>(49,471)</u>   | <u>(10,435)</u>             | <u>(1,315,617)</u>          | <u>(1,375,523)</u>             |
| Other financing sources (uses):   |                   |                             |                             |                                |
| Sale & Loss Comp - Equipment  | 3,828             | -                           | -                           | 3,828                          |
| Bond Proceeds   | 40,000            | -                           | -                           | 40,000                         |
| Transfers in  | 91,601            | 10,435                      | 229,878                     | 331,914                        |
| Transfers out   | (10,435)          | -                           | (321,479)                   | (331,914)                      |
| Total other financing sources and uses  | <u>124,994</u>    | <u>10,435</u>               | <u>(91,601)</u>             | <u>43,828</u>                  |
| Net change in fund balances   | 75,523            | -                           | (1,407,218)                 | (1,331,695)                    |
| Fund balances, June 30, 2012  | <u>603,365</u>    | <u>-</u>                    | <u>1,945,703</u>            | <u>2,549,068</u>               |
| Fund balances, June 30, 2013  | <u>\$ 678,888</u> | <u>\$ -</u>                 | <u>\$ 538,485</u>           | <u>\$ 1,217,373</u>            |
| Prior year adjustment   | \$ 25,806         |                             |                             | \$ 25,806                      |
| * A/R for June Utility Tax received in August<br>Booked in MUNIS, not in audit report | <u>\$ 704,694</u> |                             |                             | <u>\$ 1,243,179</u>            |

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

**PARIS INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Net change in fund balances—per fund financial statements \$ (1,331,695)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

|   |           |           |
|---|-----------|-----------|
| Fixed asset additions                     | 8,437     |           |
| Fixed asset retirements & disposals       | (21,158)  |           |
| Current year depreciation expense         | (330,496) |           |
| Accumulated depreciation retired/disposed | 21,158    | (322,059) |

Some expenses reported in the statement of activities do not require the use of current financial resources, therefore are not reported as expenditures in governmental funds.

|                                |        |        |
|--------------------------------|--------|--------|
| Compensated absences 6/30/2012 | 33,682 |        |
| Compensated absences 6/30/2013 | -      | 33,682 |

Transfers, restrictions, and other  
Rounding (1)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.

|                               |          |         |
|-------------------------------|----------|---------|
| KISTA Bond Proceeds           | (40,000) |         |
| KISTA Bond Principal Payments | 35,623   |         |
| Bond Issuance Costs           | (88,396) |         |
| Bond Proceeds                 | -        |         |
| Bond Principal Payments       | 302,000  | 209,227 |

Change in net position of governmental activities \$ (1,410,846)

**PARIS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013**

|                           | <u>Food<br/>Service<br/>Fund</u> | <u>Total</u>         |
|---------------------------|----------------------------------|----------------------|
| <b>Assets</b>             |                                  |                      |
| Current Assets:           |                                  |                      |
| Cash and Cash Equivalents | \$ 43,038                        | \$ 43,038            |
| Accounts Receivable       | -                                | -                    |
| Inventories               | 19,925                           | 19,925               |
| Total Current Assets      | <u>62,963</u>                    | <u>62,963</u>        |
| Noncurrent Assets:        |                                  |                      |
| Capital Assets            | 98,839                           | 98,839               |
| Accumulated Depreciation  | <u>(62,201)</u>                  | <u>(62,201)</u>      |
| Total Noncurrent Assets   | <u>36,638</u>                    | <u>36,638</u>        |
| <br>Total Assets          | <br><u>\$ 99,601</u>             | <br><u>\$ 99,601</u> |
| <b>Liabilities</b>        |                                  |                      |
| Current Liabilities:      |                                  |                      |
| Accounts Payable          | \$ 1,060                         | \$ 1,060             |
| Deferred Revenue          | -                                | -                    |
| Total Current Liabilities | <u>1,060</u>                     | <u>1,060</u>         |
| Total Liabilities         | <u>\$ 1,060</u>                  | <u>\$ 1,060</u>      |
| <b>Net Position</b>       |                                  |                      |
| Assigned - inventories    | 19,925                           | 19,925               |
| Assigned - capital assets | 36,638                           | 36,638               |
| Unassigned                | <u>41,978</u>                    | <u>41,978</u>        |
| Total net position        | <u>\$ 98,541</u>                 | <u>\$ 98,541</u>     |

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

**PARIS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

|                                       | <u>Food<br/>Service<br/>Fund</u> | <u>Total</u>       |
|---------------------------------------|----------------------------------|--------------------|
| Operating Revenues:                   |                                  |                    |
| Lunchroom Sales                       | \$ 110,018                       | \$ 110,018         |
| Miscellaneous Revenue                 | 1,534                            | 1,534              |
| Total Operating Revenues              | <u>\$ 111,552</u>                | <u>\$ 111,552</u>  |
| Operating Expenses:                   |                                  |                    |
| Salaries and Wages                    | \$ 169,952                       | \$ 169,952         |
| Employee Benefits                     | 79,679                           | 79,679             |
| Purchased Prof and Tech Services      | 3,841                            | 3,841              |
| Purchased Property Services           | 8,373                            | 8,373              |
| Other Purchased Services              | 4,035                            | 4,035              |
| Materials and Supplies                | 309,535                          | 309,535            |
| Property                              | 31,540                           | 31,540             |
| Debt Service & Misc                   | 3,524                            | 3,524              |
| Inventory Adjustment                  | (4,309)                          | (4,309)            |
| Depreciation                          | 4,217                            | 4,217              |
| Other Operating Expenses              | -                                | -                  |
| Total Operating Expenses              | <u>\$ 610,387</u>                | <u>\$ 610,387</u>  |
| Operating Loss                        | <u>(\$498,835)</u>               | <u>(\$498,835)</u> |
| Nonoperating Revenues :               |                                  |                    |
| Federal Grants                        | \$ 422,027                       | \$ 422,027         |
| Investment Income                     | 587                              | 587                |
| State Grants                          | 4,241                            | 4,241              |
| State On Behalf Payments              | 30,849                           | 30,849             |
| Total Nonoperating Revenue            | <u>\$ 457,704</u>                | <u>\$ 457,704</u>  |
| Net Profit Before Operating Transfers | \$ (41,131)                      | \$ (41,131)        |
| Operating Transfers                   | -                                | -                  |
| Net Income (Loss)                     | <u>\$ (41,131)</u>               | <u>\$ (41,131)</u> |
| Net Position, June 30, 2012           | 139,672                          | 139,672            |
| Net Position, June 30, 2013           | <u>\$ 98,541</u>                 | <u>\$ 98,541</u>   |

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

**PARIS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

|   | <u>Food<br/>Service<br/>Fund</u> |
|---|----------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                                  |
| <u>Cash received from:</u>  |                                  |
| Lunchroom sales   | \$ 110,018                       |
| Miscellaneous Revenue   | 1,534                            |
| <u>Cash paid to/for:</u>  |                                  |
| Payments to suppliers and providers of goods<br>and services  | (360,789)                        |
| Payments to employees & benefits  | (249,631)                        |
| Operating Transfers   | -                                |
| Other payments  | 0                                |
|   | <u>\$ (498,868)</u>              |
| <br><b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                                  |
| Government grants   | \$ 457,117                       |
| Net cash provided (used) by <b>Noncapital Activities</b>  | <u>\$ 457,117</u>                |
| <br><b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES:</b>  |                                  |
| Purchases of capital assets   | \$ -                             |
| Net cash provided by (used for) capital and<br>related <b>financing activities</b>                            | <u>\$ -</u>                      |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                                  |
| Interest received on investments  | \$ 587                           |
| Net cash provided by <b>investing activities</b>  | <u>\$ 587</u>                    |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | (41,164)                         |
| <b>Cash and cash equivalents, June 30, 2012</b>   | <u>84,202</u>                    |
| <b>Cash and cash equivalents, June 30, 2013</b>   | <u><u>\$ 43,038</u></u>          |
| <br><b>Reconciliation of operating income (loss) to net cash provided<br/>(used) by operating activities:</b> |                                  |
| Operating income  | \$ (498,835)                     |
| Adjustments to reconcile operating income (loss)<br>to net cash from operating activities:                    |                                  |
| Depreciaton   | 4,217                            |
| Changes in Assets & Liabilities:  |                                  |
| Accounts receivable   | -                                |
| Inventory   | (4,309)                          |
| Accounts payable  | 59                               |
| <b>Net cash provided (used) by Operating Activities</b>   | <u><u>\$ (498,868)</u></u>       |
| <br><b>Schedule of non-cash transactions:</b>   |                                  |
| On-behalf payments  | \$ 30,849                        |

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

**PARIS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013**

|                               | Fiduciary<br>Funds | Nellie Evans<br>Scholarship<br>Trust Fund | Total             |
|-------------------------------|--------------------|---|-------------------|
| <b>Assets</b>                 |                    |   |                   |
| Cash and cash equivalents     | \$ 68,591          | \$ 150,183                                | \$ 218,774        |
| Accounts receivable           | -                  | -   | -                 |
| Total assets                  | <u>\$ 68,591</u>   | <u>\$ 150,183</u>                         | <u>\$ 218,774</u> |
| <b>Liabilities</b>            |                    |   |                   |
| Due to student accounts/trust | \$ 68,591          | \$ 150,183.00                             | \$ 218,774        |
| Total net assets              | <u>\$ 68,591</u>   | <u>\$ 150,183.00</u>                      | <u>\$ 218,774</u> |
| <b>Net Position</b>           |                    |   |                   |
| Unassigned                    | \$ -               | \$ -                                      | \$ -              |
| Total net assets              | <u>\$ -</u>        | <u>\$ -</u>                               | <u>\$ -</u>       |
| <b>Net position</b>           | <u>\$ -</u>        | <u>\$ -</u>                               | <u>\$ -</u>       |

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

**PARIS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

|   | Agency<br>Funds | Nellie Evans<br>Scholarship<br>Trust Fund | Total<br>Fiduciary<br>Funds |
|---|-----------------|---|-----------------------------|
| <b>REVENUES:</b>  |                 |   |                             |
| From local sources -  |                 |   |                             |
| Student activities  | \$ -            | \$ -                                      | \$ -                        |
| Interest  | -               | 183                                       | 183                         |
| Contributions   | -               | 150,000                                   | 150,000                     |
| From federal sources  | -               | -   | -                           |
| Total revenues  | \$ -            | \$ 150,183                                | \$ 150,183                  |
| <b>EXPENDITURES:</b>  |                 |   |                             |
| Instruction   | \$ -            | \$ -                                      | \$ -                        |
| Student activities  | -               | -   | -                           |
| Community services  | -               | -   | -                           |
| Total expenditures  | \$ -            | \$ -                                      | \$ -                        |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b>  | \$ -            | \$ 150,183                                | \$ 150,183                  |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                 |   |                             |
| Proceeds from sale of bonds   | \$ -            | \$ -                                      | \$ -                        |
| Operating transfers in  | -               | -   | -                           |
| Operating transfers out   | -               | -   | -                           |
| Total other financing sources (uses)  | \$ -            | \$ -                                      | \$ -                        |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>AND OTHER FINANCING SOURCES<br/>OVER (UNDER) EXPENDITURES AND<br/>OTHER FINANCING USES</b> | \$ -            | \$ 150,183                                | \$ 150,183                  |
| <b>NET POSITION @ JUNE 30, 2012</b>   | \$ -            | \$ -                                      | \$ -                        |
| <b>NET POSITION @ JUNE 30, 2013</b>   | \$ -            | \$ 150,183                                | \$ 150,183                  |

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

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Note A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Paris Independent School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

Reporting Entity

The Paris Independent Board of Education (the "Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Paris Independent School District (the "District"). The District receives funding from local, state and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The Board, for financial reporting purposes, includes all of the funds and account groups relevant to the operation of the Paris Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements.

Paris Independent School District Finance Corporation - The Paris Independent School District's Board of Education resolved to authorize the establishment of the Paris Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Paris Independent Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

**Government-wide statements** provide information about the primary government (the "District"). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**Fund financial statements**—provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. Debt service payments are now funneled through the Debt Service Fund. KISTA loans and Energy Bonds are still paid from the General Fund.
4. The School Construction Fund and Education Building Funds account for proceeds from sales of bonds and other revenues to be used for authorized construction expenditures.

II. Proprietary Funds (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind commodities from the USDA. The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Types (includes agency and trust funds)

The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*.

The Private Purpose Trust funds are used to report arrangements under which principal and income benefit individuals, private organizations, or other governments.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

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Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditure) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of real property upon which the levy for the 2013 fiscal year was based totaled \$178,343,022; tangible property assessments were \$9,317,941. Additionally, PSC real property assessed value was \$2,139,843 and PSC tangible assessed value \$5,817,956.

The tax rates assessed for the year ended June 30, 2013 to finance general fund operations were \$.610 on real estate and \$.610 per \$100 valuation on tangible property. Taxes are due on October 1 and become delinquent by January 1 following the October 1 levy date.

The District levies a utility gross receipts license tax at 3% of gross receipts derived from franchise rights within the District boundaries of communication services, cablevision services, electric power distribution, water, and gas.

In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The District also receives commodities from U.S.D.A. The amounts of such services and commodities are recorded in the accompanying financial statements at their estimated fair market values where practical.

Cash and Cash Equivalents

The Board considers demand deposits, money market funds, and other investments with an original maturity of 3 months or less, to be cash equivalents.

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Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory using the accrual basis of accounting. Inventories are stated at the lower of cost or market, on the first-in, first-out basis.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars (\$1,000) with the exception of computers and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized.

All reported capital assets, other than land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

| <u>Description</u>         | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and improvements | 25-50 years            |
| Technology equipment       | 5 years                |
| Vehicles                   | 5-10 years             |
| Audio-visual equipment     | 15 years               |
| Food service equipment     | 10-12 years            |
| Furniture & fixtures       | 7 years                |
| Rolling stock              | 15 years               |
| Other general              | 10 years               |

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Budgetary Process

Budgetary Basis of Accounting: The Districts budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

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Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, all payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

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Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Note B - CASH AND CASH EQUIVALENTS**

At June 30, 2013 the reconciled amount of the District's cash and cash equivalents (cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less) was \$1,435,534 (plus \$68,591 in Fiduciary Funds) while the bank statements totaled \$2,034,556.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. The District's cash and cash equivalents consist of checking and savings accounts, plus certificates of deposit, with local banks. The District does not have a deposit policy for custodial credit risk. At June 30, 2013, bank balances were \$2,034,556; FDIC covers \$250,000 of this total, leaving \$1,784,556 at risk. The bank depository confirmed a pledge of collateral to secure deposits with a market value of \$3,725,396.

**Note C - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

**Government Activities**

|                          | <u>6/30/2012</u>  | <u>Additions</u> | <u>Deletions</u> | <u>6/30/2013</u>  |
|--------------------------|-------------------|------------------|------------------|-------------------|
| Land                     | 351,553           | -                | -                | 351,553           |
| Land Improvements        | 1,417,737         | -                | -                | 1,417,737         |
| Buildings & Improvements | 9,791,967         | -                | -                | 9,791,967         |
| Technology Equipment     | 908,261           | 8,437            | 21,158           | 895,540           |
| Vehicles                 | 747,504           | -                | -                | 747,504           |
| General                  | 195,582           | -                | -                | 195,582           |
| Construction in Progress | 617,471           | -                | -                | 617,471           |
| Total Historical Cost    | <u>14,030,075</u> | <u>8,437</u>     | <u>21,158</u>    | <u>14,017,354</u> |

**PARIS INDEPENDENT SCHOOL DISTRICT  
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**Less: Accumulated Depreciation**

|                           |                  |                  |          |                  |
|---------------------------|------------------|------------------|----------|------------------|
| Land                      | -                | -                | -        | -                |
| Land Improvements         | (1,415,006)      | (646)            | -        | (1,415,652)      |
| Buildings & Improvements  | (4,881,804)      | (194,094)        | -        | (5,075,898)      |
| Technology Equipment      | (679,668)        | (12,561)         | 21,158   | (671,071)        |
| Vehicles                  | (518,624)        | (30,296)         | -        | (548,920)        |
| General                   | (192,192)        | (1,385)          | -        | (193,577)        |
| Construction in Progress  | (32,954)         | (91,514)         |          | (124,468)        |
| Total Accum. Depreciation | (7,720,248)      | (330,496)        | 21,158   | (8,029,586)      |
| <b>Net Capital Assets</b> | <b>6,309,827</b> | <b>(322,059)</b> | <b>-</b> | <b>5,987,768</b> |

**Business-Type Activities**

|                                       | 6/30/2012     | Additions      | Deletions | 6/30/2013     |
|---------------------------------------|---------------|----------------|-----------|---------------|
| Technology Equipment                  | -             | -              | -         | -             |
| General Equipment                     | 98,839        | -              | -         | 98,839        |
| Total Historical Cost                 | 98,839        | -              | -         | 98,839        |
| <b>Less: Accumulated Depreciation</b> |               |                |           |               |
| Technology Equipment                  | -             | -              | -         | -             |
| General Equipment                     | (57,984)      | (4,217)        | -         | (62,201)      |
| Total Accum. Depreciation             | (57,984)      | (4,217)        | -         | (62,201)      |
| <b>Net Capital Assets</b>             | <b>40,855</b> | <b>(4,217)</b> | <b>-</b>  | <b>36,638</b> |

Depreciation is not allocated to governmental functions in the fund financial statements. Depreciation is recorded in the statement of activities as "unallocated" expense.

**Note D - DEBT OBLIGATIONS**

The amount shown in the accompanying financial statements as current and non-current portions of bond obligations represent the District's future obligation to make bond payments relating to the bonds issued by the District and the Paris Independent School District Finance Corporation ("PISDFC). Buses were financed through KISTA loans.

**Bonds**

The General Fund, Facilities Support Program (FSPK) Fund and the SEEK Capital Outlay Fund are obligated to make lease payments. The lease agreements provide among other things, (1) for rentals sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court and the HISDFC to construct school facilities and (2) the Board with the option to purchase the properties under leases at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue.

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The original amount of present outstanding issues, the issue dates, and interest rates are summarized below:

| <u>Issue</u>   | <u>Original Amount</u> | <u>Interest Rates</u> |
|----------------|------------------------|-----------------------|
| Issue of 1998R | \$ 1,475,000           | 4.00% - 4.20%         |
| Issue of 2004  | 705,000                | 2.00% - 5.00%         |
| Issue of 2004R | 940,000                | 1.90% - 3.80%         |
| Issue of 2006  | 680,000                | 4.00%                 |
| Issue of 2007  | 880,000                | 3.40% - 4.20%         |
| Issue of 2010  | 6,250,000              | 1.20% - 3.80%         |
| Issue of 2012  | <u>3,260,000</u>       | 4.60%                 |
|                | <u>\$ 14,190,000</u>   |                       |

A summary of activity in bond obligations and other debts is as follows:

|                              | <u>District</u>  | <u>KSFCC</u>     | <u>Total</u>     |
|------------------------------|------------------|------------------|------------------|
| Bonded Debt at June 30, 2012 | 506,394          | 6,066,606        | 6,573,000        |
| New Debt Issued in FY2013    | -0-              | -0-              | -0-              |
| Payments During FY2013       | <u>(117,441)</u> | <u>(184,559)</u> | <u>(302,000)</u> |
| Bonded Debt at June 30, 2013 | <u>388,953</u>   | <u>5,882,047</u> | <u>6,271,000</u> |

In connection with the certain bond issues, the Board entered into participation agreements with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds as well as KISTA loans described below may be called prior to maturity and redemption premiums are specified in each issue. Assuming no issues are called prior to scheduled maturity and that the Kentucky School Facilities Construction Commission continues to renew its agreement, the minimum obligations at June 30, 2013 for debt service (principal and interest) are as follows:

| <u>Fiscal Year</u> | <u>KSFCC</u>     |                  | <u>Paris School District</u> |                  | <u>Total</u>     |
|--------------------|------------------|------------------|------------------------------|------------------|------------------|
|                    | <u>Principal</u> | <u>Interest</u>  | <u>Principal</u>             | <u>Interest</u>  |                  |
| 2014               | 192,045          | 173,692          | 127,955                      | 70,593           | 564,285          |
| 2015               | 193,908          | 170,061          | 128,092                      | 62,139           | 554,200          |
| 2016               | 187,094          | 165,815          | 132,906                      | 53,683           | 539,498          |
| 2017               | 198,000          | 151,692          | -                            | 54,774           | 404,466          |
| 2018               | 211,000          | 139,513          | -                            | 58,313           | 408,826          |
| 2019               | 215,000          | 135,357          | -                            | 53,373           | 403,730          |
| 2020               | 160,000          | 117,196          | -                            | 63,581           | 340,777          |
| 2021               | 165,000          | 111,484          | -                            | 62,794           | 339,278          |
| 2022               | 165,000          | 111,047          | -                            | 56,495           | 332,542          |
| 2023               | 170,000          | 106,299          | -                            | 54,373           | 330,672          |
| 2024               | 185,000          | 91,620           | -                            | 61,747           | 338,367          |
| 2025               | 135,000          | 89,474           | -                            | 56,203           | 280,677          |
| 2026               | 145,000          | 77,042           | -                            | 63,345           | 285,387          |
| 2027               | 100,000          | 73,221           | -                            | 61,412           | 234,633          |
| 2028               | 85,000           | 73,418           | -                            | 57,589           | 216,007          |
| 2029               | 40,000           | 71,917           | -                            | 56,665           | 168,582          |
| 2030               | 40,000           | 73,132           | -                            | 53,930           | 167,062          |
| 2031               | 35,000           | 73,209           | -                            | 52,428           | 160,637          |
| 2032               | 3,260,000        | 66,045           | -                            | 58,927           | 3,384,972        |
|                    | <u>5,882,047</u> | <u>2,071,233</u> | <u>388,953</u>               | <u>1,112,365</u> | <u>9,454,598</u> |

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**KISTA Bonds Payable**

| <u>Year</u> | <u>Principal</u> |                         |                 |
|-------------|------------------|-------------------------|-----------------|
| 2014        | 41,258           |                         |                 |
| 2015        | 34,103           |                         |                 |
| 2016        | 34,286           | KISTA Loans @ 7/1/2012  | 227,307         |
| 2017        | 29,102           | New Debt Issued FY 2013 | 41,172          |
| 2018        | 26,878           | Payments FY 2013        | <u>(35,623)</u> |
| 2019        | 27,697           | KISTA Loans @ 6/30/2013 | <u>232,856</u>  |
| Thereafter  | <u>39,532</u>    |                         |                 |
|             | <u>232,856</u>   |                         |                 |

**Note E - ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Board policy provides for payment of unused sick leave upon retirement from the District. Certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. The Board shall compensate certified employees at the time of retirement at the rate of 30% of the daily salary for each unused sick day, provided they supply the required proof of retirement from the Kentucky Teachers' Retirement System or KERS. Calculations are based on the employee's last annual salary. (KRS 161.155(8), OA 83-191). At June 30, 2013 this amount totaled \$-0-, for those certified employees with 27 or more years of experience. Normal sick pay benefits generally are not accrued until employees are absent. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

**Note F - RETIREMENT PLANS**

**A. Kentucky Teachers Retirement System:**

The Paris Independent School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://www.ktrs.ky.gov/>.

Funding policy - Contribution rates are established by KRS. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 14.105% of salaries on behalf of members into a state retirement plan. The federal program, for any salaries paid by that program, pays the matching contributions.

**Medical Insurance Plan**

Plan description - In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide access to post-employment healthcare benefits to eligible members

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and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy – In order to fund the post-employment healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Those who became members before July 1, 2008 contribute 1.25% of salary to the plan. Member contributions are 1.75% of salary for those who became members after July 1, 2008. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.0% of members' salary for the 2012-2013 fiscal year.

The Paris Independent School District total payroll for the year was \$4,272,219. The payroll for employees covered under KTRS was \$3,112,942. For the year ended June 30, 2013, the Commonwealth contributed \$378,959 to KTRS for the benefit of participating employees. The School District's contributions to KTRS for the year ending June 30, 2013 were \$67,937, which represents those employees covered by federal programs.

**B. County Employee's Retirement System:**

For employees that do not qualify for KTRS, the District contributes to the Kentucky Employee's Retirement System ("KERS"), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. KERS covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the KERS. KERS provides for retirement, disability, and death benefits to plan members. Cost of living adjustments are provided at the discretion of the State legislature.

The KERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for KERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646.

**Medical Insurance Plan**

Plan description - In addition to the pension benefits described above, Kentucky Revised Statutes require KERS to provide access to post-employment healthcare benefits to eligible members and dependents. The KERS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KERS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KERS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KERS Medicare Eligible Health Plan.

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Funding policy – Plan members are required to contribute 5% of their annual creditable compensation, (employees who begin participation on or after September 1, 2008 are required to contribute 6% of annual creditable compensation) and the District is required to contribute 18.95% of the employee's total compensation. The contribution requirements of KERS members and the District are established and may be amended by the CERS Board of Trustees.

The Paris Independent School District's total payroll for the year was \$4,272,219. The payroll for employees covered by KERS was \$1,071,032. The School District's matching contributions to KERS for the year ending June 30, 2013 were \$209,387.

**Note G - CONTINGENCIES**

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**Note H - INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include worker's compensation insurance.

**Note I - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund (effective July 1, 2013, switched to KEMI for workers' comp; E&O plus general liability coverage was placed at Roeding Insurance Public Entity Group). These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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**Note J - COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

**Note K - ON-BEHALF PAYMENTS**

For fiscal year 2013, the Commonwealth of Kentucky contributed payments on-behalf of the Paris Independent School District as follows:

| <u>Plan/Description</u>                  | <u>Amount</u>       |
|--|---------------------|
| Kentucky Teachers Retirement System      | \$ 378,959          |
| Health, Life, & Admin Fee Insurance Plan | 850,560             |
| Technology                               | 36,970              |
| SFCC Payments                            | 299,175             |
| Federal Reimbursement                    | <u>(75,175)</u>     |
| Total On Behalf                          | \$ <u>1,490,489</u> |

These amounts are included in the District-Wide Statement of Activities as State Revenue and an expense allocated to the different functions in the same proportion as full-time employees.

**Note L - TRANSFER OF FUNDS**

The following transfers were made during the year:

| <u>From Fund</u> | <u>To Fund</u>    | <u>Amount</u> |                    |
|------------------|-------------------|---------------|--------------------|
| General Fund     | Special Revenue   | 10,435        | KETS Matching      |
| Building Fund    | Construction Fund | 124,505       | Renovation Project |
| General Fund     | Capital Outlay    | 86,054        | Reimbursements     |
| Building Fund    | General Fund      | 5,547         | Reimbursements     |
| Building Fund    | Debt Service Fund | 191,427       | Debt Service       |

**Note M – DEFICIT OPERATING / FUND BALANCES**

There are no funds within the District that currently have a deficit fund balance. However, there were several funds that had deficit operating results for the fiscal year (Food Service Fund, Building Fund, and the Construction Fund), resulting in a corresponding reduction of fund balance:

## **SUPPLEMENTAL INFORMATION**

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

|   | <u>Budgeted Amounts</u>              |                                 | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---|--------------------------------------|---------------------------------|---------------------------|---------------------------------------|
|   | <u>Tentative Budget<br/>Original</u> | <u>Working Budget<br/>Final</u> |                           |                                       |
| Revenues:   |                                      |                                 |                           |                                       |
| Taxes -   |                                      |                                 |                           |                                       |
| Property  | \$ 977,000                           | \$ 977,000                      | \$ 1,087,045              | \$ 110,045                            |
| Motor Vehicles  | 130,000                              | 130,000                         | 137,270                   | 7,270                                 |
| Utilities   | 360,000                              | 360,000                         | 344,034                   | (15,966)                              |
| Penalties & Interest on Taxes   | 17,000                               | 17,000                          | 30,043                    | 13,043                                |
| Tuition and Fees  | 4,000                                | 4,000                           | 9,525                     | 5,525                                 |
| Interest Income   | 12,000                               | 12,000                          | 20,132                    | 8,132                                 |
| Other Local Revenues  | 21,100                               | 21,100                          | 3,049                     | (18,051)                              |
| Intergovernmental - State   | 2,866,359                            | 2,954,490                       | 4,110,838                 | 1,156,348                             |
| Intergovernmental - Indirect Federal  | 3,500                                | 14,700                          | 19,728                    | -                                     |
| Total Revenues  | <u>4,390,959</u>                     | <u>4,490,290</u>                | <u>5,761,664</u>          | <u>1,266,346</u>                      |
| Expenditures:   |                                      |                                 |                           |                                       |
| Current:  |                                      |                                 |                           |                                       |
| Instruction   | 2,502,249                            | 2,484,290                       | 3,295,666                 | (811,376)                             |
| Support Services:   |                                      |                                 |                           |                                       |
| Student   | 87,479                               | 67,704                          | 90,151                    | (22,447)                              |
| Instructional Staff   | 187,627                              | 213,798                         | 269,612                   | (55,814)                              |
| District Administration   | 292,069                              | 294,245                         | 384,791                   | (90,546)                              |
| School Administration   | 339,378                              | 338,697                         | 441,359                   | (102,662)                             |
| Business  | 177,071                              | 177,071                         | 263,188                   | (86,117)                              |
| Plant Operation and Maintenance   | 627,262                              | 632,496                         | 717,716                   | (85,220)                              |
| Student Transportation  | 177,393                              | 183,440                         | 243,198                   | (59,758)                              |
| Community Services  | 33,603                               | 33,067                          | 63,054                    | (29,987)                              |
| Food Service Operation  | -                                    | -                               | -                         | -                                     |
| Debt Service  | 41,440                               | 42,745                          | 42,400                    | 345                                   |
| Total Expenditures  | <u>4,465,571</u>                     | <u>4,467,553</u>                | <u>5,811,135</u>          | <u>(1,343,582)</u>                    |
| Excess (Deficiency) of Revenues over Expenditures                                     | <u>(74,612)</u>                      | <u>22,737</u>                   | <u>(49,471)</u>           | <u>(77,236)</u>                       |
| Other Financing Sources (Uses):   |                                      |                                 |                           |                                       |
| Sale & Loss Comp - Equipment  | 1,500                                | 1,500                           | 3,828                     | 2,328                                 |
| Bond Proceeds   | -                                    | -                               | 40,000                    | 40,000                                |
| Contingency   | (451,347)                            | (642,972)                       | -                         | 642,972                               |
| Transfers In  | -                                    | -                               | 91,601                    | 91,601                                |
| Transfers Out   | (8,008)                              | (10,435)                        | (10,435)                  | -                                     |
| Total Other Financing Sources and Uses  | <u>(457,855)</u>                     | <u>(651,907)</u>                | <u>124,994</u>            | <u>776,901</u>                        |
| Net Change in Fund Balances   | (532,467)                            | (629,170)                       | 75,523                    | 699,665                               |
| Unrestricted Fund Balances, June 30, 2012   | <u>532,467</u>                       | <u>629,170</u>                  | <u>603,365</u>            | <u>(25,805)</u>                       |
| Unrestricted Fund Balances, June 30, 2013   | <u>\$ -</u>                          | <u>\$ -</u>                     | <u>\$ 678,888</u>         | <u>\$ 673,860</u>                     |
| Prior year adjustment   |                                      |                                 | \$ 25,806                 |                                       |
| * A/R for June Utility Tax received in August<br>Booked in MUNIS, not in audit report |                                      |                                 | <u>\$ 704,694</u>         |                                       |

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

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

|   | <u>Budgeted Amounts</u> |                       | <u>Actual</u><br><u>Amounts</u> | <u>Variance with</u><br><u>Final Budget</u> |
|---|-------------------------|-----------------------|---------------------------------|---|
|   | <u>Tentative Budget</u> | <u>Working Budget</u> |                                 |   |
|   | <u>Original</u>         | <u>Final</u>          |                                 |   |
| Revenues:   |                         |                       |                                 |   |
| Local Revenues                                    | \$ -                    | \$ 13,275             | \$ (4,015)                      | (17,290)                                    |
| Intergovernmental - State                         | 309,606                 | 515,906               | 403,847                         | (112,059)                                   |
| Intergovernmental - Indirect federal              | 598,542                 | 616,847               | 653,205                         | 36,358                                      |
| Total revenues                                    | <u>908,148</u>          | <u>1,146,028</u>      | <u>1,053,037</u>                | <u>(92,991)</u>                             |
| Expenditures:                                     |                         |                       |                                 |   |
| Current:  |                         |                       |                                 |   |
| Instruction                                       | 565,492                 | 683,263               | 688,781                         | (5,518)                                     |
| Support Services:                                 |                         |                       |                                 |   |
| Student Support                                   | 121,842                 | 124,578               | 131,384                         | (6,806)                                     |
| Instructional Staff                               | 128,967                 | 247,465               | 133,532                         | 113,933                                     |
| District Administration                           | 2,543                   | 4,217                 | 1,421                           | 2,796                                       |
| Business  | 14,362                  | 15,005                | 25,672                          | (10,667)                                    |
| Student Transportation                            | 2,713                   | 2,713                 | 3,992                           | (1,279)                                     |
| Community Services                                | 80,237                  | 79,222                | 78,690                          | 532   |
| Total expenditures                                | <u>916,156</u>          | <u>1,156,463</u>      | <u>1,063,472</u>                | <u>92,991</u>                               |
| Excess (deficiency) of revenues over expenditures | <u>(8,008)</u>          | <u>(10,435)</u>       | <u>(10,435)</u>                 | <u>-</u>                                    |
| Other financing sources (uses):                   |                         |                       |                                 |   |
| Transfers in                                      | 8,008                   | 10,435                | 10,435                          | -   |
| Transfers out                                     | -                       | -                     | -                               | -   |
| Total other financing sources and use             | <u>8,008</u>            | <u>10,435</u>         | <u>10,435</u>                   | <u>-</u>                                    |
| Net change in fund balances                       | -                       | -                     | -                               | -   |
| Fund balances, June 30, 2012                      | <u>-</u>                | <u>-</u>              | <u>-</u>                        | <u>-</u>                                    |
| Fund balances, June 30, 2013                      | <u>\$ -</u>             | <u>\$ -</u>           | <u>\$ -</u>                     | <u>\$ -</u>                                 |

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

**PARIS INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
CAPITAL PROJECT FUNDS  
JUNE 30, 2013**

|                                      | SEEK<br>Capital Outlay<br>Fund | FSPK<br>Building<br>Fund | Construction<br>Fund | Debt<br>Service<br>Fund | Total<br>Capital<br>Project<br>Funds |
|--------------------------------------|--------------------------------|--------------------------|----------------------|-------------------------|--------------------------------------|
| <b>ASSETS:</b>                       |                                |                          |                      |                         |                                      |
| Cash and cash equivalents            | \$ -                           | \$ -                     | \$ 538,485           | -                       | \$ 538,485                           |
| Accounts receivable                  | -                              | -                        | -                    | -                       | -                                    |
| Construction Work In Progress        | -                              | -                        | -                    | -                       | -                                    |
| Total assets                         | \$ -                           | \$ -                     | \$ 538,485           | -                       | \$ 538,485                           |
| <b>LIABILITIES AND FUND BALANCE:</b> |                                |                          |                      |                         |                                      |
| Liabilities:                         |                                |                          |                      |                         |                                      |
| Accounts payable                     | \$ -                           | \$ -                     | -                    | -                       | \$ -                                 |
| Total liabilities                    | -                              | -                        | -                    | -                       | -                                    |
| Fund Balances:                       |                                |                          |                      |                         |                                      |
| Restricted - capital expenditures    | -                              | -                        | -                    | -                       | -                                    |
| Restricted - future construction     | -                              | -                        | 538,485              | -                       | 538,485                              |
| Total fund balance                   | -                              | -                        | 538,485              | -                       | 538,485                              |
| Total liabilities and fund balance   | \$ -                           | \$ -                     | \$ 538,485           | -                       | \$ 538,485                           |

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

**PARIS INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
CAPITAL PROJECT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

|   | SEEK<br>Capital Outlay<br>Fund | FSPK<br>Building<br>Fund | Construction<br>Fund     | Debt<br>Service<br>Fund | Total<br>Capital<br>Project<br>Funds |
|---|--------------------------------|--------------------------|--------------------------|-------------------------|--------------------------------------|
| <b>REVENUES:</b>  |                                |                          |                          |                         |                                      |
| From local sources -  |                                |                          |                          |                         |                                      |
| Property taxes  | \$ -                           | \$ 110,316               | \$ -                     | -                       | \$ 110,316                           |
| Earnings on investments   | -                              | -                        | -                        | -                       | -                                    |
| Intergovernmental - State   | <u>66,537</u>                  | <u>130,880</u>           | -                        | <u>299,175</u>          | <u>496,592</u>                       |
| Total revenues  | <u>\$ 66,537</u>               | <u>\$ 241,196</u>        | <u>\$ -</u>              | <u>299,175</u>          | <u>\$ 606,908</u>                    |
| <b>EXPENDITURES:</b>  |                                |                          |                          |                         |                                      |
| Plant Operations & Mgmt   | \$ 24,704                      | \$ -                     | \$ -                     | -                       | \$ 24,704                            |
| Site & Bldg Improvements  | -                              | -                        | 1,407,219                | -                       | 1,407,219                            |
| Debt service  | -                              | -                        | -                        | 490,602                 | 490,602                              |
| Total expenditures  | <u>\$ 24,704</u>               | <u>\$ -</u>              | <u>\$ 1,407,219</u>      | <u>490,602</u>          | <u>\$ 1,922,525</u>                  |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b>  | <u>\$ 41,833</u>               | <u>\$ 241,196</u>        | <u>\$ (1,407,219)</u>    | <u>(191,427)</u>        | <u>\$ (1,315,617)</u>                |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                                |                          |                          |                         |                                      |
| Proceeds from sale of bonds   | \$ -                           | \$ -                     | \$ -                     | -                       | \$ -                                 |
| Operating transfers in  | (86,054)                       | -                        | 124,505                  | 191,427                 | 229,878                              |
| Operating transfers out   | -                              | <u>(321,479)</u>         | -                        | -                       | <u>(321,479)</u>                     |
| Total other financing sources (uses)  | <u>\$ (86,054)</u>             | <u>\$ (321,479)</u>      | <u>\$ 124,505</u>        | <u>191,427</u>          | <u>\$ (91,601)</u>                   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>AND OTHER FINANCING SOURCES<br/>OVER (UNDER) EXPENDITURES AND<br/>OTHER FINANCING USES</b> | <u>\$ (44,221)</u>             | <u>\$ (80,283)</u>       | <u>\$ (1,282,714)</u>    | <u>-</u>                | <u>\$ (1,407,218)</u>                |
| <b>FUND BALANCE JUNE 30, 2012</b>   | <u>\$ 44,221</u>               | <u>\$ 80,283</u>         | <u>\$ 1,821,199</u>      | <u>-</u>                | <u>\$ 1,945,703</u>                  |
| <b>FUND BALANCE JUNE 30, 2013</b>   | <u><u>\$ -</u></u>             | <u><u>\$ -</u></u>       | <u><u>\$ 538,485</u></u> | <u><u>-</u></u>         | <u><u>\$ 538,485</u></u>             |

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

**PARIS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCES  
SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

|                                     | Cash Balance<br>June 30, 2012 | Receipts          | Disbursements     | Cash Balance<br>June 30, 2013 | Accounts<br>Receivable | Accounts<br>Payable | Deposits<br>Held in<br>Custody for<br>Students<br>June 30, 2012 |
|-------------------------------------|-------------------------------|-------------------|-------------------|-------------------------------|------------------------|---------------------|---|
| Paris Independent High School       | \$ 25,917                     | \$ 199,529        | \$ 178,211        | \$ 47,235                     | \$ -                   | \$ -                | \$ 47,235   |
| Paris Independent Middle School     | 6,762                         | 32,403            | 36,070            | 3,095                         | -                      | -                   | 3,095   |
| Paris Independent Elementary School | 12,672                        | 45,115            | 39,526            | 18,261                        | -                      | -                   | 18,261  |
|                                     | <u>\$ 45,351</u>              | <u>\$ 277,047</u> | <u>\$ 253,807</u> | <u>\$ 68,591</u>              | <u>\$ -</u>            | <u>\$ -</u>         | <u>\$ 68,591</u>  |
|                                     |                               |                   |                   |                               |                        |                     | <u>68,591</u>   |

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

**PARIS INDEPENDENT BOARD OF EDUCATION**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**HIGH SCHOOL ACTIVITY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

|                                   | Cash Balance     |                   | Transfers &       | Transfers &      | Cash Balance | Accts.      | Accts.      | Deposits         |
|-----------------------------------|------------------|-------------------|-------------------|------------------|--------------|-------------|-------------|------------------|
|                                   | July 1,          | Transfers &       | Disburse-         | Disburse-        | June 30,     | Receiv.     | Payable     | Held In          |
|                                   | 2012             | Receipts          | ments             | ments            | 2013         | 6/30/13     | 6/30/13     | Custody for      |
|                                   |                  |                   |                   |                  |              |             |             | Students         |
|                                   |                  |                   |                   |                  |              |             |             | 6/30/13          |
| Baseball Team                     | 642.09           | 4,901.45          | 5,543.54          | 0.00             | 0.00         | 0.00        | 0.00        | 0.00             |
| Boys Basketball                   | 0.00             | 29,968.17         | 28,182.31         | 1,785.86         | 0.00         | 0.00        | 0.00        | 1,785.86         |
| Football                          | 0.00             | 20,902.38         | 20,902.38         | 0.00             | 0.00         | 0.00        | 0.00        | 0.00             |
| 10th Region Coaches               | 0.00             | 3,686.83          | 1,692.00          | 1,994.83         | 0.00         | 0.00        | 0.00        | 1,994.83         |
| Girls and Boys Track              | 35.18            | 1,468.28          | 1,503.46          | 0.00             | 0.00         | 0.00        | 0.00        | 0.00             |
| Girls Basketball                  | 157.07           | 12,066.75         | 12,126.82         | 97.00            | 0.00         | 0.00        | 0.00        | 97.00            |
| Golf                              | 0.00             | 1,685.50          | 1,649.56          | 35.94            | 0.00         | 0.00        | 0.00        | 35.94            |
| Tennis                            | 352.77           | 1,902.99          | 2,255.76          | 0.00             | 0.00         | 0.00        | 0.00        | 0.00             |
| Soccer                            | 43.63            | 5,680.48          | 5,536.05          | 188.06           | 0.00         | 0.00        | 0.00        | 188.06           |
| Football Playoff                  | 0.00             | 1,160.00          | 1,160.00          | 0.00             | 0.00         | 0.00        | 0.00        | 0.00             |
| Girls Middle School Soccer        | 0.00             | 0.00              | 0.00              | 0.00             | 0.00         | 0.00        | 0.00        | 0.00             |
| Holiday Tournament                | 0.00             | 0.00              | 0.00              | 0.00             | 0.00         | 0.00        | 0.00        | 0.00             |
| Boys Middle School Soccer         | 256.67           | 2,242.68          | 2,499.35          | 0.00             | 0.00         | 0.00        | 0.00        | 0.00             |
| Swim Team                         | 198.80           | 162.50            | 182.18            | 179.12           | 0.00         | 0.00        | 0.00        | 179.12           |
| Athletic Fees                     | 487.04           | 4,069.85          | 2,780.21          | 1,776.68         | 0.00         | 0.00        | 0.00        | 1,776.68         |
| Softball Team                     | 0.00             | 7,138.49          | 6,258.39          | 880.10           | 0.00         | 0.00        | 0.00        | 880.10           |
| Florida Fund/Baseball             | 7.28             | 0.00              | 0.00              | 7.28             | 0.00         | 0.00        | 0.00        | 7.28             |
| Boys High School Soccer           | 3,997.82         | 11,570.84         | 8,605.08          | 6,963.58         | 0.00         | 0.00        | 0.00        | 6,963.58         |
| All-A Classic Tournament          | 332.09           | 4,310.00          | 3,880.92          | 761.17           | 0.00         | 0.00        | 0.00        | 761.17           |
| Bowling                           | 0.00             | 2,356.45          | 2,356.45          | 0.00             | 0.00         | 0.00        | 0.00        | 0.00             |
| Cross Country                     | 1,221.09         | 1,928.25          | 2,002.73          | 1,146.61         | 0.00         | 0.00        | 0.00        | 1,146.61         |
| Fall Programs                     | 0.00             | 831.00            | 751.00            | 80.00            | 0.00         | 0.00        | 0.00        | 80.00            |
| Concessions                       | 0.00             | 3,581.39          | 3,550.00          | 31.39            | 0.00         | 0.00        | 0.00        | 31.39            |
| Boys Basketball (PMS)             | 0.00             | 2,386.54          | 1,567.70          | 818.84           | 0.00         | 0.00        | 0.00        | 818.84           |
| Cheerleaders                      | 943.46           | 3,148.55          | 4,071.85          | 20.16            | 0.00         | 0.00        | 0.00        | 20.16            |
| Principal's Acct                  | 776.84           | 8,183.49          | 6,828.26          | 2,132.07         | 0.00         | 0.00        | 0.00        | 2,132.07         |
| Counselor's Fund                  | 343.24           | 275.00            | 602.33            | 15.91            | 0.00         | 0.00        | 0.00        | 15.91            |
| School Safety                     | 18.42            | 0.00              | 0.00              | 18.42            | 0.00         | 0.00        | 0.00        | 18.42            |
| Cary Barr Sportsman Scholarship   | 749.00           | 500.00            | 1,000.00          | 249.00           | 0.00         | 0.00        | 0.00        | 249.00           |
| All Is One - Academic             | 0.00             | 0.00              | 0.00              | 0.00             | 0.00         | 0.00        | 0.00        | 0.00             |
| Library (Book Fair)               | 38.91            | 4,696.03          | 3,283.61          | 1,451.33         | 0.00         | 0.00        | 0.00        | 1,451.33         |
| KY-ASAP                           | 333.92           | 0.00              | 0.00              | 333.92           | 0.00         | 0.00        | 0.00        | 333.92           |
| Summer School                     | 1,786.33         | 3,590.00          | 107.22            | 5,269.11         | 0.00         | 0.00        | 0.00        | 5,269.11         |
| Web Design team                   | 0.00             | 0.00              | 0.00              | 0.00             | 0.00         | 0.00        | 0.00        | 0.00             |
| Walmart Foundation Fund           | 750.00           | 0.00              | 750.00            | 0.00             | 0.00         | 0.00        | 0.00        | 0.00             |
| Forensic                          | 0.00             | 0.00              | 0.00              | 0.00             | 0.00         | 0.00        | 0.00        | 0.00             |
| J.K.G Fund                        | 261.11           | 671.10            | 738.61            | 193.60           | 0.00         | 0.00        | 0.00        | 193.60           |
| Fellowship of Christian Athletes  | 66.64            | 0.00              | 0.00              | 66.64            | 0.00         | 0.00        | 0.00        | 66.64            |
| FCCLA                             | 268.79           | 320.00            | 444.22            | 144.57           | 0.00         | 0.00        | 0.00        | 144.57           |
| HS Class Activity                 | 1,916.66         | 1,295.50          | 2,794.79          | 417.37           | 0.00         | 0.00        | 0.00        | 417.37           |
| Junior Class                      | 1,057.95         | 6,672.67          | 6,317.64          | 1,412.98         | 0.00         | 0.00        | 0.00        | 1,412.98         |
| Senior Class                      | 0.00             | 19,153.91         | 16,834.81         | 2,319.10         | 0.00         | 0.00        | 0.00        | 2,319.10         |
| Senior Class Play                 | 226.46           | 80.00             | 123.50            | 182.96           | 0.00         | 0.00        | 0.00        | 182.96           |
| Newspaper & Magazine              | 143.71           | 0.00              | 0.00              | 143.71           | 0.00         | 0.00        | 0.00        | 143.71           |
| Greyhound Embroidery - Paris High | 1,159.29         | 1,107.95          | 1,107.95          | 1,159.29         | 0.00         | 0.00        | 0.00        | 1,159.29         |
| FBLA                              | 0.00             | 65.00             | 65.00             | 0.00             | 0.00         | 0.00        | 0.00        | 0.00             |
| Bank Activity Fund                | 42.05            | 15.00             | 0.00              | 57.05            | 0.00         | 0.00        | 0.00        | 57.05            |
| Senior Lock-In                    | 210.36           | 674.63            | 884.99            | 0.00             | 0.00         | 0.00        | 0.00        | 0.00             |
| Academic Team                     | 105.75           | 0.00              | 60.15             | 45.60            | 0.00         | 0.00        | 0.00        | 45.60            |
| K.Y.A                             | 0.00             | 0.00              | 0.00              | 0.00             | 0.00         | 0.00        | 0.00        | 0.00             |
| Beta Club                         | 126.17           | 2,332.00          | 2,233.00          | 225.17           | 0.00         | 0.00        | 0.00        | 225.17           |
| Academy of Health & Science       | 0.00             | 736.08            | 561.34            | 174.74           | 0.00         | 0.00        | 0.00        | 174.74           |
| School Store                      | 0.00             | 5,574.68          | 2,067.01          | 3,507.67         | 0.00         | 0.00        | 0.00        | 3,507.67         |
| Academic Pride Boosters           | 8.00             | 0.00              | 0.00              | 8.00             | 0.00         | 0.00        | 0.00        | 8.00             |
| Spanish Club                      | 21.37            | 1,000.00          | 676.85            | 344.52           | 0.00         | 0.00        | 0.00        | 344.52           |
| Student Government                | 92.87            | 6,186.13          | 6,279.00          | 0.00             | 0.00         | 0.00        | 0.00        | 0.00             |
| Key Club                          | 209.46           | 0.00              | 0.00              | 209.46           | 0.00         | 0.00        | 0.00        | 209.46           |
| Yearbook                          | 1,876.61         | 3,575.00          | 2,868.98          | 2,582.63         | 0.00         | 0.00        | 0.00        | 2,582.63         |
| STLP Fund                         | 0.00             | 0.00              | 0.00              | 0.00             | 0.00         | 0.00        | 0.00        | 0.00             |
| Enrichment Committee              | 38.33            | 0.00              | 0.00              | 38.33            | 0.00         | 0.00        | 0.00        | 38.33            |
| Family & Consumer Science         | 0.00             | 2,044.53          | 1,414.32          | 630.21           | 0.00         | 0.00        | 0.00        | 630.21           |
| Arts                              | 36.32            | 0.00              | 0.00              | 36.32            | 0.00         | 0.00        | 0.00        | 36.32            |
| Drama Club                        | 80.00            | 0.00              | 0.00              | 80.00            | 0.00         | 0.00        | 0.00        | 80.00            |
| AP                                | 3,361.87         | 4,099.00          | 3,285.85          | 4,175.02         | 0.00         | 0.00        | 0.00        | 4,175.02         |
| Textbook/Lock                     | 1,135.57         | 8,058.58          | 6,670.04          | 2,524.11         | 0.00         | 0.00        | 0.00        | 2,524.11         |
| Dual Credit Account               | 0.00             | 10,775.00         | 10,455.00         | 320.00           | 0.00         | 0.00        | 0.00        | 320.00           |
| <b>Totals</b>                     | <b>25,916.99</b> | <b>218,830.65</b> | <b>197,512.21</b> | <b>47,235.43</b> | <b>0.00</b>  | <b>0.00</b> | <b>0.00</b> | <b>47,235.43</b> |

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

**PARIS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

|  |                                    | Federal<br>CFDA<br>Number | MUNIS<br>Number | MUNIS # or<br>Pass-Through<br>Grant<br>Number | Total<br>Awards<br>Expended |
|--|------------------------------------|---------------------------|-----------------|---|-----------------------------|
| <u>U.S. Department of Education</u>            |                                    |                           |                 |   |                             |
| Pass-through Kentucky Department of Education: |                                    |                           |                 |   |                             |
| Title I  | Grants to Local Education Agencies | 84.010                    | 3103            | 3100002                                       | \$ 268,422                  |
| Title I  | Grants to Local Education Agencies | 84.010                    | 3102            | 3100202                                       | 53,789                      |
|  | Total Title I                      |                           |                 |   | <u>322,211</u>              |
| <u>Special Education Cluster</u>               |                                    |                           |                 |   |                             |
| IDEA - Part B Basic                            | Special Education Grants to States | 84.027                    | 3373            | 3810002                                       | 160,348                     |
| IDEA - Part B Preschool                        | IDEA B - Preschool                 | 84.173                    | 3433            | 3800002                                       | 11,273                      |
|  | Total IDEA                         |                           |                 |   | <u>171,621</u>              |
|  | 21st Century Learning              | 84.287                    | 5502            | 3400002                                       | 52,286                      |
|  | 21st Century Learning              | 84.287                    | 5501            | 3400002                                       | 27,078                      |
| Title III                                      | Limited English Prof               | 84.365                    | 3453            | 3300002                                       | 15,865                      |
| Title III                                      | Limited English Prof               | 84.365                    | 3451            | 3300002                                       | 6,084                       |
|  | Edu Jobs Funding                   | 84.410                    | 4411            | EJOB00  | 1,262                       |
| Title II A                                     | Improving Teacher Quality          | 84.367                    | 4013            | 3230002                                       | 61,330                      |
|  | Race to the Top                    | 84.413                    | 4521            | 3960002                                       | 1,552                       |
| Total U.S. Department of Education             |                                    |                           |                 |   | <u>\$ 659,289</u>           |
| <u>U.S. Department of Labor</u>                |                                    |                           |                 |   |                             |
| Pass-through Kentucky Department of Education: |                                    |                           |                 |   |                             |
| WIA  | Jobs for America's Grads           | 17.258                    | 3822            | 273SR11                                       | \$ -                        |
| Total U.S. Department of Labor                 |                                    |                           |                 |   | <u>\$ -</u>                 |
| <u>U.S. Department of Agriculture</u>          |                                    |                           |                 |   |                             |
| Pass-through Kentucky Department of Education: |                                    |                           |                 |   |                             |
| <u>Child Nutrition Cluster</u>                 |                                    |                           |                 |   |                             |
|  | National School Lunch Program      | 10.555                    |                 | 7750002                                       | \$ 199,552                  |
|  | National School Breakfast Program  | 10.553                    |                 | 7760005                                       | 82,840                      |
| Community Nutrition                            | Summer Food Service                | 10.559                    |                 | 7690024                                       | 0                           |
| Nutrition & Health                             | Snacks                             | 10.559                    |                 | 7740023                                       | 0                           |
|  |                                    |                           |                 |   | <u>282,392</u>              |
|  | Food Donations                     | 10.555                    |                 | 057502  | 27,362                      |
| Total Department of Agriculture                |                                    |                           |                 |   | <u>\$ 309,754</u>           |
| Total Federal Financial Assistance             |                                    |                           |                 |   | <u>\$ 969,043</u>           |

**NOTE A - BASIS OF PRESENTATION**

The schedule of expenditures of federal awards includes the federal grant activity of the Paris Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B - FOOD DISTRIBUTION**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

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

**W. DUDLEY SHRYOCK, CPA, PSC**  
**CERTIFIED PUBLIC ACCOUNTANT**  
P.O. BOX 542  
145 COLLEGE STREET  
LAWRENCEBURG, KY 40342  
(502) 839-8112

MEMBER AICPA

MEMBER KY SOCIETY OF CPA'S

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Paris Independent School District  
Paris, Kentucky

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 provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Audit Extension Request, and Appendix IV of the Independent Auditor's Contract – Instructions for Submission of the Audit Report, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Paris Independent School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Paris Independent School District's basic financial statements, and have issued our report thereon dated November 15, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Paris Independent 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 Paris Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Paris Independent 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. Given these limitations, during our audit we did not identify any

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Paris Independent 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*. However, we noted certain opportunities for improvement in the management letter included as pages 47-48.

### **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 results 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*W. Dudley Shryock, CPA, PSC*

Lawrenceburg, Kentucky

November 15, 2013

**W. DUDLEY SHRYOCK, CPA, PSC  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 542  
145 COLLEGE STREET  
LAWRENCEBURG, KY 40342  
(502) 839-8112**

MEMBER AICPA

MEMBER KY SOCIETY OF CPA'S

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

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Paris Independent School District  
Paris, Kentucky

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

We have audited Paris Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Paris Independent School District's major federal programs for the year ended June 30, 2013. Paris Independent 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 Paris Independent 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*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Audit Extension Request, and Appendix IV of the Independent Auditor's Contract – Instructions for Submission of the Audit Report. 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 Paris Independent 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 Paris Independent School District's compliance.

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

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

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

Management of Paris Independent 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 Paris Independent 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 Paris Independent 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.

***W. Dudley Shryock, CPA, PSC***

Lawrenceburg, Kentucky

November 15, 2013

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unmodified opinion on the financial statements of the Paris Independent School District.
2. No significant deficiencies were disclosed during the audit of the financial statements of Paris Independent School District. It follows that no material weaknesses were reported.
3. There were no instances of noncompliance material to the financial statements of Paris Independent School District disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit of Paris Independent School District. Consequently, none are reported as material weaknesses.
5. The auditor's report on compliance for the major federal award programs for Paris Independent School District expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose any findings and questioned costs required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included:

|         |                  |
|---------|------------------|
| Title I | #84.010          |
| Idea-B  | #84.027, #84.173 |
8. The threshold for distinguishing Type A and Type B programs was \$300,000.
9. Paris Independent School District was not determined to be a low-risk auditee.

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

No matters were reported in the current year.

**FINDINGS AND QUESTIONED COSTS– MAJOR FEDERAL AWARD PROGRAMS AUDIT**

There were no findings or questioned costs in the current year.

**PARIS INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

There were no findings in the prior year.

**PARIS INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2013**

No corrective action plan necessary in the current year.

**W. DUDLEY SHRYOCK, CPA, PSC  
CERTIFIED PUBLIC ACCOUNTANT  
P.O. BOX 542  
145 COLLEGE STREET  
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(502) 839-8112**

MEMBER AICPA

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Kentucky State Committee for School District Audits  
Members of the Board of Education  
Paris Independent School District  
Paris, Kentucky

We have examined the financial statements of Paris Independent School District for the year ended June 30, 2012 and have issued our report thereon dated November 15, 2013. As part of our examination, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Paris Independent School District's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Paris Independent School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the system to dispatch its duties.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Paris Independent School District taken as a whole. We noted no matters involving internal control over financial reporting and its operation that we consider to be significant deficiencies or material weaknesses. However, we noted certain matters that are reviewed on the following page.

*W. Dudley Shryock, CPA, PSC*  
Lawrenceburg, Kentucky  
November 15, 2013

**PARIS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER POINTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**Activity Funds**

Auditors were furnished financial reports for each of the schools where ending balances (6/30/2012) did not match beginning balances (July 1, 2012). The record keeper could not explain what happened.

We were able to piece together reports that spanned from 7/1/2012 through 5/31/2013 and from 6/1/2013 through 6/30/2013. This could be a computer glitch or human error. In case it was a computer glitch, the software vendor should be consulted and the problem fixed. If it was human error, maybe some continuing education is in order. Whichever, the Board should be aware that this could be a problem. Although the activity funds are not a part of MUNIS, the Board should receive periodic financial statements and monitor the activity funds accordingly.

**Bank Reconciliations with the General Ledger**

Reconciled bank statements did not match AFR Balance Sheets after period 13. PISD had to hire a consultant to correct this situation.

When additional transactions are posted to period 13, care should be taken to ensure that the proper cutoff is observed. Transactions must be posted to the proper period. It may be beneficial for the Coop to employ a financial consultant that the District could use in these circumstances.

**KISTA Bond Proceeds – Van Purchase**

KISTA bond proceeds and the subsequent purchase of a van were coded to debt service payments.

The correct method of coding these transactions is to record the proceeds as bond revenue and the van as a transportation expenditure. Additionally, the van did not get posted to the District's capital asset list. The debt did get recorded, thus skewing the fund balance and making the District look less efficient.

**Capital Assets – Depreciation Schedule**

Bonds were issued for capital construction/renovation projects, however there were no resulting capital assets posted to the depreciation schedule. Again, this skews the fund balance and makes the District look less efficient.

I realize that the depreciation module is difficult for most finance officers. However, it is imperative that capital assets get posted to the depreciation schedule for proper accounting. Consultants are available to handle capital asset accounting and depreciation if the finance officer is not comfortable with this task that is usually performed only once per year.