

PARIS INDEPENDENT BOARD OF EDUCATION

**Basic Financial Statements,
Supplementary Information,
and Independent Auditor's Reports**

Year Ended June 30, 2014

PARIS INDEPENDENT BOARD OF EDUCATION

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Independent Auditor's Report

Kentucky State Committee for
School District Audits
Paris Independent Board of Education
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 Board of Education, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board'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; 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*, conducted in accordance with *Audits of States, Local Governments, and Non-profit Organizations* and the requirements prescribed by the Kentucky State Committee for School District Audits in the Independent Auditor's Contract. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 Board of Education as of June 30, 2014, 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 4-9 and 39-40 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 Board's basic financial statements. The combining and individual nonmajor fund financial statements, and the financial statements of the activity funds, 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, the financial statements of the activity funds 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, the financial statements of the activity funds 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Handwritten signature of Heuderman Jesse & Company PLLC in cursive script.

Louisville, Kentucky
November 6, 2014

Paris Independent Board of Education - Paris, Kentucky

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2014

This section of the Paris Independent School District's (District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014. This reporting model uses both government-wide financial and fund financial statements. Please read it in conjunction with the additional information found within the body of the audit.

Financial Highlights

- The beginning cash balance for FY 2014 for the District was \$1,183,492. This total includes revenues from all funds. The ending cash balance was \$941,815.
- The District maintained all operations successfully and purchased one new bus with a cost of \$92,003. The District strives to keep the bus fleet up to date by purchasing new buses as older buses are retired.
- After completing a major renovation of Paris Elementary, the District continues to look for ways to address facilities and instructional needs in all of the buildings. Current fiscal year renovation cost is \$298,204 with a cumulative total cost for renovations of \$3,078,235.
- Over the past year, the District was able to upgrade data networks and add wireless modules in all buildings so all of the schools and campuses have wireless access. The District continues to add to the hands-on technology for students by adding multiple iPads to all schools as well as adding intelligent classroom features such as Internet-ready televisions as projection/instruction devices.
- Paris Middle School was labeled a proficient school under the state's accountability system ranking in the 73rd percentile of all middle schools across the state.

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, deferred outflows, liabilities and deferred inflows, with the difference between the four 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.

Paris Independent Board of Education - Paris, Kentucky
Management's Discussion and Analysis (MD&A), continued

For the Year Ended June 30, 2014

Overview of Financial Statements, continued

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 operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 10 and 11 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 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 12 through 21 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 22 through 38 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a governmental financial position. In the case of the District, assets exceeded liabilities and deferred inflows by \$1,823,170 for Governmental Activities, and \$98,225 for Business-Type Activities as of June 30, 2014.

Paris Independent Board of Education - Paris, Kentucky

Management's Discussion and Analysis (MD&A), continued

For the Year Ended June 30, 2014

Government-wide Financial Analysis, continued

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 and construction in progress), less any related debt used to acquire those assets that is 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 June 30, 2014 as compared to June 30, 2013:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current and other assets	\$ 878,580	\$ 1,375,606	\$ 66,084	\$ 62,963	\$ 944,664	\$ 1,438,569
Capital assets	<u>7,494,021</u>	<u>5,987,768</u>	<u>32,926</u>	<u>36,638</u>	<u>7,526,947</u>	<u>6,024,406</u>
Total assets	<u>8,372,601</u>	<u>7,363,374</u>	<u>99,010</u>	<u>99,601</u>	<u>8,471,611</u>	<u>7,462,975</u>
Long-term debt outstanding	5,942,335	6,142,598	--	--	5,942,335	6,142,598
Other liabilities	<u>597,541</u>	<u>422,256</u>	<u>785</u>	<u>1,060</u>	<u>598,326</u>	<u>423,316</u>
Total liabilities	<u>6,539,876</u>	<u>6,564,854</u>	<u>785</u>	<u>1,060</u>	<u>6,540,661</u>	<u>6,565,914</u>
Unavailable revenue	<u>9,555</u>	<u>71,429</u>	<u>--</u>	<u>--</u>	<u>9,555</u>	<u>71,429</u>
Total deferred inflow of resources	<u>9,555</u>	<u>71,429</u>	<u>--</u>	<u>--</u>	<u>9,555</u>	<u>71,429</u>
Net position						
Net investment in capital assets	1,351,423	(516,088)	32,926	36,638	1,384,349	(479,450)
Restricted	118,675	538,485	12,387	19,925	131,062	558,410
Unrestricted	<u>353,072</u>	<u>704,694</u>	<u>52,912</u>	<u>41,978</u>	<u>405,984</u>	<u>746,672</u>
Total net position	<u>\$ 1,823,170</u>	<u>\$ 727,091</u>	<u>\$ 98,225</u>	<u>\$ 98,541</u>	<u>\$ 1,921,395</u>	<u>\$ 825,632</u>

Comments on Budget Comparisons

1) Excluding on-behalf payments of \$1,118,995, the General Fund budget compared to actual revenue varied slightly from line item to line item with an ending actual balance being \$230,559 or 5.15% more than budgeted. Approximately 80% of this difference is due to an increase in property tax revenue

2) Actual General Fund expenditures, net of on-behalf payments of \$1,118,995 compared to budget expenditures, net of contingency allotments, was \$21,367 or 0.45% more than budget.

Paris Independent Board of Education - Paris, Kentucky

Management's Discussion and Analysis (MD&A), continued

For the Year Ended June 30, 2014

The following table presents a comparative summary of revenue and expenses for the fiscal year ended June 30, 2014 and 2013, for selected funds:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Revenues						
Program revenues:						
Charges for services	\$ 7,559	\$ 6,623	\$ 87,449	\$ 111,553	\$ 95,008	\$ 118,176
Operating grants and contributions	757,380	672,934	447,093	422,026	1,204,473	1,094,960
Capital grants and contributions	192,819	197,417	--	--	192,819	197,417
General revenues:						
Property taxes	1,445,797	1,334,631	--	--	1,445,797	1,334,631
Other taxes	408,525	374,077	--	--	408,525	374,077
Investment earnings	14,345	20,132	--	587	14,345	20,719
State and formula grants	3,264,956	3,421,208	4,564	4,241	3,269,520	3,425,449
Gain (loss) on sale of assets	18,258	3,828	--	--	18,258	3,828
State on-behalf payments	1,479,973	1,459,640	44,877	30,849	1,524,850	1,490,489
Miscellaneous	42,838	1,937	--	--	42,838	1,937
Total revenues	<u>\$ 7,632,450</u>	<u>\$ 7,492,427</u>	<u>\$ 583,983</u>	<u>\$ 569,256</u>	<u>\$ 8,216,433</u>	<u>\$ 8,061,683</u>
Summary of Expenses						
Expenses						
Instruction	\$ 4,700,843	\$ 4,283,325	\$ --	\$ --	\$ 4,700,843	\$ 4,283,325
Support services:						
Student	138,160	221,535	--	--	138,160	221,535
Instruction staff	256,415	403,144	--	--	256,415	403,144
District administrative	413,392	386,212	--	--	413,392	386,212
School administrative	420,306	441,359	--	--	420,306	441,359
Business	311,611	288,860	--	--	311,611	288,860
Plant operation and maintenance	905,916	2,146,142	--	--	905,916	2,146,142
Student transportation	219,191	273,869	--	--	219,191	273,869
Community service activities	98,480	141,744	--	--	98,480	141,744
Other	--	54,714	--	--	--	54,714
Interest on long-term debt	250,800	262,369	--	--	250,800	262,369
Food service operation	--	--	584,299	610,387	584,299	610,387
Total expenses	<u>\$ 7,715,114</u>	<u>\$ 8,903,273</u>	<u>\$ 584,299</u>	<u>\$ 610,387</u>	<u>\$ 8,299,413</u>	<u>\$ 9,513,660</u>
Increase (decrease) in net position	(82,664)	(1,410,846)	(316)	(41,131)	(82,980)	(1,451,977)
Net position - beginning, as restated	<u>1,905,834</u>	<u>2,137,937</u>	<u>98,541</u>	<u>139,672</u>	<u>2,004,375</u>	<u>2,277,609</u>
Net position - ending	<u>\$ 1,823,170</u>	<u>\$ 727,091</u>	<u>\$ 98,225</u>	<u>\$ 98,541</u>	<u>\$ 1,921,395</u>	<u>\$ 825,632</u>

Paris Independent Board of Education - Paris, Kentucky

Management's Discussion and Analysis (MD&A), continued

For the Year Ended June 30, 2014

Budgetary Implications

In Kentucky the fiscal year for public schools is July 1 - June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2 percent contingency. The District adopted a budget with \$445,701 in contingency overall.

The Paris Independent Board of Education believes that successful student achievement is the most important task of the school district. They are committed to making sound fiscal decisions to achieve the best educational opportunities for all students.

Capital Assets (Net of Depreciation)

As of June 30, 2014, the District had invested \$7,526,947 in capital assets as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$1,502,541. Additional detailed information on Capital Assets is available in the Notes to the Financial Statements.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Land	\$ 351,553	\$ 351,553	\$ --	\$ --	\$ 351,553	\$ 351,553
Buildings and improvements	6,676,855	5,211,157	--	--	6,676,855	5,211,157
Technology equipment	220,690	224,469	--	--	220,690	224,469
Vehicles	243,932	198,584	--	--	243,932	198,584
General equipment	991	2,005	--	--	991	2,005
Food service and equipment	--	--	32,926	36,638	32,926	36,638
	<u>\$ 7,494,021</u>	<u>\$ 5,987,768</u>	<u>\$ 32,926</u>	<u>\$ 36,638</u>	<u>\$ 7,526,947</u>	<u>\$ 6,024,406</u>

Paris Independent Board of Education - Paris, Kentucky
Management's Discussion and Analysis (MD&A), continued
Year Ended June 30, 2014

Debt Administration

At June 30, 2014, the District had \$5,951,000 in bonds outstanding. Of this amount, \$5,690,002 is to be paid from the KSFCC funding provided by the State. A total of \$322,000 is due within one year.

At June 30, 2013, the District had \$6,271,000 in bonds outstanding. Of this amount, \$5,882,047 is to be paid from the KSFCC funding provided by the State. A total of \$320,000 is due within one year.

Principal payments were made in the amount of \$320,000 representing the net decrease in balance from 2013 to 2014.

Governmental Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	\$ <u>6,271,000</u>	\$ <u>- -</u>	\$ <u>320,000</u>	\$ <u>5,951,000</u>	\$ <u>322,000</u>

Government-wide Financial Statements

PARIS INDEPENDENT BOARD OF EDUCATION

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 737,903	\$ 53,697	\$ 791,600
Inventory	--	12,387	12,387
Accounts receivable	140,677	--	140,677
Capital assets	15,927,950	98,839	16,026,789
Less: accumulated depreciation	<u>(8,433,929)</u>	<u>(65,913)</u>	<u>(8,499,842)</u>
Total assets	<u>8,372,601</u>	<u>99,010</u>	<u>8,471,611</u>
Liabilities			
Accounts payable	32,090	785	32,875
Accumulated sick leave payable	36,584	--	36,584
Long-term liabilities:			
Due within one year:			
Debt obligations	420,303	--	420,303
Due in more than one year:			
Debt obligations	5,942,335	--	5,942,335
Accumulated sick leave payable	<u>108,564</u>	<u>--</u>	<u>108,564</u>
Total liabilities	<u>6,539,876</u>	<u>785</u>	<u>6,540,661</u>
Deferred Inflow of Resources			
Unavailable revenue	<u>9,555</u>	<u>--</u>	<u>9,555</u>
Net Position			
Net investment in capital assets	1,351,423	32,926	1,384,349
Restricted for:			
Other purposes: (nonexpendable)	118,675	12,387	131,062
Unrestricted	<u>353,072</u>	<u>52,912</u>	<u>405,984</u>
Total net position	<u>\$ 1,823,170</u>	<u>\$ 98,225</u>	<u>\$ 1,921,395</u>

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

PARIS INDEPENDENT BOARD OF EDUCATION

Statement of Activities

For the Year June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Governmental activities:							
Instruction	\$ 4,700,843	\$ 7,559	\$ 588,447	\$ --	\$ (4,104,837)	\$ --	\$ (4,104,837)
Support services:							
Student	138,160	--	--	--	(138,160)	--	(138,160)
Instruction staff	256,415	--	--	--	(256,415)	--	(256,415)
District administrative	413,392	--	--	--	(413,392)	--	(413,392)
School administrative	420,306	--	--	--	(420,306)	--	(420,306)
Business	311,611	--	--	--	(311,611)	--	(311,611)
Plant operation and maintenance	905,916	--	--	--	(905,916)	--	(905,916)
Student transportation	219,191	--	--	--	(219,191)	--	(219,191)
Facilities acquisition and construction	--	--	--	192,819	192,819	--	192,819
Community service activities	98,480	--	--	--	(98,480)	--	(98,480)
Interest on long-term debt	<u>250,800</u>	<u>--</u>	<u>168,933</u>	<u>--</u>	<u>(81,867)</u>	<u>--</u>	<u>(81,867)</u>
Total governmental activities	<u>7,715,114</u>	<u>7,559</u>	<u>757,380</u>	<u>192,819</u>	<u>(6,757,356)</u>	<u>--</u>	<u>(6,757,356)</u>
Business-type activities:							
Food service	<u>584,299</u>	<u>87,449</u>	<u>447,093</u>	<u>--</u>	<u>--</u>	<u>(49,757)</u>	<u>(49,757)</u>
Total business-type activities	<u>584,299</u>	<u>87,449</u>	<u>447,093</u>	<u>--</u>	<u>--</u>	<u>(49,757)</u>	<u>(49,757)</u>
Total primary government	<u>\$ 8,299,413</u>	<u>\$ 95,008</u>	<u>\$ 1,204,473</u>	<u>\$ 192,819</u>	<u>(6,757,356)</u>	<u>(49,757)</u>	<u>(6,807,113)</u>
General revenues:							
Taxes:							
Property taxes					\$ 1,303,107	\$ --	\$ 1,303,107
Motor vehicle taxes					142,690	--	142,690
Utility taxes					378,338	--	378,338
Other taxes					30,187	--	30,187
Investment earnings					14,345	--	14,345
State and formula grants					3,264,956	4,564	3,269,520
Gain (loss) on sale of assets					18,258	--	18,258
On-behalf payments					1,479,973	44,877	1,524,850
Miscellaneous					<u>42,838</u>	<u>--</u>	<u>42,838</u>
Change in net position					(82,664)	(316)	(82,980)
Net position - beginning, as previously reported					727,091	98,541	825,632
Prior period adjustment					<u>1,178,743</u>	<u>--</u>	<u>1,178,743</u>
Net position - beginning, as restated					<u>1,905,834</u>	<u>98,541</u>	<u>2,004,375</u>
Net position - ending					<u>\$ 1,823,170</u>	<u>\$ 98,225</u>	<u>\$ 1,921,395</u>

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

PARIS INDEPENDENT BOARD OF EDUCATION

Balance Sheet - Governmental Funds

June 30, 2014

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 710,249	\$ (91,021)	\$ 118,675	\$ --	\$ 737,903
Accounts receivable	<u>36,982</u>	<u>103,695</u>	<u>--</u>	<u>--</u>	<u>140,677</u>
Total assets	<u>\$ 747,231</u>	<u>\$ 12,674</u>	<u>\$ 118,675</u>	<u>\$ --</u>	<u>\$ 878,580</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 28,971	\$ 3,119	\$ --	\$ --	\$ 32,090
Accrued sick leave payable	36,584	--	--	--	36,584
Unavailable revenue	<u>--</u>	<u>9,555</u>	<u>--</u>	<u>--</u>	<u>9,555</u>
Total liabilities	<u>65,555</u>	<u>12,674</u>	<u>--</u>	<u>--</u>	<u>78,229</u>
Fund balances:					
Restricted - future construction	--	--	118,675	--	118,675
Unassigned	<u>681,676</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>681,676</u>
Total fund balances	<u>681,676</u>	<u>--</u>	<u>118,675</u>	<u>--</u>	<u>800,351</u>
 Total liabilities and fund balances	 <u>\$ 747,231</u>	 <u>\$ 12,674</u>	 <u>\$ 118,675</u>	 <u>\$ --</u>	 <u>\$ 878,580</u>

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

PARIS INDEPENDENT BOARD OF EDUCATION

**Statement of Revenues, Expenditures & Changes in Fund Balances
Governmental Funds**

For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total (Memorandum Only)</u>
Revenues					
Taxes:					
Property	\$ 1,186,704	\$ --	\$ --	\$ 116,403	\$ 1,303,107
Motor vehicle	142,690	--	--	--	142,690
Utilities	378,338	--	--	--	378,338
Other	8,160	--	--	--	8,160
Penalties and interest on taxes	22,027	--	--	--	22,027
Tuition and fees	3,408	4,015	--	--	7,423
Earnings on investments	14,345	--	--	--	14,345
Other local revenues	29,563	13,275	--	--	42,838
Intergovernmental - state	4,020,359	363,592	--	553,797	4,937,748
Intergovernmental - indirect federal	<u>18,244</u>	<u>570,203</u>	<u>--</u>	<u>--</u>	<u>588,447</u>
Total revenues	<u>5,823,838</u>	<u>951,085</u>	<u>--</u>	<u>670,200</u>	<u>7,445,123</u>
Expenditures					
Instruction	3,379,691	779,063	--	--	4,158,754
Support services:					
Student	76,028	62,132	--	--	138,160
Instructional staff	228,704	27,711	--	--	256,415
District administration	403,283	10,109	--	--	413,392
School administration	420,306	--	--	--	420,306
Business	309,402	2,209	--	--	311,611
Plant operations and maintenance	854,142	--	--	46,927	901,069
Student transportation	172,416	3,738	--	--	176,154
Food services	--	--	--	--	--
Community service	21,659	76,821	--	--	98,480
Facilities acquisition and construction	--	--	419,810	--	419,810
Debt service:					
Principal	--	--	--	361,258	361,258
Interest	<u>--</u>	<u>--</u>	<u>--</u>	<u>250,800</u>	<u>250,800</u>
Total expenditures	<u>5,865,631</u>	<u>961,783</u>	<u>419,810</u>	<u>658,985</u>	<u>7,906,209</u>
Excess (deficit) of revenues over expenditures (carry forward)	<u>(41,793)</u>	<u>(10,698)</u>	<u>(419,810)</u>	<u>11,215</u>	<u>(461,086)</u>

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

PARIS INDEPENDENT BOARD OF EDUCATION

**Statement of Revenues, Expenditures & Changes in Fund Balances
Governmental Funds, continued**

For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total (Memorandum Only)</u>
Excess (deficit) of revenues over expenditures (brought forward)	<u>(41,793)</u>	<u>(10,698)</u>	<u>(419,810)</u>	<u>11,215</u>	<u>(461,086)</u>
Other financing sources (uses):					
Proceeds from the sale of assets	18,258	--	--	--	18,258
Operating transfers in	31,893	10,698	--	251,080	293,671
Operating transfers out	<u>(31,376)</u>	<u>--</u>	<u>--</u>	<u>(262,295)</u>	<u>(293,671)</u>
Total other financing sources (uses)	<u>18,775</u>	<u>10,698</u>	<u>--</u>	<u>(11,215)</u>	<u>18,258</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(23,018)	--	(419,810)	--	(442,828)
Fund balance June 30, 2013	<u>704,694</u>	<u>--</u>	<u>538,485</u>	<u>--</u>	<u>1,243,179</u>
Fund balance June 30, 2014	<u>\$ 681,676</u>	<u>\$ --</u>	<u>\$ 118,675</u>	<u>\$ --</u>	<u>\$ 800,351</u>

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

PARIS INDEPENDENT BOARD OF EDUCATION

**Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position**

June 30, 2014

Total fund balance per fund financial statements	\$ 800,351
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	7,494,021
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.	<u>(6,471,202)</u>
Net position for governmental activities	<u>\$ 1,823,170</u>

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

PARIS INDEPENDENT BOARD OF EDUCATION

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities**

For the Year Ended June 30, 2014

Net change in total fund balances per fund financial statements	\$ (442,828)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays this year.	107,470
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 position.	361,258
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(108,564)</u>
Change in net position of governmental activities	<u>\$ (82,664)</u>

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

PARIS INDEPENDENT BOARD OF EDUCATION

Statement of Net Position - Proprietary Funds

June 30, 2014

	Food Service <u>Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 53,697
Inventory	<u>12,387</u>
Total current assets	<u>66,084</u>
Noncurrent assets:	
Capital assets	98,839
Less: accumulated depreciation	<u>(65,913)</u>
Total noncurrent assets	<u>32,926</u>
Total assets	<u>99,010</u>
Liabilities	
Current liabilities:	
Accounts payable	<u>785</u>
Total current liabilities	<u>785</u>
Net Position	
Net investment in capital assets	32,926
Restricted for:	
Inventory	12,387
Unrestricted	<u>52,912</u>
Total net position	<u>\$ 98,225</u>

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

PARIS INDEPENDENT BOARD OF EDUCATION

**Statement of Revenues, Expenses,
and Changes in Fund Net Position - Proprietary Funds**

For the Year Ended June 30, 2014

	Food Service <u>Fund</u>
Operating revenues:	
Lunchroom sales	\$ 85,716
Other	<u>1,733</u>
Total operating revenues	<u>87,449</u>
Operating expenses:	
Salaries and wages	257,934
Materials and supplies	308,943
Depreciation expense	3,712
Other operating expenses	<u>13,710</u>
Total operating expenses	<u>584,299</u>
Operating income (loss)	<u>(496,850)</u>
Non-operating revenues (expenses)	
Federal grants	394,666
Donated commodities	52,427
Other state funding	<u>49,441</u>
Non-operating revenue (expenses)	<u>496,534</u>
Change in net position	(316)
Net position June 30, 2013	<u>98,541</u>
Net position June 30, 2014	<u>\$ 98,225</u>

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

PARIS INDEPENDENT BOARD OF EDUCATION

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2014

	Food Service Fund
Cash flows from operating activities:	
Cash received from lunchroom sales	\$ 85,716
Cash received from other activities	1,733
Cash payments to employees for services	(257,934)
Cash payments to suppliers for good and services	(249,253)
Cash payments for other operating activities	<u>(13,710)</u>
Net cash used by operating activities	<u>(433,448)</u>
Cash flows from noncapital financing activities:	
Cash received from government grants	<u>444,107</u>
Net cash provided by noncapital financing activities	<u>444,107</u>
Increase in cash and cash equivalents	10,659
Cash and cash equivalents, June 30, 2013	<u>43,038</u>
Cash and cash equivalents, June 30, 2014	<u>\$ 53,697</u>
Reconciliation of operating loss to net cash used by operating activities	\$ (496,850)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Donated commodities included in operating expenses	52,427
Depreciation expense	3,712
Changes in assets and liabilities:	
Increase in inventories	7,538
Increase in payables	<u>(275)</u>
Net cash used by operating activities	<u>\$ (433,448)</u>
Schedule of non-cash transactions:	
Donated commodities	<u>\$ 52,427</u>

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

PARIS INDEPENDENT BOARD OF EDUCATION

Statement of Fiduciary Net Position

June 30, 2014

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents	\$ 150,215	\$ 75,468
Total assets	<u>150,215</u>	<u>75,468</u>
Liabilities		
Due to student groups	<u>- -</u>	<u>75,468</u>
Total liabilities	<u>- -</u>	<u>\$ 75,468</u>
Net Position		
Held in trust for scholarships	<u>\$ 150,215</u>	

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

PARIS INDEPENDENT BOARD OF EDUCATION

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2014

	<u>Private Purpose Trust Funds</u>
Additions:	
Earnings on investments	\$ 1,532
Deductions:	
Scholarships	<u>1,500</u>
Change in net position	32
Net position June 30, 2013	<u>150,183</u>
Net position June 30, 2014	<u>\$ 150,215</u>

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

Notes to the Basic Financial Statements

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements

Note A - Summary of Significant Accounting Policies

Reporting Entity

The Paris Independent Board of Education ("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 Paris Independent School District ("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 District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. 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 District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Paris Independent Board of Education. 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 Board of Education Finance Corporation

In a prior year the 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) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note A - Summary of Significant Accounting Policies, continued

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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. 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 are presented as general revenues of the District, 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 - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are 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 main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note A - Summary of Significant Accounting Policies, continued

- (B) The Special Revenue (Grant) 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 the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards. 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 Fund).
 - 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) 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. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

II. Proprietary Fund Types (Enterprise Fund)

The 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 contribution of commodities from the USDA. The Food Service Fund is a major fund.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note A - Summary of Significant Accounting Policies, continued

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (B) The Private Purpose Trust funds are used to report trust 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 on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental 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, is 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.

Non-exchange transactions, in which the District receives value without directly 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 non-exchange transactions must also be available before it can be recognized.

Unavailable Revenue - Unavailable 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 unavailable 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. Unused donated commodities are reported as unavailable revenue.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note A - Summary of Significant Accounting Policies, continued

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Tax Revenues

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 2014 fiscal year was based totaled \$177,108,556; tangible property assessments were \$21,547,689. Additionally, PSC real property assessed value was \$2,624,780 and PSC tangible assessed value \$5,852,482.

The tax rates assessed for the year ended June 30, 2014 to finance general fund operations were \$.641 per \$100 valuation on real estate and \$.641 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.

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.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note A - Summary of Significant Accounting Policies, continued

All capital assets are recorded 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 with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets 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>Governmental Activities Estimated Lives</u>
Building and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio- visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as "inter-fund 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.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive a calculated amount of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. 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.

The entire compensated absence liability is reported on the government-wide financial statements.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note A - Summary of Significant Accounting Policies, continued

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Budgetary Process

Budgetary Basis of Accounting: The District's 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).

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

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

The Board does not budget for on-behalf payments, which are reported with the General Fund and the Food Service Fund in the fund financial statements and the budgetary comparison supplementary information.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

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.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note A - Summary of Significant Accounting Policies, continued

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 non-current 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, 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 represents the difference between all other elements in a statement of financial position and should be displayed in three components – *net investment in capital assets*; *restricted* (distinguishing between major categories of restrictions); and *unrestricted*. The calculation of *net investment in capital assets* is similar to the prior calculation of investment in capital assets, net of related debt; however, with the implementation of GASB Statement No. 63, the deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.

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.

Note B - Estimates

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

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note C - Cash and Cash Equivalents

At year-end, the carrying amount of the District's total cash and cash equivalents was \$1,017,283. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Note D - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Land	\$ 351,553	\$ --	\$ --	\$ 351,553
Buildings and improvements	11,827,175	1,818,593	--	13,645,768
Technology equipment	895,540	--	--	895,540
Vehicles	747,504	92,003	--	839,507
General equipment	<u>195,582</u>	<u>--</u>	<u>--</u>	<u>195,582</u>
Totals at historical cost	<u>14,017,354</u>	<u>1,910,596</u>	<u>--</u>	<u>15,927,950</u>
Less: accumulated depreciation				
Buildings and improvements	6,616,018	352,895	--	6,968,913
Technology equipment	671,071	3,779	--	674,850
Vehicles	548,920	46,655	--	595,575
General equipment	<u>193,577</u>	<u>1,014</u>	<u>--</u>	<u>194,591</u>
Total accumulated depreciation	<u>8,029,586</u>	<u>404,343</u>	<u>--</u>	<u>8,433,929</u>
Governmental activities capital assets - net	<u>\$ 5,987,768</u>	<u>\$ 1,506,253</u>	<u>\$ --</u>	<u>\$ 7,494,021</u>
 <u>Business – Type Activities</u>				
Machinery and equipment	\$ 98,839	\$ --	\$ --	\$ 98,839
Totals at historical cost	<u>98,839</u>	<u>--</u>	<u>--</u>	<u>98,839</u>
Less: accumulated depreciation				
Machinery and equipment	<u>62,201</u>	<u>3,712</u>	<u>--</u>	<u>65,913</u>
Total accumulated depreciation	<u>62,201</u>	<u>3,712</u>	<u>--</u>	<u>65,913</u>
Business type activities capital assets - net	<u>\$ 36,638</u>	<u>\$ (3,712)</u>	<u>\$ --</u>	<u>\$ 32,926</u>

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note E - Capital Lease Payable

The following is an analysis of the lease property under capital lease:

<u>Description</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Original Principal Amount</u>	<u>Principal Balance 6/30/13</u>	<u>Debt Issued</u>	<u>Debt Paid</u>	<u>Principal Balance 6/30/14</u>	<u>Due Within One Year</u>
2004 KISTA Bond	3/1/2014	1.00% - 3.50%	\$ 56,730	\$ 5,301	\$ --	\$ 5,301	\$ --	\$ --
2006 KISTA Bond	5/1/2017	2.85% - 3.75%	61,318	18,322	--	6,678	11,644	5,713
2009 KISTA Bond	6/1/2020	2.85% - 3.75%	158,476	94,642	--	15,491	79,151	16,017
2012 KISTA Bond	10/1/2027	4.00% - 4.50%	82,368	73,419	--	9,275	64,144	7,787
2013 KISTA Bond	5/1/2033	0.65% - 3.00%	41,172	41,172	--	4,513	36,659	4,586
			<u>\$ 400,064</u>	<u>\$ 232,856</u>	<u>\$ --</u>	<u>\$ 41,258</u>	<u>\$ 191,598</u>	<u>\$ 34,103</u>

<u>Fiscal Year Ending June 30,</u>	<u>District</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 34,103	\$ 5,339	\$ 39,442
2016	34,286	4,378	38,664
2017	29,102	3,359	32,461
2018	26,878	2,522	29,400
2019	27,697	1,737	29,434
Thereafter	<u>39,532</u>	<u>1,936</u>	<u>41,468</u>
	<u>\$ 191,598</u>	<u>\$ 19,271</u>	<u>\$ 210,869</u>

Total minimum lease payments	\$ 210,869
Less: amount representing interest	<u>19,271</u>

Present value of net minimum lease payments	<u>\$ 191,598</u>
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Note F- Bonded Debt

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 Fiscal Court of Paris Independent School District.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note F- Bonded Debt, continued

<u>Issue</u>	<u>Original Principal Amount</u>	<u>Interest Rates</u>	<u>Principal Outstanding at June 30, 2014</u>	<u>Maturity Date</u>
Series of September 1, 1998	\$ 1,475,000	4.00% - 4.20%	\$ 291,000	3/1/2019
Series of June 1, 2004	705,000	2.00% - 5.00%	425,000	6/1/2024
Series of October 1, 2004	940,000	1.90% - 3.80%	275,000	2/1/2016
Series of March 1, 2006	680,000	4.00%	465,000	3/1/2026
Series of October 1, 2007	880,000	3.40% - 4.00%	685,000	10/1/2027
Series of September 1, 2010	625,000	1.20% - 3.80%	550,000	9/1/2030
Series of April 1, 2012	<u>3,260,000</u>	4.60%	<u>3,260,000</u>	4/1/2032
	<u>\$ 8,565,000</u>		<u>\$ 5,951,000</u>	

Long-term liability activity for the year ended June 30, 2014 was as follows:

<u>Year</u>	<u>Paris Independent School District</u>		<u>Kentucky School Facilities Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 128,092	\$ 62,138	\$ 193,908	\$ 170,061	\$ 554,199
2016	132,906	53,684	187,094	165,815	539,499
2017	--	54,774	198,000	151,691	404,465
2018	--	58,313	211,000	139,513	408,826
2019	--	53,373	215,000	135,357	403,730
2020	--	63,581	160,000	117,196	340,777
2021	--	62,793	165,000	111,484	339,277
2022	--	56,495	165,000	111,047	332,542
2023	--	54,373	170,000	106,299	330,672
2024	--	61,747	185,000	91,620	338,367
2025	--	56,203	135,000	89,474	280,677
2026	--	63,345	145,000	77,042	285,387
2027	--	61,411	100,000	73,221	234,632
2028	--	57,589	85,000	73,418	216,007
2029	--	56,665	40,000	71,917	168,582
2030	--	53,930	40,000	73,132	167,062
2031	--	52,428	35,000	73,209	160,637
2032	--	54,171	3,260,000	70,804	3,384,975
	<u>\$ 260,998</u>	<u>\$ 1,037,013</u>	<u>\$ 5,690,002</u>	<u>\$ 1,902,300</u>	<u>\$ 8,890,313</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable	<u>\$ 6,271,000</u>	<u>\$ --</u>	<u>\$ 320,000</u>	<u>\$ 5,951,000</u>	<u>\$ 322,000</u>

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note G - Interest Expense

For the year ended June 30, 2014, cash expenditures for interest were \$250,800. Expenditures consist of bond issue interest of \$81,867 paid by the District and \$168,933 paid by Kentucky School Facilities Construction Commission.

Note H - Retirement Plans

The 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.

Certified employees are covered under KTRS. Funding for the Plan is provided through payroll withholdings of 11.355% for employees and matching state contributions. The Commonwealth of Kentucky is required to contribute 14.605% of salaries for employees. The federal program that pays for salaries also pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four year college degree or certification by KY Department of Education (KDE).

Substantially all other employees (classified personnel) are covered under the County Employees Retirement System ("CERS"), a cost sharing, multiple-employer, public employers' retirement system. Funding for the Plan is provided through payroll withholdings of 5% and 6% for employees hired after September 1, 2008 and a Board contribution of 18.89% of the employee's total compensation.

The Board's total payroll for the year was \$4,250,767. The payroll for employees covered under KTRS was \$3,136,610 and for CERS was \$1,114,157.

The contribution requirement for CERS for the year ended June 30, 2014 was \$250,708 which consisted of \$196,416 from the Board and \$54,292 from the employees. The contribution requirement for KTRS for the year ended June 30, 2014 was \$436,828 which consisted of \$81,417 from the Board and \$355,411 from the employees. For June 30, 2013 and 2012 the Board's contributions to CERS and KTRS were: CERS \$209,387 and \$201,202; KTRS \$67,937 and \$28,563.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note H - Retirement Plans, continued

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2013 comprehensive annual financial reports. As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

Note I – 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 upon 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 J - Litigation

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress, except as described elsewhere in this report.

Note K - 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 is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated and does include Workers' Compensation insurance.

Note L - Risk Management

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District purchases commercial insurance from Ohio Casualty Insurance Association and Seneca Insurance Company, Inc.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note L - Risk Management, continued

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.

Note M - Deficit Operating Balances

There are no funds of the District that currently have a deficit fund balance.

Note N - Cobra

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

Note O - Transfer of Funds

The following transfers were made during the year:

<u>From fund</u>	<u>To fund</u>	<u>Purpose</u>	<u>Amount</u>
Building	General	Operations	\$ 31,893
Building	Debt service	Debt payments	210,470
General	Special revenue	Technology match	10,698
General	Debt service	Debt payments	20,678
Capital outlay	Debt service	Debt payments	19,932

Note P - New Accounting Pronouncements

During the current fiscal year, the Paris Independent Board of Education implemented the following GASB Statements:

GASB Statement No. 62, GASB Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement - The implementation of this Statement eliminated the need to disclose a statement in the Summary of Significant Accounting Policies footnote that proprietary fund types apply all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 that are not in conflict with applicable GASB pronouncements. This also removed the requirement to disclose whether the District had implemented any pronouncements subsequent to November 30, 1989.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note P - New Accounting Pronouncements, continued

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* - The implementation of this Statement required the District to present a Statement of Net Position, instead of the previously required Statement of Net Assets. The Statement of Net Position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. GASB 63 encourages the presentation of the statement of net position in a format that displays assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, although a balance sheet format (assets plus deferred outflows of resources equals liabilities plus deferred inflows of resources, plus net Position) may be used.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* - The implementation of this Statement required the District to adopt provisions of Concepts Statement No. 4 for all other items reported as assets and liabilities, which were not addressed as part GASB 63. The Statement also revises the major fund calculation so that assets are combined with deferred outflows of resources and liabilities should be combined with deferred inflows of resources. GASB 65 also restricts the use of the term *deferred* to only deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees* - The implementation of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend non-exchange financial guarantees and by those governments that receive non-exchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending non-exchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee.

In June 2013, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No.27*. Statement No. 68 replaces previous requirements related to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The objective of Statement No. 68 is to improve accounting and financial reporting for pensions provided to employees of state and local governments, and information about financial support for pensions that is provided by other entities. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement also provides related note disclosure and supplementary information requirements. Statement No. 68 is effective for years beginning after December 15, 2013. The District has not determined the potential impact, if any, this pronouncement will have on its future financial statements.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note P - New Accounting Pronouncements, continued

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* - The implementation of this Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. Statement No. 69 is effective for financial reporting periods beginning after December 15, 2013. The District has not determined the potential impact, if any; this pronouncement will have on its future financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68, which is effective for years beginning after December 15, 2014. The District has not determined the potential impact, if any; this pronouncement will have on its future financial statements.

Note Q - KSBIT Assessment

The Kentucky School Boards Insurance Trust (KSBIT) was created in 1978 to provide coverage through nonprofit self-insured pools authorized under Kentucky law. In a memo to members on January 14, 2013, KSBIT informed its members that despite years of work to eliminate deficits in these pools, which under law require corrective action. Subsequent to the current year end, the Franklin Circuit Court issued an order instructing the former members to pay their required share of the assessment. Based on the Court's assessment plan, the Paris Independent Board of Education was assessed \$61,265 for liability and \$158,775 for workers' compensation, totaling \$220,040. The assessment was not recorded as a liability on the prior period fund financial statements, because it had not met the GASB criteria under Interpretation 6 for accrual. However, an estimate should have been recorded on the prior period government-wide financial statements because under GASB 10 the criteria that it was probable that a liability had been incurred and the amount could be reasonably estimated had been met. This assessed total of \$220,040 has been included in the current period government-wide financial statements for the District as a prior period adjustment. The District has elected to pay the liability in an installment plan at zero percent interest over the next seven years.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Note Q - KSBIT Assessment, continued

Aggregate payments required on the KSBIT liability for each of the succeeding five years are as follows:

2015	\$ 64,200
2016	38,226
2017	38,226
2018	19,847
2019	19,847
Thereafter	<u>39,694</u>
	<u>\$ 220,040</u>

Note R - On-Behalf Payments

The District receives on-behalf payments from various state agencies for the employer's portion of health benefits, Kentucky Teachers' Retirement System (KTRS), technology and debt services. The amount received for the fiscal year ended June 30, 2014, was \$1,524,850. These payments were recorded as follows:

General fund	\$ 1,118,995
Food services fund	44,877
Debt service fund	<u>360,978</u>
	<u>\$ 1,524,850</u>

Note S - Prior Period Adjustment

During 2013, accounting errors resulting in misstatements of previously reported amounts for buildings and improvements and long-term liabilities were discovered. Accordingly, adjustments amounting to a \$1,398,783 increase in buildings and improvements assets that had been expensed as building renovations and a \$220,040 increase in liability and expense for KSBIT were made to correct those errors.

Note T - Subsequent Events

Subsequent events have been evaluated through November 6, 2014 which is the date the financial statements were available to be issued.

Budgetary Comparison

PARIS INDEPENDENT BOARD OF EDUCATION

**Statement of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual - General Fund**

For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			<u>Final Budget Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 1,527,000	\$ 1,527,000	\$ 1,737,939	\$ 210,919
Tuition and fees	4,000	4,000	3,408	(592)
Earnings on investments	13,000	13,000	14,345	1,345
Other local revenues	20,000	20,000	29,563	9,563
Intergovernmental - state	2,844,330	2,900,284	4,020,359	1,120,075
Intergovernmental - indirect federal	10,000	10,000	18,244	8,244
Intergovernmental - direct federal	--	--	--	--
Total revenues	<u>4,418,330</u>	<u>4,474,284</u>	<u>5,823,838</u>	<u>1,349,554</u>
Expenditures:				
Instruction	2,627,987	2,627,987	3,379,691	(751,704)
Support services:				
Student	71,947	71,947	76,028	(4,081)
Instructional staff	198,100	198,100	228,704	(30,604)
District administration	290,897	290,897	403,283	(112,386)
School administration	376,112	376,112	420,306	(44,194)
Business	283,915	283,915	309,402	(25,487)
Plant operations and maintenance	646,623	646,623	854,142	(207,519)
Student transportation	156,850	156,850	172,416	(15,566)
Central office	--	--	--	--
Food service	--	--	--	--
Community service	25,064	25,064	21,659	3,405
Facilities acquisition and construction	--	--	--	--
Debt service	47,774	47,774	--	47,774
Other	335,053	445,701	--	445,701
Total expenditures	<u>5,060,322</u>	<u>5,170,970</u>	<u>5,865,631</u>	<u>(694,661)</u>
Excess (deficit) of revenues over expenditures	<u>(641,992)</u>	<u>(696,686)</u>	<u>(41,793)</u>	<u>654,893</u>
Other financing sources (uses):				
Proceeds from the sale of assets	--	--	18,258	18,258
Operating transfers in	--	--	31,893	31,893
Operating transfers out	(8,008)	(8,008)	(31,376)	(23,368)
Total other financing sources (uses)	<u>(8,008)</u>	<u>(8,008)</u>	<u>18,775</u>	<u>26,783</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing (uses)	(650,000)	(704,694)	(23,018)	<u>\$ 681,676</u>
Fund balance June 30, 2013	<u>650,000</u>	<u>704,694</u>	<u>704,694</u>	
Fund balance June 30, 2014	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 681,676</u>	

PARIS INDEPENDENT BOARD OF EDUCATION

**Statement of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual - Special Revenue Fund**

For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Tuition and fees	\$ --	\$ --	\$ 4,015	\$ 4,015
Earnings on investments	--	--	--	--
Other local revenues	--	--	13,275	13,275
Intergovernmental - state	8,008	317,426	363,592	46,166
Intergovernmental - indirect federal	--	629,286	570,203	(59,083)
Intergovernmental - direct federal	--	--	--	--
Total revenues	<u>8,008</u>	<u>946,712</u>	<u>951,085</u>	<u>4,373</u>
Expenditures:				
Instruction	16,016	772,247	779,063	(6,816)
Support services:				
Student	--	62,692	62,132	560
Instructional staff	--	37,566	27,711	9,855
District administration	--	3,300	10,109	(6,809)
School administration	--	--	--	--
Business	--	--	2,209	(2,209)
Plant operation and maintenance	--	--	--	--
Student transportation	--	4,200	3,738	462
Community service	--	77,405	76,821	584
Other	--	--	--	--
Total expenditures	<u>16,016</u>	<u>957,410</u>	<u>961,783</u>	<u>(4,373)</u>
Excess (deficit) of revenues over expenditures	<u>(8,008)</u>	<u>(10,698)</u>	<u>(10,698)</u>	<u>--</u>
Other financing sources (uses):				
Operating transfers in	8,008	10,698	10,698	--
Operating transfers out	--	--	--	--
Total other financing sources (uses)	<u>8,008</u>	<u>10,698</u>	<u>10,698</u>	<u>--</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing (uses)	--	--	--	<u>\$ --</u>
Fund balance June 30, 2013	<u>--</u>	<u>--</u>	<u>--</u>	
Fund balance June 30, 2014	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	

Supplementary Information
Combining Statements - Nonmajor Funds

PARIS INDEPENDENT BOARD OF EDUCATION

**Combining Balance Sheets -
Nonmajor Governmental Funds**

June 30, 2014

	<u>FSPK Fund</u>	<u>Debt Service Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets and Resources				
Cash and cash equivalents	\$ --	\$ --	\$ --	\$ --
Total assets and resources	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ --	\$ --	\$ --	\$ --
Deferred revenue	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund balances:				
Committed - other	--	--	--	--
Committed - future construction	--	--	--	--
Restricted - future construction	--	--	--	--
Unassigned	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total fund balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
 Total liabilities and fund balances	 <u>\$ --</u>	 <u>\$ --</u>	 <u>\$ --</u>	 <u>\$ --</u>

PARIS INDEPENDENT BOARD OF EDUCATION

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds**

For the Year Ended June 30, 2014

	<u>FSPK Fund</u>	<u>Debt Service Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:				
From local sources:				
Taxes:				
Property	\$ 116,403	\$ --	\$ --	\$ 116,403
Motor vehicle	--	--	--	--
Earnings from investments	--	--	--	--
Intergovernmental - state	125,960	360,978	66,859	555,797
Intergovernmental - indirect federal	--	--	--	--
Intergovernmental - direct federal	--	--	--	--
Total revenues	<u>242,363</u>	<u>360,978</u>	<u>66,859</u>	<u>670,200</u>
Expenditures:				
Facilities acquisition and construction	--	--	--	--
Debt service				
Principal	--	361,258	--	361,258
Interest	--	250,800	--	250,800
Other	--	--	46,927	46,927
Total expenditures	<u>--</u>	<u>612,058</u>	<u>46,927</u>	<u>658,985</u>
Excess (deficit) of revenues over expenditures	<u>242,363</u>	<u>(251,080)</u>	<u>19,932</u>	<u>11,215</u>
Other financing sources (uses):				
Operating transfers in	--	251,080	--	251,080
Operating transfers out	<u>(242,363)</u>	<u>--</u>	<u>(19,932)</u>	<u>(262,295)</u>
Total other financing sources (uses)	<u>(242,363)</u>	<u>251,080</u>	<u>(19,932)</u>	<u>11,215</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund balance June 30, 2013	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund balance June 30, 2014	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**Statements of Receipts, Disbursements and Changes
in Fund Balances**

**Paris Independent High School and
Combined Middle and Elementary
Activity Funds**

PARIS INDEPENDENT BOARD OF EDUCATION

**Statement of Receipts, Disbursements and Fund Balances
Paris Independent High School Activity Funds**

For the Year Ended June 30, 2014

<u>Accounts</u>	<u>Fund Balances June 30, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balances June 30, 2014</u>
Baseball team	\$ --	\$ 5,502	\$ 5,455	\$ 47
Boys basketball	1,786	21,264	23,050	--
Football	--	20,115	20,066	49
10 th region coaches	1,995	2,564	2,570	1,989
Girls and boys track	--	753	753	--
Girls basketball	97	7,634	7,620	111
Golf	36	2,115	1,744	407
Tennis	--	2,317	2,184	133
Girls high school soccer	188	7,826	8,014	--
Football playoff	--	1,118	891	227
Boys middle school soccer	--	1,281	1,281	--
Swim team	179	243	80	342
Athletic fees	1,777	1,490	2,861	406
Softball team	880	12,084	10,473	2,491
Florida fund/baseball	7	--	--	7
Boys high school soccer	6,963	7,005	13,746	222
All-A classic tournament	761	--	750	11
Bowling (boys and girls)	--	72	72	--
Cross country	1,147	1,659	1,679	1,127
Fall programs	80	--	--	80
Concessions	31	1,669	1,700	--
Boys basketball (PMS)	819	4,120	2,954	1,985
Cheerleaders	20	2,543	2,380	183
Principal account	2,132	5,641	6,202	1,571
Counselor's fund	16	335	219	132
School safety	18	--	--	18
Cary Barr sportsman scholarship	249	1,179	--	1,428
Library (book fair)	1,451	3,357	4,649	159
KY - ASAP	334	--	--	334
Summer school	5,269	1,550	6,819	--
Forensic	--	94	74	20
J.K.G. fund	194	2,101	1,025	1,270
Fellowship of Christian Athletes	67	--	--	67
F.C.C.L.A.	145	--	--	145
H.S. class activity	417	369	786	--
Junior class	1,413	9,185	8,946	1,652
Senior class	2,319	7,472	7,236	2,555
Senior class play	183	--	--	183
Newspaper and magazine	144	--	--	144
Greyhound embroidery-Paris High	1,159	--	--	1,159
FBLA	--	118	108	10
Bank activity fund	57	--	57	--

PARIS INDEPENDENT BOARD OF EDUCATION

**Statement of Receipts, Disbursements and Fund Balances
Paris Independent High School Activity Funds, Continued**

For the Year Ended June 30, 2014

<u>Accounts</u>	<u>Fund Balances June 30, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balances June 30, 2014</u>
Academic team	46	--	--	46
Beta club	225	443	209	459
Academy of health and science	175	7,152	5,406	1,921
School store	3,508	1,363	1,881	2,990
Academic pride boosters	8	--	--	8
Spanish club	345	67	412	--
Band	--	10,537	7,435	3,102
Student government	--	7,255	7,196	59
Key club	209	--	209	--
Yearbook	2,583	3,800	3,794	2,589
Enrichment committee	38	--	--	38
Family and consumer science	630	523	766	387
Arts	36	350	--	386
Drama	80	--	--	80
AP	4,175	1,407	3,122	2,460
Textbook/lock	2,524	9,502	7,574	4,452
Dual credit account	320	6,485	6,734	71
	<u>\$ 47,235</u>	<u>\$ 183,659</u>	<u>\$ 191,182</u>	<u>\$ 39,712</u>

PARIS INDEPENDENT BOARD OF EDUCATION

**Statement of Receipts, Disbursements and Fund Balances
Paris Independent Middle and Elementary Schools**

For the Year Ended June 30, 2014

<u>School</u>	<u>Fund Balances June 30, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balances June 30, 2014</u>
Paris Independent Elementary School	\$ 18,261	\$ 69,717	\$ 56,283	\$ 31,695
Paris Independent Middle School	<u>3,095</u>	<u>9,733</u>	<u>8,767</u>	<u>4,061</u>
Total	<u>\$ 21,356</u>	<u>\$ 79,450</u>	<u>\$ 65,050</u>	<u>\$ 35,756</u>

Schedule of Expenditures of Federal Awards

PARIS INDEPENDENT BOARD OF EDUCATION

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

	<u>CFDA Number</u>	<u>Pass-Through Number</u>	<u>Disbursements</u>
<u>U.S. Department of Education:</u>			
Title I, Grants to Local Educational Agencies	84.010	3100002 13	\$ 245,587
Title I, Grants to Local Educational Agencies	84.010	3100002 12	<u>17,121</u>
Total			<u>262,708</u>
 Special Education Cluster:			
Special Education - Grants to States	84.027	3810002 13	153,877
Special Education - Preschool Grants	84.173	3800002 13	<u>11,168</u>
Total			<u>165,045</u>
 English Language Acquisition State Grants			
English Language Acquisition State Grants	84.365	3300002 13	6,565
English Language Acquisition State Grants	84.365	3300002 12	<u>4,035</u>
Total			<u>10,600</u>
 Twenty-First Century Community Learning Centers			
Twenty-First Century Community Learning Centers	84.287	3400002-12	30,462
Twenty-First Century Community Learning Centers	84.287	3400002-11	<u>37,528</u>
Total			<u>67,990</u>
 Race to the Top			
Race to the Top	84.413	3960002-11	<u>3,949</u>
 Improving Teacher Quality State Grants			
Improving Teacher Quality State Grants	84.367	3230002 13	<u>59,911</u>
Total U.S. Department of Education			<u>\$ 570,203</u>
Passed through the Kentucky Department of Education			

See accompanying notes to Schedule of Expenditures of Federal Awards.

PARIS INDEPENDENT BOARD OF EDUCATION

Schedule of Expenditures of Federal Awards, continued

For the Year Ended June 30, 2014

	<u>CFDA Number</u>	<u>Pass-Through Number</u>	<u>Disbursements</u>
<u>U.S. Department of Agriculture:</u>			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	7760005 14	\$ 79,521
National School Breakfast Program	10.553	7760005 13	<u>19,671</u>
Total			99,192
National School Lunch Program	10.555	7750002 14	198,098
National School Lunch Program	10.555	7750002 13	<u>47,139</u>
Total			245,237
Summer Food Service Program	10.559	7690024 13	4,743
Summer Food Service Program	10.559	7740023 13	<u>45,494</u>
Total			50,237
Food Donations	10.555	057502 13	<u>52,427</u>
Total U.S. Department of Agriculture Passed through the Kentucky Department of Education			<u>\$ 447,093</u>
Total federal financial awards			<u>\$ 1,017,296</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Note A - Basis of Presentation

The accompanying 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 - Non-cash Donations

Food donations listed as CFDA# 10.555 are non-cash assistance in the form of USDA food commodities.

**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***

**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
Paris Independent Board of Education
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*, conducted in accordance with *Audits of States, Local Governments, and Non-profit Organizations* and the requirements prescribed by the Kentucky State Committee for School District Audits in the Independent Auditor's Contract, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Paris Independent Board of Education, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 6, 2014.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-1, to be a material weakness.

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. We did not identify any significant deficiencies that were not considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board'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*.

Paris Independent Board of Education's Responses to Findings

The Board's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Louisville, Kentucky
November 6, 2014

**Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control
Over Compliance Required by OMB Circular A-133**

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Paris Independent Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2014. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Board'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; the provisions of *Office of Management and Budget Circular A-133*, conducted in accordance with *Audits of States, Local Governments, and Non-profit Organizations* and the requirements prescribed by the Kentucky State Committee for School District Audits in the Independent Auditor's Contract. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Paris Independent Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

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

Our considerations of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-2, to be a material weakness.

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. We did not identify any significant deficiencies that were not considered to be material weaknesses.

The Board's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Henderson Jesse & Company PLLC

Louisville, Kentucky
November 6, 2014

Schedule of Findings and Questioned Costs

PARIS INDEPENDENT BOARD OF EDUCATION

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal awards

Internal control over major programs:

- Material weakness(es) identified? Yes
- Significant deficiencies identified that are not considered to be material weakness(es)? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster:

84.010 Title I
10.553, 10.555, 10.559 Child Nutrition Cluster

Dollar threshold used to distinguish between type A and B programs: \$ 300,000

Auditee qualified as low-risk auditee? No

Section II - Financial Statement of Findings

Reference: 2014-1

The Board does not have controls in place which would prevent or detect a misstatement during preparation of financial statements and related note disclosures.

PARIS INDEPENDENT BOARD OF EDUCATION
Schedule of Findings and Questioned Costs, continued
For the Year Ended June 30, 2014

Section II - Financial Statement of Findings, continued

Criteria:

A control deficiency exists when an entity does not have controls in place which would prevent or detect misstatements of financial statements and related notes disclosures.

Cause:

Board personnel do not currently possess the resources necessary over preparation of financial statements and related note disclosures in accordance with generally accepted accounting principles.

Effect:

Misstatements may occur and not be detected in the financial statements, related note disclosures or underlying records.

Recommendation:

See corrective action plan.

Response:

See corrective action plan.

Section III - Federal Award Findings and Questioned Costs

Child Nutrition Cluster
CFDA #10.553, 10.555, 10.559
U.S. Department of Agriculture

Title I
CFDA # 84.010
U.S. Department of Education

Reference: 2014-2

Criteria:

Internal controls are in place to ensure that the compliance components of section 510(a)(2) of Circular A-133 are filed timely and accurately.

Condition:

During audit procedures it was noted that the required Data Collection Form had not been submitted by the District since August 10, 2010, which was for the year ended June 30, 2009.

Cause:

Procedures to ensure that performance of the submission of the Data Collection Form were not consistently applied.

PARIS INDEPENDENT BOARD OF EDUCATION
Schedule of Findings and Questioned Costs, continued
For the Year Ended June 30, 2014

Section III - Federal Award Findings and Questioned Costs, continued

Effect:

Without consistent application of the submission of the Data Collection Form, the District could be subject to the following sanctions: withholding, suspending or terminating the Federal award.

Recommendation:

See corrective action plan.

Response:

See corrective action plan.

PARIS INDEPENDENT BOARD OF EDUCATION

Schedule of Prior Year Audit Findings

June 30, 2014

There were no prior year audit findings

PARIS INDEPENDENT BOARD OF EDUCATION

Corrective Action Plan

June 30, 2014

Date: November 6, 2014

Oversight Agency: Kentucky Department of Education

The *Paris Independent Board of Education* respectfully submits the following corrective action plan for the year ended June 30, 2014.

Name and Address of Independent Public Accounting Firm: Henderman, Jessee & Company, PLLC, 304 Whittington Parkway, Suite 107, Louisville, Kentucky 40222.

Audit Period: For the year ended June 30, 2014

14-1

Recommendation for Correction: The Board should consider providing additional training to an employee to develop the resources and/or experience in preparing and reviewing financial statements for external reporting in accordance with current standards. As an alternative recommendation, the Board could outsource the preparation of the financial statements and related notes to an individual or entity which possesses and maintains the resources and experience necessary to prepare financial statements and related notes in accordance with current standards.

Management Response to the Recommendation: We will consider additional training for our Finance Officer to develop a better understanding in preparing and reviewing financial statements. Due to budget constraints this training may be cost prohibitive. We are a small district with limited staff and we don't feel this effects our day to day operations.

Implementation: Immediate

14-2

Recommendation for Correction: We believe that significant training of responsible personnel is critical toward understanding the policies and procedures necessary to fulfill reporting requirements.

Management Response to the Recommendation: Management of the Paris Independent School District will follow the Auditor's recommendation.

Implementation: Immediate

If the Kentucky Department of Education has questions regarding this plan, please call me at (859) 987-2160.

Sincerely,

Gary Wiseman, Superintendent

PARIS INDEPENDENT BOARD OF EDUCATION

Corrective Action Plan

June 30, 2014

Date: November 6, 2014

Oversight Agency: U.S. Department of Education

The *Paris Independent Board of Education* respectfully submits the following corrective action plan for the year ended June 30, 2014.

Name and Address of Independent Public Accounting Firm: Henderman, Jessee & Company, PLLC, 304 Whittington Parkway, Suite 107, Louisville, Kentucky 40222.

Audit Period: For the year ended June 30, 2014

14-1

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Implementation: Immediate

14-2

Recommendation for Correction: We believe that significant training of responsible personnel is critical toward understanding the policies and procedures necessary to fulfill reporting requirements.

Management Response to the Recommendation: Management of the Paris Independent School District will follow the Auditor's recommendation.

Implementation: Immediate

If the Kentucky Department of Education has questions regarding this plan, please call me at (859) 987-2160.

Sincerely,

Gary Wiseman, Superintendent

PARIS INDEPENDENT BOARD OF EDUCATION

Corrective Action Plan

June 30, 2014

Date: November 6, 2014

Oversight Agency: U.S. Department of Agriculture

The *Paris Independent Board of Education* respectfully submits the following corrective action plan for the year ended June 30, 2014.

Name and Address of Independent Public Accounting Firm: Henderman, Jessee & Company, PLLC, 304 Whittington Parkway, Suite 107, Louisville, Kentucky 40222.

Audit Period: For the year ended June 30, 2014

14-1

Recommendation for Correction: The Board should consider providing additional training to an employee to develop the resources and/or experience in preparing and reviewing financial statements for external reporting in accordance with current standards. As an alternative recommendation, the Board could outsource the preparation of the financial statements and related notes to an individual or entity which possesses and maintains the resources and experience necessary to prepare financial statements and related notes in accordance with current standards.

Management Response to the Recommendation: We will consider additional training for our Finance Officer to develop a better understanding in preparing and reviewing financial statements. Due to budget constraints this training may be cost prohibitive. We are a small district with limited staff and we don't feel this effects our day to day operations.

Implementation: Immediate

14-2

Recommendation for Correction: We believe that significant training of responsible personnel is critical toward understanding the policies and procedures necessary to fulfill reporting requirements.

Management Response to the Recommendation: Management of the Paris Independent School District will follow the Auditor's recommendation.

Implementation: Immediate

If the Kentucky Department of Education has questions regarding this plan, please call me at (859) 987-2160.

Sincerely,

Gary Wiseman, Superintendent

Management Letter Comments

Paris Independent Board of Education
310 West 7th Street
Paris, Kentucky 40361

In planning and performing our audit of the basic financial statements of Paris Independent Board of Education (the "Board") for the year ended June 30, 2014, we considered the Board's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. This letter summarizes our comments and suggestions regarding those matters. We will review the status of these comments during our next audit engagement and have discussed many of these comments already with District personnel. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

14-1 Athletics

Statement of Condition: It was noted that for high school athletic contests that payment to officials did not include a purchase order.

Recommendation for Correction: To strengthen internal control it is advised that the District follow the general guidelines for expenditures in the Redbook and include a purchase order when paying officials for athletic contests.

Management's Response: Staff will receive additional Redbook training.

14-2 Ticket Sales - Segregation of Duties

Statement of Condition: Instances of lack of segregation of duties in the process of ticket sales.

Recommendation for Correction: Precautions must be taken to protect activity fund money from loss and limit the liability of individuals handling the money. The ticket seller gives the entire ticket to the customer and collects the fee. The ticket taker tears the ticket in half, gives half back to the customer, and retains half. The ticket taker and seller must be two separate people. Both must sign the Requisition and Report of Ticket Sales (Form F-SA-1).

Management's Response: Two staff members will be present at all times to collect tickets.

14-3 Ticket Sales - Record Keeping

Statement of Condition: Failure to attach beginning ticket receipt of cash collected to the Requisition and Report of Ticket Sales (Form F-SA-1).

Recommendation for Correction: To properly reconcile the number of tickets collected with the number of tickets sold, the beginning ticket number must be retained. The amount of cash collected and the total sales amount is compared to the amount to be deposited. The total amount of cash and checks collected is compared to the number of tickets sold with any over/short identified before turning the money and form into the school treasurer. The school treasurer should prepare a receipt for the amount of the deposit and attach it to Form F-SA-1.

Management's Response: Staff will receive additional Redbook training.

Others Matters Noted:

Follow-up On Prior Year Recommendations

1. During the prior year audit the following conditions were noted: beginning balances for activity funds did not match the prior year ending balances; reconciled bank statements did not match the AFR report balance sheet; KISTA bond proceeds were coded to the wrong AFR account number and capital assets were not recorded on the depreciation schedule.

Management's Response:

District school staff received additional Redbook, MUNIS and financial record keeping training during the current fiscal year.

We have enjoyed working with the management and staff of the Paris Independent Board of Education and look forward to a continuing mutually productive relationship. Please call us if you have any questions concerning this letter or if we can be of any other assistance.

Respectfully submitted,



Louisville, Kentucky
November 6, 2014

Statement of Certification

State Committee for School District Audits
Frankfort, Kentucky

The Paris Independent School District certifies that all audit adjustments have been entered into MUNIS and that an Annual Financial Report and Balance Sheet, which are in agreement with the audit report, will be transferred to KDE in conjunction with the audit report.

Submitted, November 6, 2014


_____ Superintendent


_____ Finance Officer