

# ***Paris Independent School District***

## ***Annual Financial Report***

***For the Year Ended  
June 30, 2019***

**Malnory, McNeal & Company, PC**

***Certified Public Accountants***

**PARIS INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2019**

Paris Independent School District  
Annual Financial Report  
For The Year Ended June 30, 2019

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## INTRODUCTORY SECTION

CERTIFICATE OF BOARD

Paris Independent School District  
Name of School District

Lamar  
County

139-909  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended June 30, 2019, at a meeting of the board of trustees of such school district on the 21st day of October, 2019.

Rebecca B. Norment  
Signature of Board Secretary

George Fisher  
Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):  
(attach list as necessary)

## FINANCIAL SECTION

# Malnory, McNeal & Company, PC

Certified Public Accountants

Mark W. Malnory, CPA  
Johnna W. McNeal, CPA  
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Members of  
American Institute of Certified Public Accountants  
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Elizabeth Hamm, CPA  
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Les S. Malnory, CPA

## **Independent Auditor's Report**

To the Board of Trustees  
Paris Independent School District  
Paris, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Paris Independent School District ("the District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Paris Independent School District as of June 30, 2019, and the respective changes in financial position, 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 the Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplementary information section, and Schedule of Required Responses to Selected School First Indicators, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information 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 Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

The Schedule of Required Responses to School First Indicators has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

*McNary, McNeal & Company, P.C.*

Certified Public Accountants

October 11, 2019  
Paris, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Paris Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- Total Cash and Cash Equivalents at June 30, 2019 was \$13,158,340.
- The general fund reported an unassigned fund balance of \$10,021,728, a decrease of \$115,833 from the previous year. This was due to the completion of a construction project that was totally financed through fund balance.
- Debt service ended the year with \$911,723. This represents 2019 I&S tax collections needed to make the August, 2019 debt payment.
- The District earned a 2019 School FIRST (Financial Integrity Rating System of Texas) Rating of "Superior" for school year 2017-2018.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
  - *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
  - *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

#### Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental Activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes, state revenues, and federal grants finance most of these activities.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets that can readily be converted to cash* flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis of comparative balances and changes therein is inclusive of the current year's and prior year's operations. The analysis focuses on the net position (Table A-1) and changes in net position (Table A-2) of the District's governmental activities.

The District's total net position was \$2,944,609 at June 30, 2019. (See Table A-1) This is an increase in Total Net Position of \$2.3 million from the year ending June 30, 2018. This increase is a small recovery from last year's implementation of Governmental Accounting Standards Board (GASB) Statement No. 75 related to the accrual of Other Post Employment Benefits (OPEB). OPEB refers to benefits other than pensions (such as health insurance) that state and local governments provide to their retired employees. GASB 75 now requires school districts to report their pro-rata share of the cost of insurance coverage for retirees (TRS-Care). This addition had a devastating effect on total net position in 2018-19 when the initial calculation of the cumulative liability was calculated and reported.

**Table A-1**  
Paris Independent School District's Net Position  
Taken from Exhibit A-1, Statement of Net Position  
(In thousands of dollars)

	Governmental Activities	
	2019	2018
<b>Assets:</b>		
Total current assets	19,498	19,672
Total noncurrent assets	59,690	58,264
Total Assets	79,188	77,936

**Deferred Outflows of Resources:**

Deferred Outflow Related – Undesignated	2,332	2,520
Deferred Outflow Related to Pensions	5,912	2,643
Deferred Outflow Related to OPEB	1,668	297
Total Deferred Outflows of Resources	<u>9,912</u>	<u>5,461</u>
<b>Liabilities:</b>		
Total current liabilities	4,944	5,693
Total long-term liabilities	49,772	51,428
Net Pension Liability	10,925	6,318
Net OPEB Liability	<u>15,057</u>	<u>12,873</u>
Total Liabilities	<u>80,698</u>	<u>76,312</u>
<b>Deferred Inflows of Resources:</b>		
Deferred Inflow Related to Pensions	696	1,089
Deferred Inflow Related to OPEB	<u>4,761</u>	<u>5,385</u>
Total Deferred Outflows of Resources	<u>5,457</u>	<u>6,474</u>
<b>Net position:</b>		
Invested in capital assets	13,215	10,847
Restricted	1,202	1,676
Unrestricted	<u>(11,472)</u>	<u>(11,913)</u>
Total Net position	<u>2,945</u>	<u>610</u>

The District's annual revenue as reported on the Government-wide statements totaled \$47.7 million, a 19% increase from the preceding year. This increase is a result of the GASB 75 adjustment as described above. Evidence of this can be found on Exhibit C-2--the Statement of Revenues, Expenditures, and Changes (which is not affected by OPEB)--where total revenue for the district for the year is reported as \$46.4 million, a 2% increase from the previous year. As is typical, the largest portion of the District's revenue comes from state-funded programs. Local property taxes and federal grants account for the remaining significant revenue sources. The total cost of all programs and services as reported on the Government-wide statements was \$45 million; 55% of these costs were for instruction and instructional-related services, and 19% were for student support services.

**Table A-2**  
**Changes in Paris Independent School District's Net Position**  
 Taken from Exhibit B-1, Statement of Activities  
*(In thousands of dollars)*

	Governmental Activities	
	2019	2018
<b>Program Revenues:</b>		
Charges for Services	712	759
Operating Grants and Contributions	10,043	10,166
<b>General Revenues</b>		
Property Taxes	11,428	11,173
State Aid – Formula	24,916	17,515
Investment Earnings	277	200
Other	<u>341</u>	<u>227</u>
Total Revenues	<u>47,717</u>	<u>40,040</u>
Instruction	23,618	15,510
Instructional Resources and Media Services	406	311
Curriculum Dev. And Instructional Staff Dev.	943	750
Instructional Leadership	780	361
School Leadership	2,648	1,711
Guidance, Counseling and Evaluation Services	1,327	789
Social Work Services	397	292
Health Services	477	328
Student (Pupil) Transportation	1,381	41
Food Services	2,950	2,203
Curricular/Extracurricular Activities	2,269	1,845
General Administration	1,234	865
Plant Maintenance & Operations	3,995	5,244
Security & Monitoring Services	510	300
Data Processing Services	436	300
Community Services	101	103
Interest and Fees on Long-term Debt	1,721	1,781
Bond Issuance Costs and Fees	4	3

Capital Outlay	6	23
Pmts Related to Shared Services Arrangement	18	36
Intergovernmental Charges	161	158
Total Expenses	<u>45,382</u>	<u>32,954</u>
Increase (Decrease) in Net Position	2,335	7,069
Net Position—Beginning	610	16,012
Prior Period Adjustment	0	(22,471)
Net Position—Beginning As Restated	<u>610</u>	<u>(6,459)</u>
Net Position—Ending	<u>2945</u>	<u>610</u>

Table A-3 presents the cost of each of the District's largest functions, as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars. Again, because of adjustments required by GASB 75, these expenses for the year are not particularly comparable to the prior year.

- The cost of all *governmental* activities this year was \$45.4 million.
- Comparatively, the amount that PISD taxpayers paid for these activities through property taxes was \$11.4 million.
- A portion of the cost was paid by those who directly benefited from the programs (\$712 thousand).
- Another portion was paid by grants and contributions (\$10.04 million).

**Table A-3**  
**Net Cost of Selected District Functions**  
 Taken from Exhibit B-1, Statement of Activities  
*(in millions of dollars)*

	Total Cost of Services		Net Cost of Services	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Instruction	23.62	15.51	19.69	11.37
Plant Maintenance & Operations	3.99	5.24	3.89	5.11
Food Service	2.95	2.20	.09	.76
School Leadership	2.65	1.71	2.22	1.27
Cocurricular/Extracurricular Activities	2.27	1.84	1.78	1.28
Interest on Long-Term Debt	1.72	1.78	.42	.53

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$46.4 million, an increase of 2% over the preceding year. Most of that increase was in the General Fund. Total costs for the district decreased by 2.5%. Total revenues exceeded total expenditures by \$466,567. During the year, the district completed the new Career & Technical Education building, replaced the turf and sound system at the athletic stadium, made upgrades at the baseball and softball fields, replaced some asphalt paving at the bus barn with concrete, added a sealcoat to most district parking lots, completed the new roof at Aikin Elementary, replaced a roof at Givens Early Childhood Center, widened the bus loop at Crockett Intermediate, resurfaced gym floors at Paris Junior High and Paris High School, and purchased various pieces of equipment including a used maintenance truck, a new mower, a tractor and mower attachment, and band instruments.

### General Fund Budgetary Highlights

Over the course of the year, the District revised its original budget by presenting budget amendments at regularly scheduled board meetings. Amendments were made to cover completion of and equipment for the new Career & Technical Education Building, completion of the Aikin Elementary roof, upgrades at the baseball and softball fields, creation of a district warehouse, payment of spring tuition for dual credit courses, purchase of kitchen equipment, purchase of classroom furniture and computers, and completion of various spring maintenance projects. The original budget of \$33,377,653 was amended to \$36,324,266; however, only \$34,914,537 was actually spent. Additionally, actual expenditures were less than final appropriations available for each function.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of FY 2019, the District had invested \$93 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deletions) of \$1.4 million over last year.

**Table A-4**  
District's Capital Assets  
Taken from Footnote D  
(In thousands of dollars)

	Governmental Activities	
	2019	2018
Land	744	744
Construction in Progress	0	3,125
Buildings and improvements	86,520	80,449
Vehicles	3,498	3,475
Equipment	1,919	2,198
Totals at historical cost	92,681	89,991
Total accumulated depreciation	(32,991)	(31,728)
Net capital assets	59,690	58,263

### Long Term Debt

At year-end the District had long-term liabilities as shown in Table A-5. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

**Table A-5**  
District's Long Term Liabilities  
Taken from Footnote G and Exhibit A-1  
(In millions of dollars)

	Governmental Activities	
	2019	2018
Notes payable	0	0
Bonds payable	45.4	46.2
Discount/Premium/Loss	3.3	3.5
Accumulated Accretion	1.7	1.7
	<u>50.4</u>	<u>51.4</u>
Net Pension Liability	10.9	6.3
Net OPEB Liability	15.0	12.9
Total Governmental Activities	<u>76.3</u>	<u>70.6</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The 2018-2019 tax rate remained constant at a total rate of \$1.455 per \$100 of valuation. The Board of Trustees adopted a 2019-2020 tax rate of \$1.3534 as a result of tax compression as required by HB3.
- The freeze adjusted taxable property value used for the 2019-2020 budget preparation was \$733,891,754, which was based on 2018 certified values as well as the preliminary 2019 values provided by the Lamar County Appraisal District. This amount was 3.3% higher than the estimated amount used for the 2018-2019 budget. When 2019 certified values were received in late July, freeze adjusted taxable value was \$743,246,892. This was a 1.3% increase over 2018 certified values.

- The District's 2018-2019 refined average daily attendance was 3446.5, up slightly from 3434.7 for the previous year. The 2019-2020 average daily attendance is forecasted to remain constant.

These indicators were taken into account when preparing the budget for 2019-2020. The District adopted a budget of \$43.7 million for all board-approved funds. Amounts available for appropriation in the general fund budget were \$37.6 million, an increase of \$4.2 million from the prior year. This increase was due to the increased state funding that came from the 2019 legislative session through HB3.

General fund expenditures are budgeted to be \$37.6 million for 2019-2020. The most significant expenditure, salaries and benefits, makes up 80% of the total board-approved budget. In addition, the District planned to complete several district maintenance projects and increased the budget of various departments based on special requests in the 2019-2020 budget.

If the budgetary estimates for 2019-2020 are realized, the fund balance in the District's general fund is expected to remain constant by the close of fiscal year 2020.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Any questions about this report or requests for additional financial information should be directed to the District's Business Office.



## **BASIC FINANCIAL STATEMENTS**

**PARIS INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

JUNE 30, 2019

1

Data Control Codes		Governmental Activities
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 13,158,340
1225	Property Taxes Receivable (Net)	2,315,423
1240	Due from Other Governments	3,777,736
1290	Other Receivables (Net)	6,000
1300	Inventories	41,698
1490	Other Current Assets	198,644
	Capital Assets:	
1510	Land	743,605
1520	Buildings and Improvements, Net	56,491,747
1530	Furniture and Equipment, Net	2,454,758
1000	Total Assets	<u>79,187,951</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
1701	Deferred Outflow Related to Unrealized Loss on Defeasance of Debt	2,331,620
1705	Deferred Outflow Related to Pensions	5,911,562
1703	Deferred Outflow Related to OPEB	1,668,472
1700	Total Deferred Outflows of Resources	<u>9,911,654</u>
<b>LIABILITIES:</b>		
2110	Accounts Payable	1,026,526
2165	Accrued Liabilities	3,264,736
2180	Due to Other Governments	4,578
2300	Unearned Revenue	3,597
2400	Payable from Restricted Assets	644,989
	Noncurrent Liabilities:	
2501	Due Within One Year	1,500,000
2502	Due in More Than One Year	48,271,677
2540	Net Pension Liability	10,924,610
2545	Net OPEB Liability	15,056,928
2000	Total Liabilities	<u>80,697,641</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
2605	Deferred Inflow Related to Pensions	695,992
2603	Deferred Inflow Related to OPEB	4,761,363
2600	Total Deferred Inflows of Resources	<u>5,457,355</u>
<b>NET POSITION:</b>		
3200	Net Investment in Capital Assets	13,214,645
	Restricted For:	
3850	Debt Service	667,874
3870	Campus Activities	236,815
3890	Other Purposes	297,511
3900	Unrestricted	(11,472,236)
3000	Total Net Position	<u>\$ 2,944,609</u>

The accompanying notes are an integral part of this statement.

## PARIS INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 23,618,258	\$ 61,343	\$ 3,862,526	\$ (19,694,389)
12	Instructional Resources and Media Services	405,759	1,099	42,324	(362,336)
13	Curriculum and Staff Development	942,867	1,420	432,020	(509,427)
21	Instructional Leadership	780,217	1,547	240,999	(537,671)
23	School Leadership	2,647,484	6,693	424,018	(2,216,773)
31	Guidance, Counseling, & Evaluation Services	1,326,487	3,755	87,978	(1,234,754)
32	Social Work Services	397,381	642	189,473	(207,266)
33	Health Services	477,180	1,041	136,470	(339,669)
34	Student Transportation	1,380,835	3,356	64,369	(1,313,110)
35	Food Service	2,949,783	172,345	2,870,855	93,417
36	Cocurricular/Extracurricular Activities	2,268,549	442,861	42,978	(1,782,710)
41	General Administration	1,234,134	3,551	52,173	(1,178,410)
51	Facilities Maintenance and Operations	3,994,951	10,885	97,250	(3,886,816)
52	Security and Monitoring Services	509,882	78	63,218	(446,586)
53	Data Processing Services	436,222	1,265	20,372	(414,585)
61	Community Services	101,451	19	100,963	(469)
72	Interest on Long-term Debt	1,720,737	--	1,296,379	(424,358)
73	Bond Issuance Costs and Fees	4,100	--	--	(4,100)
81	Capital Outlay	5,968	19	--	(5,949)
93	Payments Related to Shared Services Arrangements	18,235	--	18,250	15
99	Other Intergovernmental Charges	161,441	--	--	(161,441)
TG	Total Governmental Activities	<u>45,381,921</u>	<u>711,919</u>	<u>10,042,615</u>	<u>(34,627,387)</u>
TP	Total Primary Government	<u>\$ 45,381,921</u>	<u>\$ 711,919</u>	<u>\$ 10,042,615</u>	<u>(34,627,387)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				9,220,102
DT	Property Taxes, Levied for Debt Service				2,207,920
IE	Investment Earnings				276,636
GC	Grants and Contributions Not Restricted to Specific Programs				24,916,384
MI	Miscellaneous				340,679
TR	Total General Revenues				<u>36,961,721</u>
CN	Change in Net Position				2,334,334
NB	Net Position - Beginning				610,275
NE	Net Position - Ending				<u>\$ 2,944,609</u>

The accompanying notes are an integral part of this statement.

**PARIS INDEPENDENT SCHOOL DISTRICT**

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2019

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>			
1110 Cash and Cash Equivalents	\$ 10,985,504	\$ 2,172,836	\$ 13,158,340
1225 Taxes Receivable, Net	1,914,282	401,141	2,315,423
1240 Due from Other Governments	3,191,925	585,811	3,777,736
1260 Due from Other Funds	157	1,660	1,817
1290 Other Receivables	6,000	--	6,000
1300 Inventories	14,275	27,423	41,698
1490 Other Current Assets	198,644	--	198,644
1000 Total Assets	<u>16,310,787</u>	<u>3,188,871</u>	<u>19,499,658</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110 Accounts Payable	\$ 966,093	\$ 60,433	\$ 1,026,526
2150 Payroll Deductions & Withholdings	7,671	--	7,671
2160 Accrued Wages Payable	2,507,746	361,287	2,869,033
2170 Due to Other Funds	1,660	157	1,817
2180 Due to Other Governments	4,578	--	4,578
2200 Accrued Expenditures	301,460	86,572	388,032
2300 Unearned Revenue	--	3,597	3,597
2000 Total Liabilities	<u>3,789,208</u>	<u>512,046</u>	<u>4,301,254</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred Revenue	1,914,282	401,140	2,315,422
2600 Total Deferred Inflows of Resources	<u>1,914,282</u>	<u>401,140</u>	<u>2,315,422</u>
<b>FUND BALANCES:</b>			
Nonspendable Fund Balances:			
3410 Inventories	14,275	27,423	41,698
3430 Prepaids	198,644	--	198,644
Restricted Fund Balances:			
3450 Federal/State Funds Grant Restrictions	--	869,148	869,148
3480 Retirement of Long-Term Debt	--	911,723	911,723
3490 Other Restrictions of Fund Balance	--	230,576	230,576
Committed Fund Balances:			
3545 Other Committed Fund Balance	372,650	236,815	609,465
3600 Unassigned	10,021,728	--	10,021,728
3000 Total Fund Balances	<u>10,607,297</u>	<u>2,275,685</u>	<u>12,882,982</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 16,310,787</u>	<u>\$ 3,188,871</u>	<u>\$ 19,499,658</u>

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

Total fund balances - governmental funds balance sheet	\$ 12,882,982
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	59,690,110
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,315,423
Payables for bond principal which are not due in the current period are not reported in the funds.	(45,405,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(644,989)
Capitalized loss on defeasance of bonds not available to pay for current period expenditures are not reported in the funds.	2,331,620
Accumulated accretion on capital appreciation bonds is reported in the SNP but not in the funds.	(1,029,594)
Unamortized premium on bonds is capitalized in the SNP but expensed in the funds.	(3,337,084)
Deferred Resource Inflows related to OPEB are not reported in the funds.	(4,761,363)
Recognition of the District's proportionate share of the net OPEB Liability is not reported in the funds.	(15,056,928)
Deferred Resource Outflows related to OPEB are not reported in the funds.	1,668,472
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(10,924,610)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(695,992)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	5,911,562
Net position of governmental activities - Statement of Net Position	\$ <u>2,944,609</u>

The accompanying notes are an integral part of this statement.

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 9,787,936	\$ 2,952,067	\$ 12,740,003
5800 State Program Revenues	24,573,042	1,503,935	26,076,977
5900 Federal Program Revenues	629,855	6,921,695	7,551,550
5020 Total Revenues	<u>34,990,833</u>	<u>11,377,697</u>	<u>46,368,530</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	18,492,202	2,829,216	21,321,418
0012 Instructional Resources and Media Services	367,199	24,157	391,356
0013 Curriculum and Staff Development	460,363	410,004	870,367
0021 Instructional Leadership	502,097	217,153	719,250
0023 School Leadership	2,171,792	272,054	2,443,846
0031 Guidance, Counseling, & Evaluation Services	1,218,700	22,178	1,240,878
0032 Social Work Services	208,970	154,608	363,578
0033 Health Services	346,080	101,585	447,665
0034 Student Transportation	1,191,638	13,770	1,205,408
0035 Food Service	102,220	2,855,035	2,957,255
0036 Cocurricular/Extracurricular Activities	1,403,357	469,534	1,872,891
0041 General Administration	1,151,323	8,246	1,159,569
0051 Facilities Maintenance and Operations	6,263,975	266,308	6,530,283
0052 Security and Monitoring Services	440,141	37,895	478,036
0053 Data Processing Services	411,433	--	411,433
0061 Community Services	6,288	89,278	95,566
0071 Principal on Long-term Debt	--	770,000	770,000
0072 Interest on Long-term Debt	--	2,424,070	2,424,070
0073 Bond Issuance Costs and Fees	--	4,100	4,100
0081 Capital Outlay	15,318	--	15,318
0093 Payments to Shared Service Arrangements	--	18,235	18,235
0099 Other Intergovernmental Charges	161,441	--	161,441
6030 Total Expenditures	<u>34,914,537</u>	<u>10,987,426</u>	<u>45,901,963</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	76,296	390,271	466,567
7080 Total Other Financing Sources and (Uses)	--	--	--
1200 Net Change in Fund Balances	<u>76,296</u>	<u>390,271</u>	<u>466,567</u>
0100 Fund Balances - Beginning	10,531,001	1,885,414	12,416,415
3000 Fund Balances - Ending	<u>\$ 10,607,297</u>	<u>\$ 2,275,685</u>	<u>\$ 12,882,982</u>

The accompanying notes are an integral part of this statement.

**PARIS INDEPENDENT SCHOOL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds	\$ 466,567
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,414,203
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,983,814)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	101,637
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,460,000
The accretion of interest on capital appreciation bonds is not reported in the funds.	(32,754)
(Increase) decrease in accrued interest from beginning of period to end of period.	5,288
Current year amortization of bond premium is reported in the SOA but not in the funds.	229,567
Amortization of loss on refunding is reported in the SOA but not in the funds.	(188,768)
Gain or loss on sale of capital assets	(3,521)
Implementing GASB 75 required certain expenditures to be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of August 31, 2018 caused the change in the ending net position to increase.	312,613
OPEB contributions made before the measurement date and during the previous fiscal year were also de-expanded recorded as a reduction in net OPEB liability.	(295,234)
The District's proportionate share of the TRS net OPEB expense decreased the change on the net pension.	(206,709)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of August 31, 2018 caused the change in the ending net position to increase.	579,943
Pension contributions made before the measurement date and during the previous fiscal year were also de-expanded recorded as a reduction in net pension liability.	(554,320)
The District's proportionate share of the TRS net pension expense decreased the change on the net pension.	(970,364)
Change in net position of governmental activities - Statement of Activities	<u>\$ 2,334,334</u>

The accompanying notes are an integral part of this statement.

**PARIS INDEPENDENT SCHOOL DISTRICT**  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2019

		Agency Fund
Data Control Codes		Student Activity
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 41,618
1000	Total Assets	41,618
<b>LIABILITIES:</b>		
Current Liabilities:		
2190	Due to Student Groups	\$ 41,618
2000	Total Liabilities	41,618
<b>NET POSITION:</b>		
3000	Total Net Position	\$ -

The accompanying notes are an integral part of this statement.



# PARIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### A. Summary of Significant Accounting Policies

The basic financial statements of Paris Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### 1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

#### 2. Basis of Presentation, Basis of Accounting

##### a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

## PARIS INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

In addition, the District reports the following fund types:

**Agency Funds:** These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

**Debt Service Fund:** This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**Special Revenue Funds:** These funds account for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

b. **Measurement Focus, Basis of Accounting**

**Government-wide and Fiduciary Fund Financial Statements:** These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, 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.

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

## PARIS INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

h. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget.

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

Fund Balance Policy - In an effort to provide adequate cash flow for operations, maintain a strong credit rating, and plan for unanticipated extraordinary costs, the District shall strive to maintain in the general fund an unassigned fund balance of at least two months operations.

j. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

k. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS' fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

5. Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS' fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

6. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

GASB Statement No. 83, -Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

GASB Statement No. 90, -Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This Statement also establishes that ownership of a majority equity interest in a

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

The District does not currently have any interest in any separate organizations and does not expect that implementation of the pronouncement will have an impact on the financial statements

**B. Compliance and Accountability**

**1. Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

**2. Deficit Fund Balance or Fund Net Position of Individual Funds**

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

**C. Deposits and Investments**

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

**1. Cash Deposits:**

At June 30, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$11,591,214 and the bank balance was \$11,415,907. The District's cash deposits at June 30, 2019 and during the year ended June 30, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

**2. Investments:**

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

## PARIS INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at June 30, 2019 are shown below.

<u>Investments or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star Investment Pool	N/A	\$ 16,074
Texas CLASS	N/A	1,592,672
Total Investments		<u>\$ 1,608,746</u>

#### 3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

##### a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At June 30, 2019, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

Lone Star	AAA
Texas CLASS	AAAm

##### b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.



**PARIS INDEPENDENT SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government

# PARIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

### Texas CLASS

The District invests in the Texas CLASS, which is local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds investment Act, Chapter 2256 of the Texas Government Code. The pool is governed by a board of trustees, elected annually by its participants. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the "Participants"), Public Trust Advisors LLC (PTA) as Program Administrator and Wells Fargo Bank Texas, N.A. as Custodian. Texas CLASS is rated at a AAAM or equivalent rating from at least one nationally recognized rating agency and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Texas CLASS seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time.

### D. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Capital assets not being depreciated:</i>				
Land	\$ 743,605	\$ -	\$ -	\$ 743,605
Construction in progress	3,125,096	-	3,125,096	-
Total capital assets not being depreciated	3,868,701	-	3,125,096	743,605
<i>Capital assets being depreciated:</i>				
Buildings and improvements	80,449,221	6,071,206	-	86,520,427
Equipment	2,198,490	321,809	601,680	1,918,618
Vehicles	3,474,958	146,284	122,692	3,498,550
Total Capital Assets being depreciated	86,122,669	6,539,299	724,372	91,937,596
Less accumulated depreciation for:				
Buildings and improvements	(28,447,454)	(1,581,226)	-	(30,028,680)
Equipment	(1,372,803)	(133,962)	(598,159)	(908,606)
Vehicles	(1,907,871)	(268,626)	(122,692)	(2,053,805)
Total accumulated depreciation	(31,728,128)	(1,983,814)	(720,851)	(32,991,091)
Total capital assets being depreciated, net	54,394,541	4,555,485	3,521	58,946,505
Governmental activities capital assets, net	\$ 58,263,242	\$ 4,555,485	\$ 3,128,617	\$59,690,110

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Depreciation was charged to functions as follows:

11	Instruction	\$	863,856
13	Curriculum and Staff Development		3,075
21	Instructional Leadership		603
23	School Leadership		24,818
31	Guidance, Counseling, & Evaluation Services		603
32	Social Work Services		4,897
33	Health Services		4,897
34	Student Transportation		221,958
35	Food Services		93,014
36	Extracurricular Services		387,497
41	General Administration		10,091
51	Plant Maintenance and Operations		366,575
52	Security and Monitoring Services		1,930
		\$	<u>1,983,814</u>

**E. Interfund Balances and Activities**

**1. Due to and From Other Funds**

Balances due to and due from other funds at June 30, 2019, consisted of the following:

Due to Fund	Due from Fund	Amount	Purpose
General Fund	Campus Activity Fund	\$ 1,660	Reimburse Expenditures
Campus Activity	General Fund	157	Reimburse Expenditures
	Total	<u>\$ 1,817</u>	

All amounts due are scheduled to be repaid within one year.

**2. Transfer To and From Other Funds**

Transfers to and from other funds at June 30, 2019, consisted of the following:

None

**F. Short-Term Debt Activity**

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources. The District had no short-term loans.

**G. Long-Term Obligations**

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2019, are as follows:

# PARIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
2%-3% Unlimited Tax School Bldg Bond Series 2013 TEC Code 45.032 Current Interest	\$ 7,505,000	\$ --	\$ 205,000	\$ 7,300,000	\$ 210,000
Capital Appreciation Bonds	250,000	--	--	250,000	
2%-4% Unlimited Tax Refunding Bonds Series 2015 TEC Code 45.004	8,580,000	--	--	8,580,000	
2%-4% Unlimited Tax Refunding Bonds Series 2016 TEC Code 45.004	8,880,000	--	--	8,880,000	
1.25%-3.7% Unlimited Tax Refunding Bonds, Series 2017 TEC Code 45.004					
Current Interest Bonds:	20,895,000	--	500,000	20,395,000	1,290,000
Capital Appreciation Bonds	65,000	--	65,000	--	
Unamortized Premium					
Series 2013	454,270	--	50,475	403,795	
Series 2015	1,039,593	--	71,694	967,899	
Series 2016	815,788	--	42,936	772,852	
Series 2017	1,257,000	--	64,462	1,192,538	
Accumulated Accretion on Capital Appreciation Bonds					
Series 2013	1,002,273	27,320	--	1,029,593	
Series 2017	684,566	5,434	--	690,000	
Net Pension Liability	6,318,198	5,275,028	668,616	10,924,610	
Net OPEB Liability	12,872,956	2,392,002	208,030	15,056,928	
Total Governmental Activities	<u>\$ 70,619,644</u>	<u>\$ 7,699,784</u>	<u>\$ 1,876,213</u>	<u>\$ 76,443,215</u>	<u>\$1,500,000</u>

### 2. Debt Services Requirements

Debt Service requirements at June 30, 2019, are as follows:

Year Ending June 30,	Unlimited Tax School Building & Refunding, Series 2013		
	Principal	Interest	Total
2020	210,000	204,745	414,745
2021	215,000	200,545	415,545
2022	1,110,000	196,245	1,306,245
2023	--	168,495	168,495
2024	1,390,000	168,495	1,558,495
2025	1,425,000	126,795	1,551,795
2026	1,455,000	84,045	1,539,045
2027	1,495,000	40,395	1,535,395
Totals	<u>\$ 7,300,000</u>	<u>\$ 1,189,760</u>	<u>\$ 8,489,760</u>

# PARIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Year Ending June 30,	Capital Appreciation Bonds		
	Unlimited Tax School Building & Refunding, Series 2013		
	Principal	Interest	Total
2023	\$ 250,000	\$ 1,380,000	\$ 1,630,000
Totals	\$ 250,000	\$ 1,380,000	\$ 1,630,000

Year Ending June 30,	Unlimited Tax Refunding Bonds, Series 2015		
	Principal	Interest	Total
2020	---	343,200	343,200
2021	---	343,200	343,200
2022	---	343,200	343,200
2023	---	343,200	343,200
2024	---	343,200	343,200
2025	---	343,200	343,200
2026	---	343,200	343,200
2027	---	343,200	343,200
2028	1,480,000	343,200	1,823,200
2029	1,530,000	284,000	1,814,000
2030	1,585,000	222,800	1,807,800
2031	1,645,000	159,400	1,804,400
2032	1,700,000	93,600	1,793,600
2033	640,000	25,600	665,600
Totals	\$ 8,580,000	\$ 3,874,200	\$ 12,454,200

Year Ending June 30,	Unlimited Tax Refunding Bond, Series 2016		
	Principal	Interest	Total
2020	\$ --	\$ 355,200	\$ 355,200
2021	---	355,200	355,200
2022	---	355,200	355,200
2023	---	355,200	355,200
2024	---	355,200	355,200
2025	---	355,200	355,200
2026	---	355,200	355,200
2027	---	355,200	355,200
2028	---	355,200	355,200
2029	---	355,200	355,200
2030	---	355,200	355,200
2031	---	355,200	355,200
2032	---	355,200	355,200
2033	1,105,000	355,200	1,460,200
2034	1,925,000	311,000	2,236,000
2035	2,015,000	234,000	2,249,000
2036	2,125,000	153,400	2,278,400
2037	1,710,000	68,400	1,778,400
Totals	\$ 8,880,000	\$ 5,739,600	\$ 14,619,600

Year Ended June 30,	Unlimited Tax Refunding Bond, Series 2017		
	Principal	Interest	Total
2020	\$ 1,290,000	\$ 816,825	\$ 2,106,825
2021	1,340,000	752,325	2,092,325
2022	480,000	725,525	1,205,525
2023	230,000	711,125	941,125
2024	245,000	706,525	951,525

## PARIS INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

2025	260,000	699,175	959,175
2026	780,000	691,375	1,471,375
2027	820,000	660,175	1,480,175
2028	865,000	627,375	1,492,375
2029	910,000	592,775	1,502,775
2030	955,000	556,375	1,511,375
2031	1,005,000	518,175	1,523,175
2032	1,050,000	477,975	1,527,975
2033	1,105,000	435,975	1,540,975
2034	1,155,000	391,775	1,546,775
2035	1,190,000	345,575	1,535,575
2036	1,205,000	303,925	1,508,925
2037	1,760,000	261,750	2,021,750
2038	3,750,000	173,750	3,923,750
Totals	<u>\$ 20,395,000</u>	<u>\$ 10,448,475</u>	<u>\$ 30,843,475</u>

#### 3. Advance Refunding of Debt

GASB Statement No. 7 "Advance Refunding's Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of June 30, 2019, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows:

	<u>Series 2009</u>
	<u>Amount</u>
2026	\$ 120,000
2027	115,000
2028	100,000
2029	95,000
2030	80,000
2031	75,000
2032	70,000
2033	65,000
2034	645,000
2035	680,000
2036	715,000
2037	750,000
2038	785,000
Totals	<u>\$ 4,295,000</u>

#### H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

# PARIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### I. Pension Plan

#### 1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

#### 2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

#### 3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

#### 4. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016, 2017, 2018 and 2019.

# PARIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	<u>Contributions and Rates</u>			
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Member	7.20%	7.70%	7.70%	7.70%
Non-Employer Contributing Entity (NECE – State)	6.80%	6.80%	6.80%	6.80%
Employers	6.80%	6.80%	6.80%	6.80%
District Employer Contributions	\$ 546,477	\$ 641,836	\$ 652,798	\$ 684,691
District Member Contributions	\$ 1,389,998	\$ 1,684,333	\$ 1,764,760	\$ 1,788,515
NECE On-Behalf Contributions to District	\$ 1,137,687	\$ 1,188,740	\$ 1,188,740	\$ 1,205,585

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.



# PARIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### 5. Actuarial Assumptions

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions have been selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions are primarily based on a study of actual experience for the four-year period ending August 31, 2014 and were adopted in September 2015.

The active mortality rates were based on 90 percent of the RP 2014 Employer Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

Valuation Date	August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term Expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Payroll Growth Rate	3.00%
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

### 6. Discount Rate

The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on the pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability with no cross-over point to a municipal bond rate. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

#### Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Real Rate of Return As of June 30, 2018

Asset Class	Target Allocation *	Long-Term Expected Geometric Real Rate of Return	Expected Contribution To Long-Term Portfolio Returns **
Global Equity			
U.S.	18.00%	5.70%	1.00%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.90%	0.80%
Directional Hedge Funds	4.00%	3.50%	0.10%
Private Equity	13.00%	10.20%	1.30%

# PARIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

Stable Value			
U.S. Treasuries	11.00%	1.10%	0.10%
Absolute Return	0.00%	0.00%	0.00%
Stable Value Hedge Funds	4.00%	3.10%	0.10%
Cash	1.00%	(0.30%)	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	70.00%	0.00%
Real Assets	14.00%	5.20%	0.70%
Energy & Natural Resources	5.00%	7.50%	0.40%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	3.70%	20.00%
Inflation Expectation			2.30%
Alpha			(0.80%)
Total	100%		7.20%

\* Target allocations are based on the FY 2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY 2017, but the reallocation does not affect the long term expected geometric real rate of return or expected contribution to long-term portfolio returns.

\*\* The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between Arithmetic and geometric mean returns.

For the fiscal year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments was 12.98 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### 7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 5.907%	Discount Rate 6.907%	1% Increase in Discount Rate 7.907%
District's Proportionate Share of the Net Pension Liability	\$ 16,487,856	\$ 10,924,610	\$ 6,420,832

### 8. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the District reported a liability of \$10,924,610 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 10,924,610
State's Proportionate Share that is Associated with District	\$ 19,710,491
Total	\$ 30,635,101

# PARIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

The net pension liability was measured as of August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0198476169 %, which was a decrease of -0.0000875707% from its proportion measured as of August 31, 2017.

### Changes Since the Prior Actuarial Valuation -

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed by TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.
- There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.
- For the year ended June 30, 2019, the District recognized pension expense of \$3,475,497 and revenue of \$1,950,813 for support provided by the State.

At June 30, 2019 the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts below will be the cumulative layers from the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 68,095	\$ 268,047
Changes in Actuarial Assumptions	3,938,848	123,089
Difference Between Projected and Actual Investment Earnings	--	207,287

# PARIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

Changes in Proportion and Difference Between The District's Contributions and the Proportionate Share of Contributions	1,324,676	97,569
Total as of August 31, 2018 Measurement Date	\$ 5,331,619	695,992
Contributions Paid to TRS Subsequent to the Measurement Date	579,943	--
Total	\$ 5,911,562	\$ 695,992

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions recognized in pension expense as follows:

Year Ended June 30	Pension Expense Amount
2020	\$ 1,257,419
2021	\$ 821,197
2022	\$ 691,782
2023	\$ 724,315
2024	\$ 706,180
Thereafter	\$ 434,734

### J. Defined Other Post-Employment Benefit Plans

#### 1. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

#### 2. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TR at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2018 are as follows:

Net OPEB Liability	Total
Total OPEB Liability	\$ 50,729,490,103
Less: Plan Fiduciary Net Position	798,574,633
Net OPEB Liability	\$ 49,930,915,470
Net Position as a Percentage of Total OPEB Liability	1.57%

## PARIS INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

#### 3. Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes, including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans:

Monthly TRS-Care Plan Premium Rates					
January 1, 2018 through December 31, 2018					
		TRS-Care 1 Basic Plan		TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree *	\$	--	\$	70	100
Retiree and Spouse		20		175	255
Retiree* and Children		41		132	182
Retiree and Family		61		237	337
Surviving Children Only		28		62	82
* or Surviving Spouse					

#### 4. Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the State, active employees and school districts based upon public school district payroll. The TRS board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

**PARIS INDEPENDENT SCHOOL DISTRICT****NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2019

**Contribution Rates**

	2019	2018	2017	2016
Active Employee	0.65%	0.65%	0.65%	0.65%
Non-Employer Contributing Entity (NECE) - State	1.25%	1.25%	1.00%	1.00%
Employers	0.75%	0.75%	0.55%	0.55%
Federal/Private Funding Remitted By Employers	1.25%	1.25%	1.00%	1.00%
Current Fiscal year District Contributions	\$ 368,170			
Current Fiscal year Member Contributions	\$ 157,380			
2018 Measurement year NECE Contributions	\$ 254,881			

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether they participate in the TRS-Care OPEB program. When employers hire a TRS retiree, they are required to pay to TRS-Care a monthly surcharge of \$535 per retiree if enrolled in TRS-Care.

TRS-Care received supplemental appropriations from the State of Texas as the NECE in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2019. The 85th Texas Legislature, 1st Called Special Session, House Bill 30 provided an additional \$212 million in supplemental funding for the fiscal year 2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

**Medicare Part D Subsidies**

The Medicare Prescription Drug, Improvement, Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2019, 2018, and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$73,974, \$69,710, and \$65,921, respectively.

**5. Actuarial Assumptions**

The total OPEB liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018.

# PARIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Rates of Mortality  
Rates of Retirement  
Rates of Termination  
Rates of Disability Incidence

General Inflation  
Wage Inflation  
Expected Payroll Growth

### Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate *	3.69% *
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	3.0%
Projected Salary Increases **	3.05% to 9.05% **
Healthcare Trend Rates ***	8.50% ***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad Hoc Post-Employment Benefit Changes	None

\*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

\*\*Includes inflation at 2.30%

\*\*\*Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first-year medical trend for Medicare retirees (107.74%) reflects the anticipated return of the Health Insurer Fee (HIF) in 2020. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 9 years. The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

### 6. Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of 0.27% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributions entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected not to be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

# PARIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

### 7. Discount Rate Sensitivity Analysis

The following schedule shows the impact on the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease In Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase In Discount Rate (4.69%)
District's Proportionate Share of Net OPEB Liability	\$ 17,922,918	\$ 15,056,928	\$ 12,789,746

### 8. Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate (8.5%)	1% Increase
District's Proportionate Share of Net OPEB Liability	\$ 12,505,024	\$ 15,056,928	\$ 18,417,841

### 9. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2019, the District reported a liability of \$15,056,928 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net OPEB Liability	\$ 15,056,928
State's Proportionate Share that is Associated with the District	<u>\$ 18,474,251</u>
Total	<u>\$ 33,531,179</u>

The net OPEB liability was measured as of August 31, 2017 rolled to August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018 the District's proportion of the collective net OPEB liability was .0301555220% which was an increase of .0005531621% from its proportion measured as of August 31, 2017.



## PARIS INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

#### 10. Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected the measurement of the total OPEB liability since the prior measurement period:

- a. Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
- b. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment and its impact was included as an assumption change in the reconciliation of the OPEB liability. This change significantly lowered the OPEB liability.
- c. The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the TOL.

The Affordable Care Act includes a 40% excise tax on high-cost health plans known as the "Cadillac tax." In this valuation the impact of this tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- a. 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- b. Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- c. There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis-point addition to the long-term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used from these measurements; and changes in plan provision or applicable law.

There were not changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,173,925 and revenue of \$671,982 for support by the states.

# PARIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

At June 30, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflow Of Resources	Deferred Inflow Of Resources
Differences Between Expected and Actual Economic Experience	\$ 799,015	\$ 237,620
Changes in Actuarial Assumptions	251,259	4,523,743
Differences between Projected and Actual Investment Earnings	2,633	--
Changes in Proportion and Difference Between the District's Contributions And the Proportionate Share of Contributions	302,952	--
Total as of August 31, 2018 Measurement Date	\$ 1,355,859	\$ 4,761,363
Contributions Paid to TRS Subsequent to the Measurement Date	312,613	--
Total	\$ <u>1,668,472</u>	\$ <u>4,761,363</u>

The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB recognized in OPEB expense as follows:

Year Ended June 30	Pension Expense Amount
2020	\$ (554,916)
2021	\$ (554,916)
2022	\$ (554,916)
2023	\$ (555,413)
2024	\$ (555,698)
Thereafter	\$ (629,645)

### K. Employee Health Care Coverage

Texas House Bill 3343 created a statewide program for public school employee group health coverage beginning September 1, 2002. The Active Care Plan "the Plan" was authorized by Article 3.50-7 of the Texas Insurance Code and is administered by the Teacher Retirement System of Texas (TRS). Both the TRS and the Texas Education Agency (TEA) have roles in funding the program. The TRS Active Care Plan is a self-funding pool at TRS, but the participating districts are fully insured. The District contributed a maximum of \$367 per month per eligible employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to the administrator of the Plan. The contract between the District and the Plan is renewable September 1, 2019, and the annual financial statements have been filed with the Texas State Board of Insurance.

## PARIS INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

#### L. Commitments and Contingencies

##### 1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

##### 2. Litigation

No reportable litigation was pending against the District at June 30, 2019.

#### M. Subsequent Events

Management has evaluated subsequent events through October 21, 2019, the date the financials were available to be distributed and noting that the District entered into a debt agreement for \$8,605,000 worth of maintenance and tax notes issued on September 5, 2019. The proceeds will be used for renovations and construction on multiple campuses.

In July 2019 the District began renovations of their HeadStart building with estimated costs being \$270,000. The grant funding will be received in subsequent year to cover the costs for the renovations.

#### N. Accounting Standards Applicable to Subsequent Year

The Governmental Accounting Standards Board (GASB) has issued several new accounting standards. Each standard has a separate effective date. The new standards and related effective dates are listed below:

-- Statement No. 84-Fiduciary Activities  
effective for reporting periods beginning after December 15, 2018

-- Statement No. 87-Leases  
effective for reporting periods beginning after December 15, 2019

GASB Statements No. 84, and 87 when effective are expected to affect the District. The effect has not been calculated. While early implementation is sometimes allowed, the District does not plan to early implement.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**PARIS INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2019

**EXHIBIT G-1**

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 9,120,824	\$ 9,350,927	\$ 9,787,936	\$ 437,009
5800	State Program Revenues	23,847,429	23,847,429	24,573,042	725,613
5900	Federal Program Revenues	415,000	415,000	629,855	214,855
5020	Total Revenues	33,383,253	33,613,356	34,990,833	1,377,477
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	18,716,269	18,877,425	18,492,202	385,223
0012	Instructional Resources and Media Services	401,353	412,734	367,199	45,535
0013	Curriculum and Staff Development	495,460	518,144	460,363	57,781
	Total Instruction & Instr. Related Services	19,613,082	19,808,302	19,319,764	488,538
Instructional and School Leadership:					
0021	Instructional Leadership	534,930	527,315	502,097	25,218
0023	School Leadership	2,207,409	2,191,041	2,171,792	19,249
	Total Instructional & School Leadership	2,742,339	2,718,356	2,673,889	44,467
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	1,292,565	1,267,358	1,218,700	48,658
0032	Social Work Services	214,460	212,760	208,970	3,790
0033	Health Services	357,754	357,754	346,080	11,674
0034	Student (Pupil) Transportation	1,243,761	1,277,626	1,191,638	85,988
0035	Food Services	98,656	113,656	102,220	11,436
0036	Cocurricular/Extracurricular Activities	1,406,397	1,464,008	1,403,357	60,651
	Total Support Services - Student (Pupil)	4,613,593	4,693,162	4,470,965	222,197
Administrative Support Services:					
0041	General Administration	1,271,512	1,272,280	1,151,323	120,957
	Total Administrative Support Services	1,271,512	1,272,280	1,151,323	120,957
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	4,049,299	6,523,475	6,263,975	259,500
0052	Security and Monitoring Services	455,031	471,929	440,141	31,788
0053	Data Processing Services	441,727	443,062	411,433	31,629
	Total Support Services - Nonstudent Based	4,946,057	7,438,466	7,115,549	322,917
Ancillary Services:					
0061	Community Services	24,070	14,670	6,288	8,382
	Total Ancillary Services	24,070	14,670	6,288	8,382
Capital Outlay:					
0081	Capital Outlay	--	212,030	15,318	196,712
	Total Capital Outlay	--	212,030	15,318	196,712
0099	Other Intergovernmental Charges	167,000	167,000	161,441	5,559
	Total Intergovernmental Charges	167,000	167,000	161,441	5,559
6030	Total Expenditures	33,377,653	36,324,266	34,914,537	1,409,729
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	5,600	(2,710,910)	76,296	2,787,206

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**EXHIBIT G-1**  
Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1200	Net Change in Fund Balance	5,600	(2,710,910)	76,296	2,787,206
0100	Fund Balance - Beginning	--	10,531,002	10,531,001	(1)
3000	Fund Balance - Ending	<u>\$ 5,600</u>	<u>\$ 7,820,092</u>	<u>\$ 10,607,297</u>	<u>\$ 2,787,205</u>

PARIS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 2019

	Measurement Year Ended August 31,				
	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0198476169%	0.0197600462%	0.0184967319%	0.0201606000%	0.0114005000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 10,924,610	\$ 6,318,198	\$ 6,989,640	\$ 7,126,504	\$ 3,045,232
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	19,710,491	11,636,207	14,110,163	13,577,582	12,322,507
Total	<u>\$ 30,635,101</u>	<u>\$ 17,954,405</u>	<u>\$ 21,099,803</u>	<u>\$ 20,704,086</u>	<u>\$ 15,367,739</u>
District's Covered Payroll	\$ 23,011,042	\$ 22,279,527	\$ 21,301,194	\$ 20,969,209	\$ 20,839,652
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	47.48%	28.36%	32.81%	33.99%	14.61%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	73.74%	82.17%	78.00%	78.43%	83.25%

Note: Only five years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

PARIS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 2019

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 684,691	\$ 652,798	\$ 641,836	\$ 590,117	\$ 546,477
Contribution in Relation to the Contractually Required Contribution	<u>(684,691)</u>	<u>(652,798)</u>	<u>(641,836)</u>	<u>(590,117)</u>	<u>(546,477)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 23,692,380	\$ 22,918,941	\$ 22,111,727	\$ 21,258,560	\$ 20,905,080
Contributions as a percentage of Covered Payroll	2.89%	2.85%	2.90%	2.78%	2.61%

Note: Only five years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."



PARIS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 2019

	Measurement Year Ended August 31,	
	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0301555220%	0.0296023599%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 15,056,928	\$ 12,872,956
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	18,474,251	16,325,276
Total	<u>\$ 33,531,179</u>	<u>\$ 29,198,232</u>
District's Covered Payroll	\$ 23,011,042	\$ 22,279,527
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	65.43%	57.78%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	1.57%	0.91%

Note: Only two years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

PARIS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 2019

	Fiscal Year Ended June 30,	
	2019	2018
Contractually Required Contribution	\$ 368,170	\$ 340,950
Contribution in Relation to the Contractually Required Contribution	(368,170)	(340,950)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 23,692,380	\$ 22,918,941
Contributions as a percentage of Covered Payroll	1.55%	1.49%

Note: Only two years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Budget**

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

**Excess of Expenditures over Appropriations**

The district expenditures exceeded appropriations in the following funds in the noted function:

<u>Fund</u>	<u>Function</u>
NONE	NONE

**Defined Benefit Pension Plan**

**Changes of benefit terms:**

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

**Changes of assumptions:**

The Board adopted new assumptions on July 27, 2018 based on recommendations from the experience study for the period ending August 31, 2017.

The active mortality rates were based on 90% of the MP-2014 Employee Mortality Tables 2D for males and females, with full generational mortality using Scale BB., the post-retirement mortality rates for healthy lives were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using Scale BB.

Valuation Date	August 31, 2017 rolled to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term Expected Rate of Return	7.25%
Municipal Bond Rate	N/A*
Inflation	2.3%
Salary Increases*	3.05% to 9.05%, including inflation

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Ad hoc post-employment benefit changes	None
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\* If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (Le. the weekly rate closest to but not later than the Measurement Date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax- exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

**Defined Other Post-Employment Benefits**

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

**Additional Actuarial Methods and Assumptions:**

Valuation Date	August 31, 2017 rolled to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate *	3.69% *
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	3.0%
Projected Salary Increases **	3.05% to 9.05% **
Healthcare Trend Rates ***	8.50% ***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad Hoc Post-Employment Benefit Changes	None

\*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

\*\*Includes inflation at 2.30%

\*\*\*Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first year medical trend for Medicare retirees (107.74%) reflects the anticipated return of the Health Insurer Fee (HIF) in 2020. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 9 years

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

Assumption changes include an updated health care trend assumption to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020, revised demographic and economic assumptions based on the TRS experience study, and a discount rate change from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018.

## **SUPPLEMENTARY INFORMATION SECTION**

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**PARIS INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED JUNE 30, 2019

Year Ended June 30	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2010 and Prior Years	\$	Various	\$	Various	\$	Various
2011		1.17		.255		694,190,456
2012		1.17		.255		685,157,603
2013		1.17		.285		689,167,489
2014		1.17		.285		686,008,275
2015		1.17		.285		717,301,928
2016		1.17		.285		725,301,820
2017		1.17		.285		731,522,907
2018		1.17		.285		770,991,846
2019 (School Year Under Audit)		1.17		.285		792,367,889

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

## EXHIBIT J-1

10 Beginning Balance 7/1/18	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/19
\$ 737,201	\$ --	\$ 10,006	\$ 1,787	\$ (40,712)	\$ 684,696
130,651	--	4,018	876	(6,683)	119,074
142,207	--	6,206	1,353	(5,716)	128,932
148,661	--	11,028	2,686	(3,901)	131,046
187,946	--	14,645	3,567	(3,603)	166,131
196,880	--	10,618	2,586	(2,994)	180,682
208,371	--	14,010	3,413	(6,097)	184,851
259,720	--	23,763	5,789	(11,954)	218,214
448,125	--	117,247	28,560	(45,882)	256,436
--	11,528,953	8,754,046	2,132,396	(139,880)	502,631
<u>\$ 2,459,762</u>	<u>\$ 11,528,953</u>	<u>\$ 8,965,587</u>	<u>\$ 2,183,013</u>	<u>\$ (267,422)</u>	<u>\$ 2,572,693</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**EXHIBIT J-2**

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
REVENUES:				
5700	Local and Intermediate Sources	\$ 180,000	\$ 193,068	\$ 13,068
5800	State Program Revenues	13,500	13,373	(127)
5900	Federal Program Revenues	2,619,982	2,777,624	157,642
5020	Total Revenues	2,813,482	2,984,065	170,583
EXPENDITURES:				
Current:				
Support Services - Student (Pupil):				
0035	Food Services	2,951,482	2,844,533	106,949
	Total Support Services - Student (Pupil)	2,951,482	2,844,533	106,949
Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	18,000	--	18,000
	Total Support Services - Nonstudent Based	18,000	--	18,000
6030	Total Expenditures	2,969,482	2,844,533	124,949
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(156,000)	139,532	295,532
1200	Net Change in Fund Balance	(156,000)	139,532	295,532
0100	Fund Balance - Beginning	757,039	757,039	--
3000	Fund Balance - Ending	\$ 601,039	\$ 896,571	\$ 295,532



# PARIS INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 2,168,733	\$ 2,228,978	\$ 60,245
5800 State Program Revenues	1,114,882	1,296,379	181,497
5020 Total Revenues	<u>3,283,615</u>	<u>3,525,357</u>	<u>241,742</u>
<b>EXPENDITURES:</b>			
Debt Service:			
0071 Principal on Long-Term Debt	770,000	770,000	--
0072 Interest on Long-Term Debt	2,424,070	2,424,070	--
0073 Bond Issuance Costs and Fees	15,000	4,100	10,900
Total Debt Service	<u>3,209,070</u>	<u>3,198,170</u>	<u>10,900</u>
6030 Total Expenditures	<u>3,209,070</u>	<u>3,198,170</u>	<u>10,900</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>74,545</u>	<u>327,187</u>	<u>252,642</u>
1200 Net Change in Fund Balance	<u>74,545</u>	<u>327,187</u>	<u>252,642</u>
0100 Fund Balance - Beginning	584,536	584,536	--
3000 Fund Balance - Ending	<u>\$ 659,081</u>	<u>\$ 911,723</u>	<u>\$ 252,642</u>

# Malnory, McNeal & Company, PC

## Certified Public Accountants

Mark W. Malnory, CPA  
Johnna W. McNeal, CPA  
Beverly Smith, CPA

Members of  
American Institute of Certified Public Accountants  
Texas Society of Certified Public Accountants  
AICPA Governmental Audit Quality Center

Elizabeth Hamm, CPA  
E. J. Musharbash, CPA  
Les S. Malnory, CPA

### 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*

Board of Trustees  
Paris Independent School District  
1920 Clarksville Street  
Paris, Texas 75460

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paris Independent School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Paris Independent School District's basic financial statements, and have issued our report thereon dated October 11, 2019.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Paris Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## 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.

October 11, 2019  
Paris, Texas

*Maenery, McNeal & Company, PC*  
Certified Public Accountants

# Malnory, McNeal & Company, PC

## Certified Public Accountants

Mark W. Malnory, CPA  
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Elizabeth Hamm, CPA  
E. J. Musharbash, CPA  
Les S. Malnory, CPA

### Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees  
Paris Independent School District  
1920 Clarksville Street  
Paris, Texas 75460

Members of the Board of Trustees:

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

We have audited the Paris Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Paris Independent School District's major federal programs for the year ended June 30, 2019. Paris Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Paris Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether Noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Paris Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

In our opinion, the Paris Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## Report on Internal Control Over Compliance

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

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

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

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

*Maloney, McNeel & Company PC*

October 11, 2019

Certified Public Accountants

Paris, Texas

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200?        Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   Yes        No

**B. Financial Statement Findings**

NONE

**C. Federal Award Findings and Questioned Costs**

NONE

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
NONE		

**PARIS INDEPENDENT SCHOOL DISTRICT**  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2019

NONE



**PARIS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**EXHIBIT K- 1**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures includes Indirect Cost</u>
<b>Special Education Cluster</b>			
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
IDEA-B Formula	84.027A	186600011399096600	\$ 118,149
IDEA-B Formula	84.027A	196600011399096600	634,006
Evaluation Capacity Award Performance	84.027A	015-950	10,000
Total CFDA Number 84.027			<u>762,156</u>
IDEA-B Preschool	84.173A	186610011399096610	4,994
IDEA-B Preschool	84.173A	196610011399096610	12,524
Total CFDA Number 84.173			<u>17,517</u>
Total Passed Through State Department of Education			<u>779,673</u>
Total U.S. Department of Education			<u>779,673</u>
Total Special Education (IDEA) Cluster			<u>779,673</u>
<b>Child Nutrition Cluster</b>			
<u>U.S. Department of Agriculture</u>			
Passed Throught State Department of Education:			
School Breakfast Program	10.553	71401801	711,503
National School Lunch Program	10.555	71301801	1,806,378
Total Passed Through State Department of Education			<u>2,517,881</u>
Total U.S. Department of Agriculture			<u>2,517,881</u>
Total Child Nutrition Cluster			<u>2,517,881</u>
<b>Other Programs</b>			
<u>U.S. Department of Health and Human Services</u>			
Head Start	93.600	06CH0010593-01-00	1,377,164
Total CFDA Number 93.600			<u>1,377,164</u>
Total Direct Programs			<u>1,377,164</u>
Passed through Texas Medical Assistance Program:			
Medicaid Administrative Claiming Program -MAC	93.778	139-909	4,243
Total Passed through Texas Medical Assistance Program			<u>4,243</u>
Total U.S. Department of Health and Human Services			<u>1,381,407</u>
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title I Part-A- Improving Basic Programs	84.010a	18610101139909	90,582
ESEA Title I Part-A- Improving Basic Programs	84.010a	19610101139909	1,552,771
ESEA Title 1 School Improvement	84.010a	18610123139909	20,392
Total CFDA Number 84.010a			<u>1,663,746</u>
Title V B. SP2 Rural/Low Income School	84.358B	18696001139909	5,077
Title V B. SP2 Rural/Low Income School	84.358B	19696001139909	68,091
Total CFDA Number 84.358			<u>73,168</u>
Title IV, Part A Subpart 1	84.424A	19680101139909	75,739
Total CFDA Number 84.424			<u>75,739</u>
Career and Technical-Basic Grant	84.048A	18420006139909	2,944
Career and Technical-Basic Grant	84.048A	19420006139909	54,999
Total CFDA Number 84.048A			<u>57,943</u>
Title III-Part A English Language Acquisition/Lan. Enh	84.365A	19671001225950	9,567
Total CFDA Number 84.365A			<u>9,567</u>

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**EXHIBIT K- 1**

ESEA Title II Part A-Teacher & Principal Training/req	84.367A	18694501139909	42,792
ESEA Title II Part A-Teacher & Principal Training/req	84.367A	19694501139909	139,340
Total CFDA Number 84.367A			<u>182,132</u>
Total Passed Through State Department of Education			<u>2,062,295</u>
Total U.S. Department of Education			<u>2,062,295</u>
 <u>U.S. Department of Agriculture</u>			
Passed Through State Department of Agriculture:			
NSLP Equipment Assistance Grant	10.579	139-909	62,956
Commodity Supplemental Food Program (Non-cash)	10.565	139-909	196,786
Total Passed Through State Department of Agriculture			<u>259,742</u>
Total U.S. Department of Agriculture			<u>259,742</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$ 7,000,998</u>

**PARIS INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Paris Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Federal grants funds are considered to be earned to the extent of expenditures made under the provisions of the grant and accordingly when such funds are received, they are recorded as deferred revenues until earned.

The Commodity Supplemental Food Program (CFDA 10.565) *received* like-kind goods. The monetary value of these goods was \$196,786 for the year ended June 30, 2019. This monetary value was reported on the schedule.

The District participates in numerous state and federal grant programs *governed* by various rules and regulations of the grantor agencies. Costs charged to the *respective* grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money *received* may be required and the collectability of any related receivable at June 30, 2019, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingency.

Paris Independent School District has elected not to use the 10 -percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Reconciliation of Federal Awards**

The following reconciles federal expenditures per the Schedule of Expenditures of Federal Awards (SEFA) to the federal revenue reported on Exhibit C-2:

Federal expenditures per SEFA	\$ 7,000,998
SHARS	<u>550,550</u>
Federal revenue per Exhibit C-2	\$ <u>7,551,548</u>

**PARIS INDEPENDENT SCHOOL DISTRICT****SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF JUNE 30, 2019**

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 1,719,593
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 10,924,610
SF13	Pension Expense (object 6147) at fiscal year-end.	\$

In correspondence to all school administrators dated November 1, 2017, the TEA's Director of Financial Compliance stated "For 2017, and until further notice, no data should be entered in the field for data feed Schedule L-1 question SF13. If the AFR and data feed has been submitted no additional steps need to be taken."