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# Chickasaw County School District

Audited Financial Statements
For the Year Ended June 30, 2014

**Fortenberry & Ballard, PC**
Certified Public Accountants

**Chickasaw County School District**
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board
Chickasaw County School District

**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 Chickasaw County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Chickasaw County School 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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Brandon, Mississippi 39047
Telephone 601-992-5292 Fax 601-992-2033

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Chickasaw County School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 to 18 and 50 to 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chickasaw County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years 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 10, 2014, on our consideration of the Chickasaw County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chickasaw County School District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC Certified Public Accountants
October 10, 2014

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**Chickasaw County School District**
Management's Discussion and Analysis
For the Year Ended June 30, 2014

The following discussion and analysis of Chickasaw County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

## FINANCIAL HIGHLIGHTS

- Total net position for 2014 decreased $65,154, which represents a 2% decrease from fiscal year 2013. Total net position for 2013 increased $111,112, which represents a 3% increase from fiscal year 2013.

- General revenues amounted to $3,650,728 and $3,473,949, or 78% and 77% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for $1,041,861, or 22% of total revenues for 2014, and $1,051,798, or 23% of total revenues for 2013.

- The District had $4,757,743 and $4,414,635 in expenses for fiscal years 2014 and 2013; only $1,041,861 for 2014 and $1,051,798 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $3,650,728 for 2014 were not adequate to provide for these programs and $3,473,949 for 2013 were adequate to provide for these programs.

- Among the major funds, the General Fund had $3,705,326 in revenues and $3,849,590 in expenditures for 2014, and $3,543,105 in revenues and $3,350,198 in expenditures for 2013. The General Fund's fund balance decreased by $256,204, from 2013 to 2014, and increased by $115,022, from 2012 to 2013.

- Capital assets, net of accumulated depreciation, increased by $160,304 for 2014 and decreased by $141,130 for 2013. The increase for 2014 was due to additions to improvements done to the gym during the year.

- Long-term debt decreased by $113,909 for 2014 and decreased by $112,182 for 2013. This decrease for 2014 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by $1,893 for 2014 and decreased by $15,269 for 2013.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

## Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, and interest on long-term liabilities.

## Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

> **Governmental funds** - Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near term financing requirements.
>
> Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the

long-term impact of the District's near term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

**Fiduciary funds -** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

## Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

### Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

### Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

### Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

### Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net position

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by $3,949,021 as of June 30, 2014.

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

Table 1 presents a summary of the District's net position at June 30, 2014 and June 30, 2013.

**Table 1**
**Condensed Statement of Net Position**

| | | June 30, 2014 | June 30, 2013 | Percentage Change |
|---|---|---|---|---|
| Current assets | $ | 2,008,187 | 2,333,465 | (14)% |
| Restricted assets | | 71,343 | 71,929 | (1)% |
| Capital assets, net | | 2,790,564 | 2,630,260 | 6% |
| **Total assets** | | 4,870,094 | 5,035,654 | (3)% |
| | | | | |
| Current liabilities | | 75,758 | 60,362 | 26% |
| Long-term debt outstanding | | 845,315 | 961,117 | (12)% |
| **Total liabilities** | | 921,073 | 1,021,479 | (10)% |
| | | | | |
| **Net position:** | | | | |
| Net investment in capital assets | | 2,320,564 | 1,745,260 | 33% |
| Restricted | | 197,803 | 277,437 | (29)% |
| Unrestricted | | 1,430,654 | 1,991,478 | (28)% |
| **Total net position** | $ | 3,949,021 | 4,014,175 | (2)% |

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- Increase in net capital assets in the amount of $160,304.
- The principal retirement of $113,909 of long-term debt.
- Due to the implementation of GASB Statement No. 65, bond issuance costs were expensed during the year.

## Changes in net position

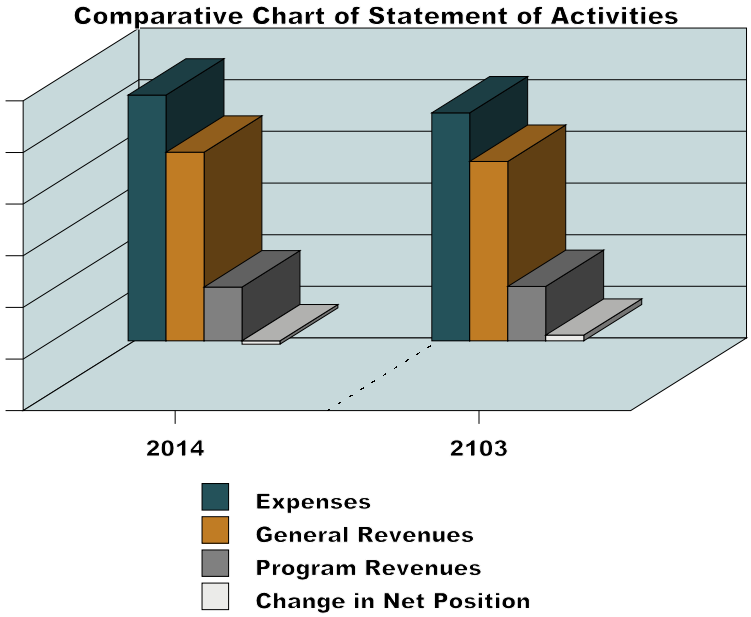
The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were $4,692,589 and $4,525,747, respectively. The total cost of all programs and services was $4,757,743 for 2014 and $4,414,635 for 2013.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

**Chickasaw County School District**
Management's Discussion and Analysis
For the Year Ended June 30, 2014

## Table 2
## Changes in Net Position

| | Year Ended June 30, 2014 | Year Ended June 30, 2013 | Percentage Change |
|---|---|---|---|
| **Revenues:** | | | |
| Program revenues: | | | |
| Charges for services | $ 93,418 | 114,860 | (19)% |
| Operating grants and contributions | 932,032 | 920,503 | 1% |
| Capital grants and contributions | 16,411 | 16,435 | 0% |
| Total program revenues | 1,041,861 | 1,051,798 | (1)% |
| General revenues: | | | |
| Property taxes | 541,387 | 530,024 | 2% |
| Grants and contributions not restricted | 3,098,548 | 2,932,823 | 6% |
| Unrestricted investment earnings | 1,101 | 1,637 | (33)% |
| Other | 9,692 | 9,465 | 2% |
| Total general revenues | 3,650,728 | 3,473,949 | 5% |
| **Total revenues** | 4,692,589 | 4,525,747 | 4% |
| **Expenses:** | | | |
| Instruction | 2,617,202 | 2,580,850 | 1% |
| Support services | 1,718,652 | 1,431,468 | 20% |
| Non-instructional | 379,635 | 360,498 | 5% |
| Interest on long-term liabilities | 42,254 | 41,819 | 1% |
| **Total expenses** | 4,757,743 | 4,414,635 | 8% |
| Increase (Decrease) in net position | (65,154) | 111,112 | (159)% |
| Net Position, July 1 | 4,014,175 | 3,903,063 | 3% |
| Net Position, June 30 | $ 3,949,021 | 4,014,175 | (2)% |




## Governmental activities

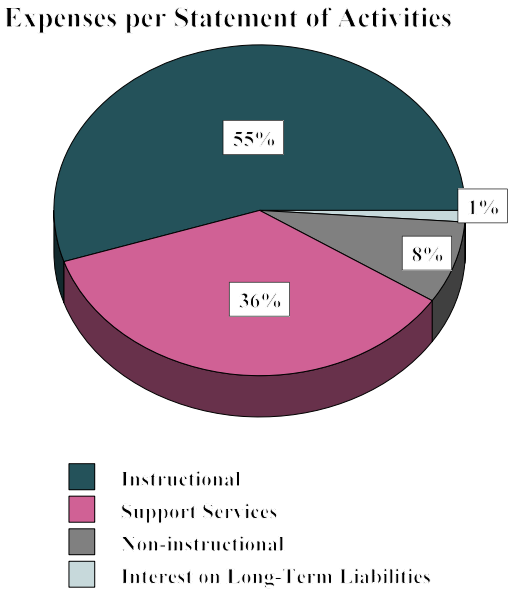
The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

**Table 3**
**Net Cost of Governmental Activities**

| | Total Expenses | | |
|---|---|---|---|
| | **2014** | **2013** | **Percentage Change** |
| Instruction | $ 2,617,202 | 2,580,850 | 1% |
| Support services | 1,718,652 | 1,431,468 | 20% |
| Non-instructional | 379,635 | 360,498 | 5% |
| Interest on long-term liabilities | 42,254 | 41,819 | 1% |
| **Total expenses** | $ 4,757,743 | 4,414,635 | 8% |

## Net (Expense) Revenue

| | 2014 | 2013 | Percentage Change |
|---|---|---|---|
| Instruction | $ (2,170,173) | (2,141,476) | 1% |
| Support services | (1,493,530) | (1,214,262) | 23% |
| Non-instructional | (9,925) | 34,720 | (129)% |
| Interest on long-term liabilities | (42,254) | (41,819) | 1% |
| **Total net (expense) revenue** | $ (3,715,882) | (3,362,837) | 10% |




- Net cost of governmental activities ($3,715,882 for 2014 and $3,362,837 for 2013) was financed by general revenue, which is primarily made up of property taxes ($541,387 for 2014 and $530,024 for 2013), and state and federal revenues ($3,098,548 for 2014 and $2,932,823 for 2013) and other revenues of ($9,692 for 2014 and $9,465 for 2013).

- Investment earnings amounted to $1,101 for 2014 and $1,637 for 2013.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $2,015,285, a decrease of $336,898, including a decrease in inventory of $1,239. $1,363,647 or 68% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of $651,638 or 32% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was $256,204. The fund balance of Other Governmental Funds showed a decrease in the amount of $80,694, which includes a decrease in inventory in the amount of $1,239. The increase (decrease) in the fund balances for the other major funds were as follows:

| Major Fund | Increase (Decrease) |
|---|---|
| Title I Fund | no increase or decrease |
| EHA Part B Fund | no increase or decrease |

## BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds is provided in this report as required supplementary information.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2014, the District's total capital assets were $4,623,197, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of $301,642 from 2013. Total accumulated depreciation as of June 30, 2014, was $1,832,633, and total depreciation expense for the year was $146,648, resulting in total net capital assets of $2,790,564.

**Table 4**
**Capital Assets, Net of Accumulated Depreciation**

| | | June 30, 2014 | June 30, 2013 | Percentage Change |
|---|---|---|---|---|
| Land | $ | 98,366 | 98,366 | 0% |
| Buildings | | 962,364 | 988,069 | (3)% |
| Building improvements | | 1,514,300 | 1,290,700 | 17% |
| Mobile equipment | | 207,802 | 238,763 | (13)% |
| Furniture and equipment | | 7,732 | 14,362 | (46)% |
| **Total** | $ | 2,790,564 | 2,630,260 | 6% |

Additional information on the District's capital assets can be found in Note 5 included in this report.

**Debt Administration.** At June 30, 2014, the District had $845,315 in outstanding long-term debt, of which $120,576 is due within one year. The liability for compensated absences decreased $1,893 from the prior year.

**Table 5**
**Outstanding Long-Term Debt**

| | | June 30, 2014 | June 30, 2013 | Percentage Change |
|---|---|---|---|---|
| Limited obligation bonds payable | $ | 358,000 | 424,000 | (16)% |
| Three mill notes payable | | 112,000 | 140,000 | (20)% |
| Qualified school construction bonds payable | | 313,951 | 321,000 | (2)% |
| Obligations under energy efficiency leases | | 43,037 | 55,897 | (23)% |
| Compensated absences payable | | 18,327 | 20,220 | (9)% |
| **Total** | $ | 845,315 | 961,117 | (12)% |

Additional information on the District's long-term debt can be found in Note 6 included in this report.

## CURRENT ISSUES

The Chickasaw County School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state and federal revenues.

The District's enrollment for the 2013-2014 year decreased by 8% to 510 students.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the Chickasaw County School District, PO Drawer 480, Houlka, MS 38850.

FINANCIAL STATEMENTS

EXHIBIT A

# CHICKASAW COUNTY SCHOOL DISTRICT

*STATEMENT OF NET POSITION*
*JUNE 30, 2014*

| | Governmental Activities |
|---|---|
| **Assets** | |
| *Cash and cash equivalents* | $ 1,870,966 |
| *Due from other governments* | 129,449 |
| *Due from other funds* | 4,710 |
| *Inventories* | 3,062 |
| *Restricted assets* | 71,343 |
| *Capital assets, non-depreciable:* | |
| *Land* | 98,366 |
| *Capital assets, net of accumulated depreciation:* | |
| *Buildings* | 962,364 |
| *Building improvements* | 1,514,300 |
| *Mobile equipment* | 207,802 |
| *Furniture and equipment* | 7,732 |
| Total Assets | 4,870,094 |
| | |
| **Liabilities** | |
| *Accounts payable and accrued liabilities* | 64,244 |
| *Interest payable on long-term liabilities* | 11,514 |
| | |
| Long-term liabilities (due within one year): | |
| *Capital related liabilities* | 97,000 |
| *Non-capital related liabilities* | 23,576 |
| | |
| Long-term liabilities (due beyond one year): | |
| *Capital related liabilities* | 373,000 |
| *Non-capital related liabilities* | 351,739 |
| Total Liabilities | 921,073 |
| | |
| **Net Position:** | |
| Net Investment in Capital Assets | 2,320,564 |
| Restricted For: | |
| Expendable: | |
| School Based Activities | 116,488 |
| Debt Service | 69,795 |
| Unemployment Benefits | 11,520 |
| Unrestricted | 1,430,654 |
| Total Net Position | $ 3,949,021 |

The accompanying notes are an integral part of this statement.

# CHICKASAW COUNTY SCHOOL DISTRICT

*STATEMENT OF ACTIVITIES*
*FOR THE YEAR ENDED JUNE 30, 2014*

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| *Instruction* | 2,617,202 | 74,369 | 356,249 | 16,411 | (2,170,173) |
| *Support services* | 1,718,652 | -- | 225,122 | -- | (1,493,530) |
| *Noninstructional services* | 379,635 | 19,049 | 350,661 | -- | (9,925) |
| *Interest on long-term liabilities* | 42,254 | -- | -- | -- | (42,254) |
| Total Governmental Activities | $ 4,757,743 | $ 93,418 | $ 932,032 | $ 16,411 | (3,715,882) |

| | |
|---|---|
| General Revenues: | |
| Taxes: | |
| *General purpose levies* | 514,240 |
| *Debt purpose levies* | 27,147 |
| *Unrestricted grants and contributions:* | |
| *State* | 2,951,318 |
| *Federal* | 147,230 |
| *Unrestricted investment earnings* | 1,101 |
| *Other* | 9,692 |
| Total General Revenues | 3,650,728 |
| Change in Net Position | (65,154) |
| Net Position - Beginning | 4,014,175 |
| Net Position- Ending | $ 3,949,021 |

The accompanying notes are an integral part of this statement.

# CHICKASAW COUNTY SCHOOL DISTRICT

*BALANCE SHEET - GOVERNMENTAL FUNDS*
*JUNE 30, 2014*

| | General Fund | Title I Fund |
|---|---|---|
| **Assets** | | |
| *Cash and cash equivalents* | $ 1,739,896 | $ -- |
| *Due from other governments* | 52,076 | 27,401 |
| *Due from other funds* | 91,855 | -- |
| *Inventories* | -- | -- |
| Total Assets | $ 1,883,827 | $ 27,401 |
| **Liabilities and Fund Balances:** | | |
| **Liabilities:** | | |
| Accounts payable and accrued liabilities | $ 63,761 | $ -- |
| Due to other funds | 14,098 | 27,401 |
| Total Liabilities | 77,859 | 27,401 |
| **Fund Balances:** | | |
| **Nonspendable:** | | |
| Inventory | -- | -- |
| **Restricted:** | | |
| Unemployment benefits | -- | -- |
| Debt service | -- | -- |
| Grant activities | -- | -- |
| Food Service | -- | -- |
| **Committed:** | | |
| Bus purchases | 400,000 | -- |
| Other purposes | -- | -- |
| **Assigned:** | | |
| General Activity | 42,321 | -- |
| **Unassigned** | 1,363,647 | -- |
| Total Fund Balances | 1,805,968 | -- |
| Total Liabilities and Fund Balances | $ 1,883,827 | $ 27,401 |

The accompanying notes are an integral part of this statement.

| EHA Part B Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|
| $ -- | $ 202,412 | $ 1,942,308 |
| 15,644 | 34,328 | 129,449 |
| 4,324 | 9,775 | 105,954 |
| -- | 3,062 | 3,062 |
| $ 19,968 | $ 249,577 | $ 2,180,773 |
| | | |
| $ 427 | $ 56 | $ 64,244 |
| 19,541 | 40,204 | 101,244 |
| 19,968 | 40,260 | 165,488 |
| | | |
| -- | 3,062 | 3,062 |
| -- | 11,520 | 11,520 |
| -- | 81,309 | 81,309 |
| -- | 1,300 | 1,300 |
| -- | 108,040 | 108,040 |
| -- | | 400,000 |
| -- | 4,086 | 4,086 |
| -- | -- | 42,321 |
| -- | -- | 1,363,647 |
| -- | 209,317 | 2,015,285 |
| $ 19,968 | $ 249,577 | $ 2,180,773 |

# CHICKASAW COUNTY SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET*
*TO THE STATEMENT OF NET POSITION*
*JUNE 30, 2014*

| | | |
|---|---|---|
| Total fund balances for governmental funds | $ | 2,015,285 |
| 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. | | 2,790,564 |
| Liabilities due in one year are not recognized in the funds. | | (120,576) |
| Payables for bond principal which are not due in the current period are not reported in the funds. | | (593,951) |
| Payables for energy efficiency leases not due in the current period are not reported in the funds. | | (29,461) |
| Payables for bond interest which are not due in the current period are not reported in the funds. | | (11,514) |
| Payables for notes which are not due in the current period are not reported in the funds. | | (83,000) |
| Payables for compensated absences not due in the current period are not reported in the funds. | | (18,327) |
| Rounding difference | | 1 |
| Net position of governmental activities | $ | 3,949,021 |

The accompanying notes are an integral part of this statement.

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# CHICKASAW COUNTY SCHOOL DISTRICT

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2014*

| | General Fund | Title I Fund |
|---|---|---|
| **Revenues:** | | |
| Local sources | $ 598,134 | $ -- |
| State sources | 2,959,962 | -- |
| Federal sources | 147,230 | 178,687 |
| Total Revenues | 3,705,326 | 178,687 |
| **Expenditures:** | | |
| Instruction | 2,248,744 | 123,153 |
| Support services | 1,380,171 | 70,526 |
| Noninstructional services | 17,791 | 662 |
| Facilities acquisition and construction | 202,884 | -- |
| Debt service: | | |
| Principal | -- | -- |
| Interest | -- | -- |
| Total Expenditures | 3,849,590 | 194,341 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (144,264) | (15,654) |
| **Other Financing Sources (Uses):** | | |
| Transfers in | 19,544 | 15,654 |
| Transfers out | (131,484) | -- |
| Total Other Financing Sources (Uses) | (111,940) | 15,654 |
| Net Change in Fund Balances | (256,204) | -- |
| **Fund Balances:** | | |
| July 1, 2013 | 2,062,172 | -- |
| Increase (decrease) in inventory | -- | -- |
| June 30, 2014 | $ 1,805,968 | $ -- |

The accompanying notes are an integral part of this statement.

| EHA Part B Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|
| $ -- | $ 47,464 | $ 645,598 |
| -- | 136,844 | 3,096,806 |
| 126,667 | 497,601 | 950,185 |
| 126,667 | 681,909 | 4,692,589 |
| | | |
| 101,483 | 122,385 | 2,595,765 |
| 25,184 | 120,600 | 1,596,481 |
| -- | 358,744 | 377,197 |
| -- | 104,122 | 307,006 |
| | | |
| -- | 113,909 | 113,909 |
| -- | 37,890 | 37,890 |
| 126,667 | 857,650 | 5,028,248 |
| | | |
| -- | (175,741) | (335,659) |
| | | |
| -- | 154,608 | 189,806 |
| -- | (58,322) | (189,806) |
| -- | 96,286 | -- |
| | | |
| -- | (79,455) | (335,659) |
| | | |
| -- | 290,011 | 2,352,183 |
| -- | (1,239) | (1,239) |
| $ -- | $ 209,317 | $ 2,015,285 |

# CHICKASAW COUNTY SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014*

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | $ | (335,659) |
| Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because: | | |
| Capital outlays are not reported as expenses in the SOA. | | 307,006 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | | (146,648) |
| Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds. | | (54) |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. | | 73,049 |
| Repayment of energy efficiency leases principal is expenditure in funds but not expense in SOA. | | 12,860 |
| Repayment of note principal is an expenditure in the funds but is not an expense in the SOA. | | 28,000 |
| (Increase) decrease in accrued interest from beginning of period to end of period. | | 1,060 |
| Compensated absences are reported as amount earned in SOA but as amount paid in the funds. | | 1,893 |
| Change in inventory is an adjustment to fund balance in the funds but affects expense in SOA. | | (1,239) |
| Bond issuance costs were expensed basen on implementation of GASB Statement No. 65. | | (5,424) |
| Rounding difference | | 2 |
| Change in net position of governmental activities | $ | (65,154) |

The accompanying notes are an integral part of this statement.

# CHICKASAW COUNTY SCHOOL DISTRICT

*STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES*
*FIDUCIARY FUNDS*
*JUNE 30, 2014*

| | | Agency Funds |
|---|---|---|
| **Assets** | | |
| *Cash and cash equivalents* | $ | 257,376 |
| *Other receivable* | | 932 |
| Total Assets | $ | 258,308 |
| | | |
| **Liabilities** | | |
| *Accounts payable and accrued liabilities* | $ | 233,555 |
| *Due to student clubs* | | 20,043 |
| *Due to other funds* | | 4,710 |
| Total Liabilities | $ | 258,308 |

The accompanying notes are an integral part of this statement.

**Chickasaw County School District**

Notes to the Financial Statements
For the Year Ended June 30, 2014

## Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

### A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, Chickasaw County School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

### B. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net Position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district’s primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Title I Fund - This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title I grants to local educational agencies program.

EHA Part B Fund - This fund accounts for resources from the grants to states to assist them in providing a free appropriate public education to all children with disabilities.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The District's fiduciary funds include the following:

Payroll Clearing - This fund is used to account for salaries and related salaries expenditures payable and the payment of those payables.

Activity Agency Funds - These funds are used to account for revenues and expenditures of various student clubs in the district.

Accounts Payable Clearing - This fund serves as a clearing fund for payables outstanding at year end.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

## C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the

current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

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.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers

Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

**D. Encumbrances**

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

**E. Assets, liabilities and net position/fund balances**

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of

inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as

assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

| | Capitalization Policy | Estimated Useful Life |
|---|---|---|
| Land | $ 0 | 0 |
| Buildings | 50,000 | 40 years |
| Building Improvements | 25,000 | 20 years |
| Improvements other than buildings | 25,000 | 20 years |
| Mobile equipment | 5,000 | 5-10 years |
| Furniture and equipment | 5,000 | 3-7 years |
| Leased property under capital leases | * | * |

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

8. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

*Nonspendable fund balance* includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. The formal action that is required to be taken to establishing modify, or rescind a fund balance commitment is a resolution approved by the Board.

*Assigned fund balance* includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed.

Assignments of fund balance are created by the Superintendent and Business Manager pursuant to authorization established by the policy adopted by the school district.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 10% of general revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

## Note 2 - Cash and Cash Equivalents

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $1,942,308 and $257,376, respectively.

*Custodial Credit Risk - Deposits*. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2014, none of the district's bank balance of $2,186,548 was exposed to custodial credit risk.

## Note 3 - Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

### A. Due From/To Other Funds

| Receivable Fund | Payable Fund | | Amount |
|---|---|---|---|
| General Fund | Title I Fund | $ | 27,400 |
| | EHA Part B Fund | | 19,541 |
| | Other Governmental Funds | | 40,204 |
| | Fiduciary Funds | | 4,710 |
| EHA Part B Fund | General Fund | | 4,324 |
| Other Governmental Funds | General Fund | | 9,774 |
| | Title I Fund | | 1 |
| Total | | $ | 105,954 |

The purpose of the inter-fund loans was to cover federal funds not received prior year-end.

### B. Inter-fund Transfers

| Transfers In | Transfers Out | | Amount |
|---|---|---|---|
| General Fund | Other Governmental Funds | $ | 19,544 |
| Title I Fund | General Fund | | 15,654 |
| Other Governmental Funds | General Fund | | 115,830 |
| | Other Governmental Funds | | 38,778 |
| Total | | $ | 189,806 |

Transfers were made for indirect cost transfers and budgetary allocations. All transfers were routine and consistent with the fund making the transfer.

## Note 4 - Restricted Assets

The restricted assets represent the cash balance, totaling $71,343 of the MAEP Limited Obligation Bond/Note Fund.

## Note 5 - Capital Assets

The following is a summary of changes in capital assets for governmental activities:

| | | Balance 7-1-2013 | Additions | Retirements | Balance 6-30-2014 |
|---|---|---|---|---|---|
| Non-depreciable capital assets: | | | | | |
| Land | $ | 98,366 | | | 98,366 |
| Total non-depreciable capital assets | | 98,366 | 0 | 0 | 98,366 |
| Depreciable capital assets: | | | | | |
| Buildings | | 1,726,926 | | | 1,726,926 |
| Building improvements | | 1,778,140 | 307,006 | | 2,085,146 |
| Mobile equipment | | 597,343 | | | 597,343 |
| Furniture and equipment | | 120,780 | | 5,364 | 115,416 |
| Total depreciable capital assets | | 4,223,189 | 307,006 | 5,364 | 4,524,831 |
| Less accumulated depreciation for: | | | | | |
| Buildings | | 738,857 | 25,705 | | 764,562 |
| Building improvements | | 487,440 | 83,406 | | 570,846 |
| Mobile equipment | | 358,580 | 30,961 | | 389,541 |
| Furniture and equipment | | 106,418 | 6,576 | 5,310 | 107,684 |
| Total accumulated depreciation | | 1,691,295 | 146,648 | 5,310 | 1,832,633 |
| Total depreciable capital assets, net | | 2,531,894 | 160,358 | 54 | 2,692,198 |
| Governmental activities capital assets, net | $ | 2,630,260 | 160,358 | 54 | 2,790,564 |

Depreciation expense was charged to the following governmental functions:

| | | Amount |
|---|---|---|
| Instruction | $ | 23,276 |
| Support services | | 122,172 |
| Non-instructional | | 1,200 |
| Total depreciation expense | $ | 146,648 |

## Note 6 - Long-term Liabilities

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

| | | Balance 7-1-2013 | Reductions | Balance 6-30-2014 | Amounts due within one year |
|---|---|---|---|---|---|
| A. Limited obligation bonds payable | $ | 424,000 | 66,000 | 358,000 | 68,000 |
| B. Three mill notes payable | | 140,000 | 28,000 | 112,000 | 29,000 |
| C. Qualified school construction bonds payable | | 321,000 | 7,049 | 313,951 | 10,000 |
| D. Obligations under energy efficiency lease | | 55,897 | 12,860 | 43,037 | 13,576 |
| E. Compensated absences payable | | 20,220 | 1,893 | 18,327 | |
| Total | $ | 961,117 | 115,802 | 845,315 | 120,576 |

## A. Limited obligation bonds payable

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bonds currently outstanding are as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|---|---|---|---|---|---|
| State Aid Capital Improvement Bonds, Series 2010 | 3.05% | 07-07-10 | 02-01-18 | $ 576,000 | 358,000 |

The following is a schedule by years of the total payments due on this debt:

| Year Ending June 30 | | Principal | Interest | Total |
|---|---|---|---|---|
| 2015 | $ | 68,000 | 10,236 | 78,236 |
| 2016 | | 70,000 | 8,407 | 78,407 |
| 2017 | | 73,000 | 6,239 | 79,239 |
| 2018 | | 147,000 | 3,757 | 150,757 |
| Total | $ | 358,000 | 28,639 | 386,639 |

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

This debt will be retired from the MAEP Retirement Fund.

### B. Three mill notes payable

Debt currently outstanding is as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|---|---|---|---|---|---|
| Limited Tax Note, Series 2007 | 3.99% | 05-01-07 | 05-01-18 | $ 329,000 | 112,000 |

The following is a schedule by years of the total payments due on this debt:

| Year Ending June 30 | | Principal | Interest | Total |
|---|---|---|---|---|
| 2015 | $ | 29,000 | 4,469 | 33,469 |
| 2016 | | 29,000 | 3,890 | 32,890 |
| 2017 | | 29,000 | 2,733 | 31,733 |
| 2018 | | 25,000 | 2,075 | 27,075 |
| Total | $ | 112,000 | 13,167 | 125,167 |

This debt will be retired from the 3 Mill Levy Fund.

### C. Qualified School Construction Bonds

As more fully explained in Note 10, debt has been issued by the school district that qualified as Qualified School Construction Bonds. Debt currently outstanding is as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|---|---|---|---|---|---|
| Qualified School Construction Bonds | 5.42% | 03-01-11 | 03-01-26 | $ 328,000 | 313,951 |

The United States Treasury reimburses the District for the amount of interest paid on the principal amount.

The following is a schedule by years of the total payments due on this debt:

| Year Ending June 30 | | Principal | Interest | Total |
|---|---|---|---|---|
| 2015 | $ | 10,000 | 16,910 | 26,910 |
| 2016 | | 10,000 | 16,368 | 26,368 |
| 2017 | | 12,000 | 15,826 | 27,826 |
| 2018 | | 17,000 | 15,176 | 32,176 |
| 2019 | | 33,000 | 14,255 | 47,255 |
| 2020 - 2024 | | 165,000 | 53,387 | 218,387 |
| 2025 - 2026 | | 66,951 | 10,569 | 77,520 |
| Total | $ | 313,951 | 142,491 | 456,442 |

This debt will be retired from the QSCB Note Fund.

**D. Obligations under energy efficiency lease**

Debt currently outstanding is as follows:

| Description | Interest Rate | Issue Date | Maturity Date | | Amount Issued | Amount Outstanding |
|---|---|---|---|---|---|---|
| Lighting Project | 5.49% | 07-31-07 | 04-10-17 | $ | 122,000 | 43,037 |

The following is a schedule by years of the total payments due on this debt:

| Year Ending June 30 | | Principal | Interest | Total |
|---|---|---|---|---|
| 2015 | $ | 13,576 | 2,179 | 15,755 |
| 2016 | | 14,332 | 1,423 | 15,755 |
| 2017 | | 15,129 | 626 | 15,755 |
| Total | $ | 43,037 | 4,228 | 47,265 |

This debt will be retired from the Master Lease Debt Repayment Fund.

An energy efficient lease agreement dated July 31, 2007, was executed by and between the district, the lessee, and First Southwest Leasing, the lessor.

The agreement authorized the borrowing of $122,000 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed fifteen (15) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

### E. Compensated absences payable

As more fully explained in Note 1(E)(7), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

## Note 7 - Other Commitments

The School District has four operating leases for copiers.

Lease expenditures for the year ended June 30, 2014, amount to $21,282. Future lease payments for these leases are as follows:

| Year Ending June 30 | | Principal |
|---|---|---|
| 2014 | $ | 20,400 |
| 2015 | | 20,400 |
| 2016 | | 20,400 |
| 2017 | | 20,400 |
| Total | $ | 81,600 |

## Note 8 - Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The

contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were $385,749, $346,133, and $301,260, respectively, which equaled the required contributions for each year.

## Note 9 - Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 94 school districts and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to $750,000. For a claim exceeding $750,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

## Note 10 - Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While the Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district

may apply for a direct cash subsidy payment form the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The District promises to pay interest on such principal amount from the date of this Note or from the most recent interest payment date to which interest has been paid at the rate of interest per annum set forth above on March 1 of each year, commencing March 1, 2012. However, the United States Treasury reimburses the District for the amount of interest paid on the principal amount.

## Note 11 - Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated May 6, 1985, creating the Houston Vocational Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Houston School District and the Chickasaw County School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Houston School District has been designated as the fiscal agent for the Houston Vocational Center, and the operations of the center are included in its financial statements.

## Note 12 - Contingencies

Federal Grants - The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from the grantor audit may become a liability of the school district.

Litigation - The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various

proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

## Note 13 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

On July 30, 2014 the 1935 Building was destroyed by fire.

REQUIRED SUPPLEMENTARY INFORMATION

**CHICKASAW COUNTY SCHOOL DISTRICT**
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014

**Exhibit 1**

| | Budgeted Amounts | | Actual | Variances Positive (Negative) | |
|---|---|---|---|---|---|
| | Original | Final | (GAAP Basis) | Original to Final | Final to Actual |
| **Revenues:** | | | | | |
| Local sources | $ 584,000 | 598,129 | 598,134 | 14,129 | 5 |
| State sources | 2,869,350 | 2,959,963 | 2,959,962 | 90,613 | (1) |
| Federal sources | 200,294 | 147,230 | 147,230 | (53,064) | - |
| Total Revenues | 3,653,644 | 3,705,322 | 3,705,326 | 51,678 | 4 |
| **Expenditures:** | | | | | |
| Instruction | 2,247,584 | 2,248,744 | 2,248,744 | (1,160) | - |
| Support services | 1,876,729 | 1,583,056 | 1,380,171 | 293,673 | 202,885 |
| Noninstructional services | 18,600 | 17,791 | 17,791 | 809 | - |
| Facilities acquisition and construction | | | 202,884 | - | (202,884) |
| Total Expenditures | 4,142,913 | 3,849,591 | 3,849,590 | 293,322 | 1 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (489,269) | (144,269) | (144,264) | 345,000 | 5 |
| **Other Financing Sources (Uses):** | | | | | |
| Transfers In | 473,898 | 471,156 | 19,544 | (2,742) | (451,612) |
| Transfers Out | (585,662) | (583,095) | (131,484) | 2,567 | 451,611 |
| Total Other Financing Sources (Uses) | (111,764) | (111,939) | (111,940) | (175) | (1) |
| Net Change in Fund Balances | (601,033) | (256,208) | (256,204) | 344,825 | 4 |
| Fund Balances: | | | | | |
| July 1, 2013 | 1,846,607 | 2,062,171 | 2,062,172 | 215,564 | 1 |
| June 30, 2014 | $ 1,245,574 | 1,805,963 | 1,805,968 | 560,389 | 5 |

The notes to the required supplementary information are an integral part of this schedule.

**CHICKASAW COUNTY SCHOOL DISTRICT**
Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2014

**Exhibit 2**

| | Budgeted Amounts | | Actual | Variances Positive (Negative) | |
|---|---|---|---|---|---|
| | Original | Final | (GAAP Basis) | Original to Final | Final to Actual |
| **Revenues:** | | | | | |
| Federal sources | $ 209,720 | 178,687 | 178,687 | (31,033) | - |
| Total Revenues | 209,720 | 178,687 | 178,687 | (31,033) | - |
| **Expenditures:** | | | | | |
| Instruction | 143,188 | 123,153 | 123,153 | 20,035 | - |
| Support services | 29,939 | 70,526 | 70,526 | (40,587) | - |
| Non-instructional | 9,400 | 662 | 662 | 8,738 | - |
| Total Expenditures | 182,527 | 194,341 | 194,341 | (11,814) | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 27,193 | (15,654) | (15,654) | (42,847) | - |
| **Other Financing Sources (Uses):** | | | | | |
| Transfers In | | 15,654 | 15,654 | 15,654 | - |
| Total Other Financing Sources (Uses) | - | 15,654 | 15,654 | 15,654 | - |
| Net Change in Fund Balances | 27,193 | - | - | (27,193) | - |
| Fund Balances: | | | | | |
| July 1, 2013 | - | - | - | - | - |
| June 30, 2014 | $ 27,193 | - | - | (27,193) | - |

The notes to the required supplementary information are an integral part of this schedule.

**CHICKASAW COUNTY SCHOOL DISTRICT**
Budgetary Comparison Schedule **Exhibit 3**
EHA Part B Fund
For the Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variances Positive (Negative) | |
|---|---|---|---|---|---|
| | Original | Final | (GAAP Basis) | Original to Final | Final to Actual |
| **Revenues:** | | | | | |
| Federal sources | $ 171,738 | 126,667 | 126,667 | (45,071) | - |
| Total Revenues | 171,738 | 126,667 | 126,667 | (45,071) | - |
| **Expenditures:** | | | | | |
| Instruction | 112,589 | 101,482 | 101,483 | 11,107 | (1) |
| Support services | 58,149 | 25,185 | 25,184 | 32,964 | 1 |
| Noninstructional services | 1,000 | | | 1,000 | - |
| Total Expenditures | 171,738 | 126,667 | 126,667 | 45,071 | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - | - | - |
| **Other Financing Sources (Uses):** | | | | | |
| Total Other Financing Sources (Uses) | - | - | - | - | - |
| Net Change in Fund Balances | - | - | - | - | - |
| Fund Balances: | | | | | |
| July 1, 2013 | - | - | - | - | - |
| June 30, 2014 | $ - | - | - | - | - |

The notes to the required supplementary information are an integral part of this schedule.

**Chickasaw County School District**

Notes to the Required Supplementary Information
For the Year Ended June 30, 2014

Budgetary Comparison Schedules

(1) Basis of Presentation

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

**Chickasaw County School District** **Schedule 1**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Federal Expenditures |
|---|---|---|
| **U. S. Department of Agriculture** | | |
| Passed-through the Mississippi Department of Education: | | |
| Child Nutrition Cluster: | | |
| School Breakfast Program | 10.553 | $ 123,393 |
| National School Lunch Program | 10.555 | 229,175 |
| Total child nutrition cluster | | 352,568 |
| Total passed-through the Mississippi Department of Education | | 352,568 |
| Passed-through Chickasaw County: | | |
| Schools and Roads - Grants to States | 10.665 | 27,241 |
| Total passed-through Chickasaw County | | 27,241 |
| **Total U. S. Department of Agriculture** | | 379,809 |
| **Federal Communications Commission** | | |
| Administered through the Universal Service Administrative Company: | | |
| The Schools and Libraries Program of the Universal Service Fund | 32.xxx | 105,065 |
| **Total Federal Communications Commission** | | 105,065 |
| **U. S. Department of Education** | | |
| Passed-through the Mississippi Department of Education: | | |
| Title I Grants to Local Educational Agencies | 84.010 | 194,341 |
| Twenty-First Century Community Learning Centers | 84.287 | 57,297 |
| Improving Teacher Quality - State Grants | 84.367 | 35,976 |
| Subtotal | | 287,614 |
| Special Education Cluster: | | |
| Special Education - Grants to States | 84.027 | 126,667 |
| Special Education - Preschool Grants | 84.173 | 1,577 |
| Total special education cluster | | 128,244 |
| Total passed-through the Mississippi Department of Education | | 415,858 |
| **Total U. S. Department of Education** | | 415,858 |
| **U.S. Department of Health and Human Services** | | |
| Passed-through Mississippi Department of Health: | | |
| Medical Assistance Program | 93.778 | 3,815 |
| Total passed-through Mississippi Department of Health | | 3,815 |
| **Total U. S. Department of Health and Human Services** | | 3,815 |
| TOTAL FOR ALL FEDERAL AWARDS | | $ 904,547 |

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

**Chickasaw County School District** **Schedule 2**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2014

| Expenditures | | Total | Instruction and Other Student Instructional Expenditures | General Administration | School Administration | Other |
|---|---|---|---|---|---|---|
| Salaries and fringe benefits | $ | 3,393,377 | 2,728,175 | 244,777 | 106,404 | 314,021 |
| Other | | 1,634,871 | 280,472 | 73,435 | 29,076 | 1,251,888 |
| Total | $ | 5,028,248 | 3,008,647 | 318,212 | 135,480 | 1,565,909 |
| Total number of students * | | 510 | | | | |
| Cost per student | $ | 9,859 | 5,899 | 624 | 266 | 3,070 |

For purpose of this schedule, the following columnar descriptions are applicable:

Instruction and Other Sudent Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following fucntion: Support Services - School Administration.

Other - includes all expenditures functions not included in Instruction or Administration Categories.

* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

OTHER INFORMATION

**CHICKASAW COUNTY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances "UNAUDITED"

General Fund

Last Four Years

| | 2014 | 2013* | 2012* | 2011* |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Local sources | $ 598,134 | 592,489 | 582,315 | 618,858 |
| State sources | 2,959,962 | 2,876,610 | 2,876,414 | 2,977,387 |
| Federal sources | 147,230 | 74,006 | 147,223 | 83,473 |
| Total Revenues | 3,705,326 | 3,543,105 | 3,605,952 | 3,679,718 |
| **Expenditures:** | | | | |
| Instruction | 2,248,744 | 2,166,719 | 2,037,358 | 1,640,058 |
| Support services | 1,380,171 | 1,166,883 | 1,199,622 | 1,274,191 |
| Noninstructional services | 17,791 | 16,596 | 15,000 | 19,929 |
| Facilities acquisition and construction | 202,884 | | | |
| Total Expenditures | 3,849,590 | 3,350,198 | 3,251,980 | 2,934,178 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (144,264) | 192,907 | 353,972 | 745,540 |
| **Other Financing Sources (Uses):** | | | | |
| Sale of transportation equipment | | | | 2,533 |
| Operating transfers in | 19,544 | 14,082 | 28,883 | 69,018 |
| Operating transfers out | (131,484) | (91,967) | (106,783) | (104,640) |
| Total Other Financing Sources (Uses) | (111,940) | (77,885) | (77,900) | (33,089) |
| Net Change in Fund Balances | (256,204) | 115,022 | 276,072 | 712,451 |
| Fund Balances: | | | | |
| July 1, as previously reported | 2,062,172 | 1,947,150 | 1,716,184 | 1,003,733 |
| Prior period adjustments | - | | (45,106) | |
| July 1, as restated | 2,062,172 | 1,947,150 | 1,671,078 | 1,003,733 |
| June 30, | $ 1,805,968 | 2,062,172 | 1,947,150 | 1,716,184 |

*SOURCE - PRIOR YEAR AUDIT REPORTS

**CHICKASAW COUNTY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances "UNAUDITED"

All Governmental Funds

Last Four Years

| | 2014 | 2013* | 2012* | 2011* |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Local sources | $ 645,598 | 654,480 | 734,719 | 806,156 |
| State sources | 3,096,806 | 3,034,798 | 3,026,443 | 3,123,919 |
| Federal sources | 950,185 | 834,964 | 1,137,887 | 1,184,480 |
| Total Revenues | 4,692,589 | 4,524,242 | 4,899,049 | 5,114,555 |
| **Expenditures:** | | | | |
| Instruction | 2,595,765 | 2,571,877 | 2,659,817 | 2,524,403 |
| Support services | 1,596,481 | 1,320,673 | 1,677,279 | 1,401,365 |
| Noninstructional services | 377,197 | 350,764 | 376,153 | 370,018 |
| Facilities acquisition and construction | 307,006 | - | - | 11,880 |
| Debt service: | | | | |
| Principal | 113,909 | 112,182 | 109,540 | 71,932 |
| Interest | 37,890 | 41,619 | 27,180 | 35,189 |
| Bond issuance costs | - | - | - | 8,975 |
| Total Expenditures | 5,028,248 | 4,397,115 | 4,849,969 | 4,423,762 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (335,659) | 127,127 | 49,080 | 690,793 |
| **Other Financing Sources (Uses):** | | | | |
| Bonds notes issued | - | - | - | 328,000 |
| Refunding bonds issued | - | - | - | 576,000 |
| Payment to bond escrow agent | - | - | - | (555,000) |
| Sale of other property | - | - | 385 | - |
| Sale of transportation equipment | - | - | - | 2,533 |
| Operating transfers in | 189,806 | 140,092 | 151,886 | 201,167 |
| Operating transfers out | (189,806) | (140,092) | (151,886) | (201,167) |
| Total Other Financing Sources (Uses) | - | - | 385 | 351,533 |
| Net Change in Fund Balances | (335,659) | 127,127 | 49,465 | 1,042,326 |
| Fund Balances: | | | | |
| July 1, as previously reported | 2,352,183 | 2,227,190 | 2,224,125 | 1,184,437 |
| Prior period adjustments | - | - | (49,545) | - |
| July 1, as restated | 2,352,183 | 2,227,190 | 2,174,580 | 1,184,437 |
| Increase (Decrease) in inventory | (1,239) | (2,134) | 3,145 | (2,638) |
| June 30, | $ 2,015,285 | 2,352,183 | 2,227,190 | 2,224,125 |

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Chickasaw County School District

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 Chickasaw County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Chickasaw County School District's basic financial statements, and have issued our report thereon dated October 10, 2014.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chickasaw County 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC Certified Public Accountants
October 10, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board
Chickasaw County School District

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

We have audited Chickasaw County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Chickasaw County School District's major federal program for the year ended June 30, 2014. The Chickasaw County School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Chickasaw County School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 its major federal program. However, our audit does not provide a legal determination on the school district's compliance.

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## Opinion on Each Major Federal Program

In our opinion, the Chickasaw County 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 its major federal program for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of the Chickasaw County 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 Chickasaw County School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC Certified Public Accountants
October 10, 2014

# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Chickasaw County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chickasaw County School District as of and for the year ended June 30, 2014, which collectively comprise the Chickasaw County School District's basic financial statements and have issued our report thereon dated October 10, 2014. 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.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $0 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC Certified Public Accountants
October 10, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Chickasaw County School District**

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.

2. Internal control over financial reporting:
   a. Material weakness(es) identified? No.
   b. Significant deficiency(ies) identified? None reported.

3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
   a. Material weakness(es) identified? No.
   b. Significant deficiency(ies) identified? None reported.

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

6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.

7. Identification of major programs:

| CFDA Numbers | Name of Federal Program or Cluster |
|---|---|
| 10.553 & 10.555 | Child Nutrition Cluster |

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

9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.