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**Holly Springs School District**

Audited Financial Statements  
For the Year Ended June 30, 2014

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

**Holly Springs 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  
Holly Springs 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 Holly Springs School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Holly Springs 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.

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 Holly Spring 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 17 and 46 to 50 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 Holly Spring 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 June 18, 2015, on our consideration of the Holly Springs 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 Holly Springs School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
June 18, 2015

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

HOLLY SPRINGS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

The following discussion and analysis of Holly Springs 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 increased \$108,431, including a prior period adjustment of (\$21,336), which represents a 1.28% increase from fiscal year 2013. Total net position for 2013 decreased \$345,374 which represents a 3.93% decrease from fiscal year 2012.
- General revenues amounted to \$11,443,977 and \$10,645,888, or 76.74% and 75.45% 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 \$3,469,181, or 23.26% of total revenues for 2014, and \$3,464,745, or 24.55% of total revenues for 2013.
- The District had \$14,783,391 and \$14,456,007 in expenses for fiscal years 2014 and 2013; only \$3,469,181 for 2014 and \$3,464,745 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$11,443,977 for 2014 were adequate to provide for these programs and \$10,645,888 for 2013 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$10,286,020 in revenues and \$10,147,971 in expenditures for 2014, and \$10,070,710 in revenues and \$10,034,364 in expenditures in 2013. The General Fund's fund balance decreased by \$59,505, including a prior period adjustment of (\$10,975), from 2013 to 2014, and decreased by \$565,152 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, increased by \$316,913 for 2014 and increased by \$589,144 for 2013. The increase for 2014 was due primarily to the new intermediate school construction project during the fiscal year.
- Long-term debt, including premiums and compensated absences, increased by \$9,460,018 for 2014 and decreased by \$716,472 for 2013. This increase for 2014 was due primarily to the issuance of general obligation bonds totaling \$9,750,000. The liability for compensated absences decreased by \$634 for 2014 and increased by \$16,212 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.

HOLLY SPRINGS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014

**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 non-fiduciary 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

**HOLLY SPRINGS SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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.

**HOLLY SPRINGS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**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. Assets exceeded liabilities by \$8,544,969 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.

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

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Current assets	\$ 4,023,905	3,459,912	16%
Restricted assets	9,227,139	120,824	7537%
Capital assets, net	<u>9,328,234</u>	<u>9,011,321</u>	4%
<b>Total assets</b>	<u>22,579,278</u>	<u>12,592,057</u>	79%
Current liabilities	999,174	580,402	72%
Long-term debt outstanding	<u>13,035,135</u>	<u>3,575,117</u>	265%
<b>Total liabilities</b>	<u>14,034,309</u>	<u>4,155,519</u>	238%
<b>Net position:</b>			
Net investment in capital assets	6,131,710	5,525,449	11%
Restricted	1,063,846	648,973	64%
Unrestricted	<u>1,349,413</u>	<u>2,262,116</u>	(40)%
<b>Total net position</b>	<u>\$ 8,544,969</u>	<u>8,436,538</u>	1%

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 \$316,913.
- The principal retirement of \$471,236 of long-term debt.
- Issuance of general obligation bond in the amount of \$9,750,000.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$14,913,158 and \$14,110,633, respectively. The total cost of all programs and services was \$14,783,391 for 2014 and \$14,456,007 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.

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

**Table 2**  
**Changes in Net position**

	<u>Year Ended June 30, 2014</u>	<u>Year Ended June 30, 2013</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 181,937	172,566	5%
Operating grants and contributions	3,287,244	3,292,179	0%
General revenues:			
Property taxes	4,142,620	3,464,359	20%
Grants and contributions not restricted	7,181,590	7,072,419	2%
Unrestricted investment earnings	107,824	77,784	39%
Other	11,943	31,326	(62)%
<b>Total revenues</b>	<u>14,913,158</u>	<u>14,110,633</u>	6%
<b>Expenses:</b>			
Instruction	7,260,081	7,500,942	(3)%
Support services	5,700,800	5,758,637	(1)%
Non-instructional	1,049,355	1,058,655	(1)%
Interest on long-term liabilities	773,155	137,773	461%
<b>Total expenses</b>	<u>14,783,391</u>	<u>14,456,007</u>	2%
<b>Increase (Decrease) in net position</b>	<u>129,767</u>	<u>(345,374)</u>	(138)%
<b>Net position, July 1, as previously reported</b>	8,436,538	8,781,912	(4)%
<b>Prior period adjustment</b>	<u>(21,336)</u>		
<b>Net position, July 1, as restated</b>	<u>8,415,202</u>	<u>8,781,912</u>	(4)%
<b>Net position, June 30</b>	<u>\$ 8,544,969</u>	<u>8,436,538</u>	1%

**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.

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

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

	<u><b>Total Expenses</b></u>		
	<u><b>2014</b></u>	<u><b>2013</b></u>	<u><b>Percentage Change</b></u>
Instruction	\$ 7,260,081	7,500,942	(3)%
Support services	5,700,800	5,758,637	(1)%
Non-instructional	1,049,355	1,058,655	(1)%
Interest on long-term liabilities	<u>773,155</u>	<u>137,773</u>	<u>461%</u>
<b>Total expenses</b>	<u>\$ 14,783,391</u>	<u>14,456,007</u>	<u>2%</u>
	<u><b>Net (Expense) Revenue</b></u>		
	<u><b>2014</b></u>	<u><b>2013</b></u>	<u><b>Percentage Change</b></u>
Instruction	\$ (6,031,358)	(6,213,640)	(3)%
Support services	(4,519,216)	(4,577,489)	(1)%
Non-instructional	9,519	(62,360)	(115)%
Interest on long-term liabilities	<u>(773,155)</u>	<u>(137,773)</u>	<u>461%</u>
<b>Total net (expense) revenue</b>	<u>\$ (11,314,210)</u>	<u>(10,991,262)</u>	<u>3%</u>

- Net cost of governmental activities (\$11,314,210 for 2014 and \$10,991,262 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$4,142,620 for 2014 and \$3,464,359 for 2013) and state and federal revenues of (\$7,181,590 for 2014 and \$7,072,419 for 2013).
- Investment earnings amounted to \$107,824 for 2014 and \$77,784 for 2013.

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

**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 \$12,610,584, an increase of \$9,619,279, which includes a prior period adjustment of (\$10,975) and a decrease in inventory of \$6,568. \$2,067,994, or 16% 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 \$10,542,590 or 84% 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 \$59,505, which includes a prior period adjustment of (\$10,975). The fund balance of Other Governmental Funds showed an increase in the amount of \$575,916, which includes a decrease in inventory of \$6,568, due primarily to reflect inventory to actual. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I A Basic Fund	no increase or decrease
EHA - Part B Fund	no increase or decrease
Capital Project Fund	\$ 9,102,865

**BUDGETARY HIGHLIGHTS**

During 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.

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

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 \$16,835,257, including land, construction in progress, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$584,697 from 2013. Total accumulated depreciation as of June 30, 2014, was \$7,507,023, and total depreciation expense for the year was \$424,089, resulting in total net capital assets of \$9,328,234.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 65,155	65,155	0%
Construction in progress	566,437		
Buildings	6,266,729	6,452,559	(3)%
Buildings improvements	1,535,811	1,628,225	(6)%
Improvements other than buildings	164,879	174,820	(6)%
Mobile equipment	521,591	590,568	(12)%
Furniture and equipment	207,632	99,994	108%
<b>Total</b>	<u>\$ 9,328,234</u>	<u>9,011,321</u>	<u>4%</u>

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 \$13,035,135 in outstanding long-term debt, of which \$683,441 is due within one year. The liability for compensated absences decreased \$634 from the prior year. Holly Springs School District issued \$9,750,000 in general obligation bonds during the fiscal year. The proceeds of these bonds are primarily for the construction of new intermediate school.

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

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 10,600,000	1,045,000	914%
Premiums/Discounts	204,329	17,041	1099%
Limited obligation bonds payable	1,275,000	1,505,000	(15)%
Premiums/Discounts	21,601	27,001	(20)%
Shortfall notes payable			??
Qualified construction bonds payable	845,594	891,830	(5)%
Compensated absences payable	88,611	89,245	(1)%
<b>Total</b>	<u>\$ 13,035,135</u>	<u>3,575,117</u>	<u>265%</u>

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

**CURRENT ISSUES**

The Holly Springs 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's system of financial planning, budgeting and internal financial controls is 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.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Holly Springs School District, 840 Highway 178 East, Holly Springs, MS 38635.

## FINANCIAL STATEMENTS

**HOLLY SPRINGS SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2014**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 3,213,831
Due from other governments	675,714
Other receivables, net	63,688
Inventories	20,031
Prepaid items	50,641
Restricted assets	9,227,139
Capital assets, non-depreciable:	
Land	65,155
Construction in progress	566,437
Capital assets, net of accumulated depreciation:	
Buildings	6,266,729
Building improvements	1,535,811
Improvements other than buildings	164,879
Mobile equipment	521,591
Furniture and equipment	207,632
Total Assets	22,579,278
<b>Liabilities</b>	
Accounts payable and accrued liabilities	368,314
Due to other governments	521
Interest payable on long-term liabilities	358,714
Other payables	271,625
Long-term liabilities, due within one year:	
Capital related liabilities	683,441
Long-term liabilities, due beyond one year:	
Capital related liabilities	12,263,083
Non-capital related liabilities	88,611
Total Liabilities	14,034,309
<b>Net Position</b>	
Net investment in capital assets	6,131,710
Restricted for:	
Expendable:	
School-based activities	110,114
Debt service	729,876
Capital improvements	
Unemployment benefits	34,664
Ad valorem	189,192
Unrestricted	1,349,413
Total Net Position	\$ 8,544,969

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

**HOLLY SPRINGS SCHOOL DISTRICT**

**Statement of Activities  
For the Year Ended June 30, 2014**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 7,260,081	\$ 98,235	\$ 1,130,488	\$ (6,031,358)
Support services	5,700,800	27,636	1,153,948	(4,519,216)
Non-instructional	1,049,355	56,066	1,002,808	9,519
Interest on long-term liabilities	773,155	-	-	(773,155)
<b>Total Governmental Activities</b>	<b>\$ 14,783,391</b>	<b>\$ 181,937</b>	<b>\$ 3,287,244</b>	<b>\$ (11,314,210)</b>

General Revenues:

Taxes:

General purpose levies	3,278,874
Debt purpose levies	863,746

Unrestricted grants and contributions:

State	7,001,699
Federal	179,891
Unrestricted investment earnings	107,824
Other	11,943
<b>Total General Revenues</b>	<b>11,443,977</b>

Change in Net Position	129,767
------------------------	---------

Net Position - Beginning, as previously reported	8,436,538
Prior Period Adjustments	(21,336)
Net Position - Beginning, as restated	8,415,202
Net Position - Ending	\$ 8,544,969

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

**HOLLY SPRINGS SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet  
June 30, 2014**

**Exhibit C**

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Title I A Basic Fund	EHA - Part B Fund	Capital Project Fund			
<b>Assets</b>							
Cash and cash equivalents	\$ 2,145,798	\$	\$	\$ 9,102,865	\$	1,068,033	\$ 12,316,696
Cash with fiscal agents						124,274	124,274
Due from other governments	174,920	159,659	97,546			243,589	675,714
Other receivables, net	47,060	470				9,090	56,620
Due from other funds	210,002	1,397				20,158	231,557
Advance to other funds	24,297						24,297
Inventories						20,031	20,031
Prepaid items	48,793		1,848				50,641
<b>Total Assets</b>	<b>2,650,870</b>	<b>161,526</b>	<b>99,394</b>	<b>9,102,865</b>		<b>1,485,175</b>	<b>13,499,830</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 223,490	\$ 62,668	\$ 26,661	\$	\$	55,495	\$ 368,314
Due to other funds	479	98,858	72,733			52,940	225,010
Advances from other funds						24,297	24,297
Other payables	96,625					175,000	271,625
<b>Total Liabilities</b>	<b>320,594</b>	<b>161,526</b>	<b>99,394</b>	<b>-</b>		<b>307,732</b>	<b>889,246</b>
<b>Fund Balances:</b>							
<b>Nonspendable:</b>							
Inventory						20,031	20,031
Advances	24,297						24,297
Prepaid items	48,793						48,793
<b>Restricted:</b>							
Debt service						1,088,590	1,088,590
Ad valorem	189,192						189,192
Unemployment benefits						34,664	34,664
<b>Committed:</b>							
Construction contracts				9,102,865			9,102,865
<b>Assigned:</b>							
Other Purposes						34,158	34,158
<b>Unassigned</b>	<b>2,067,994</b>						<b>2,067,994</b>
<b>Total Fund Balances</b>	<b>2,330,276</b>	<b>-</b>	<b>-</b>	<b>9,102,865</b>		<b>1,177,443</b>	<b>12,610,584</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,650,870</b>	<b>\$ 161,526</b>	<b>\$ 99,394</b>	<b>\$ 9,102,865</b>		<b>\$ 1,485,175</b>	<b>\$ 13,499,830</b>

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

**HOLLY SPRINGS SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2014**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 12,610,584

Amounts reported for governmental activities in the statement of Net Position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 65,155	
Construction in progress	566,437	
Buildings	10,574,905	
Building improvements	2,051,331	
Improvements other than buildings	248,515	
Mobile equipment	1,789,433	
Furniture and equipment	1,539,481	
Accumulated depreciation	<u>(7,507,023)</u>	9,328,234

2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	(10,600,000)	
Limited obligation bonds	(1,275,000)	
Qualified school construction bonds	(845,594)	
Compensated absences	(88,611)	
Unamortized premiums	(225,930)	
Accrued interest payable	<u>(358,714)</u>	(13,393,849)

**Net position of governmental activities** \$ 8,544,969

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

**HOLLY SPRINGS SCHOOL DISTRICT**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2014**

**Exhibit D**

	Major Funds					Total Governmental Funds
	General Fund	Title I A Basic Fund	EHA - Part B Fund	Capital Project Fund	Other Governmental Funds	
<b>Revenues:</b>						
Local sources	\$ 3,447,817	\$	\$	\$ 32,830	\$ 963,677	\$ 4,444,324
State sources	6,730,403				637,656	7,368,059
Federal sources	107,800	1,063,220	574,327		1,355,428	3,100,775
Total Revenues	<u>10,286,020</u>	<u>1,063,220</u>	<u>574,327</u>	<u>32,830</u>	<u>2,956,761</u>	<u>14,913,158</u>
<b>Expenditures:</b>						
Instruction	5,658,816	483,084	228,226		732,398	7,102,524
Support services	4,486,840	502,997	323,306	4,285	550,643	5,868,071
Noninstructional services		56,139			981,312	1,037,451
Facilities acquisition and construction				566,437		566,437
Debt service:						
Principal					471,236	471,236
Interest	2,315				124,428	126,743
Other				284,231	3,250	287,481
Total Expenditures	<u>10,147,971</u>	<u>1,042,220</u>	<u>551,532</u>	<u>854,953</u>	<u>2,863,267</u>	<u>15,459,943</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>138,049</u>	<u>21,000</u>	<u>22,795</u>	<u>(822,123)</u>	<u>93,494</u>	<u>(546,785)</u>
<b>Other Financing Sources (Uses):</b>						
Bonds issued				9,750,000		9,750,000
Insurance recovery	242,907					242,907
Premiums on bonds				190,697		190,697
Operating transfers in	150,562				597,299	747,861
Operating transfers out	(580,048)	(21,000)	(22,795)	(15,709)	(108,309)	(747,861)
Total Other Financing Sources (Uses)	<u>(186,579)</u>	<u>(21,000)</u>	<u>(22,795)</u>	<u>9,924,988</u>	<u>488,990</u>	<u>10,183,604</u>
Net Change in Fund Balances	<u>(48,530)</u>	<u>-</u>	<u>-</u>	<u>9,102,865</u>	<u>582,484</u>	<u>9,636,819</u>
Fund Balances:						
July 1, 2013, as previously reported	2,389,781				601,527	2,991,308
Prior period adjustments	(10,975)					(10,975)
July 1, 2013, as restated	<u>2,378,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>601,527</u>	<u>2,980,333</u>
Increase (Decrease) in inventory					(6,568)	(6,568)
June 30, 2014	<u>\$ 2,330,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,102,865</u>	<u>\$ 1,177,443</u>	<u>\$ 12,610,584</u>

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

**HOLLY SPRINGS SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2014**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 9,636,819

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 760,608	
Depreciation expense	<u>(424,089)</u>	336,519

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (9,245)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Bonds issued	(9,750,000)	
Premiums on bonds and refunding bonds issued	(190,697)	
Payments of debt principal	471,236	
Accrued interest payable	(314,822)	
Issuance costs expensed based on GASB 65 implementation	<u>(52,918)</u>	(9,837,201)

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	634	
Change in inventory	(6,568)	
Amortization of deferred charges, premiums and discounts	<u>8,809</u>	2,875

**Change in net position of governmental activities** \$ 129,767

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

**HOLLY SPRINGS SCHOOL DISTRICT**

**Fiduciary Assets and Liabilities**

**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2014**

**Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 653,567
Other receivables, net	1,287
Due from other funds	521
Total Assets	<u>\$ 655,375</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 620,268
Due to other funds	7,068
Due to student clubs	27,108
Other payables	931
Total Liabilities	<u>\$ 655,375</u>

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

**Holly Springs School District**

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

# HOLLY SPRINGS SCHOOL DISTRICT

## Notes to the Financial Statements For 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Holly Springs since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Holly Springs 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.

# HOLLY SPRINGS SCHOOL DISTRICT

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

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 A Basic Fund – This fund is federally funded to provide supplemental funds for the education of the district's disadvantaged students.

EHA – Part B Fund – This fund is federally funded to provide supplemental funds for the education of the district's students with special needs.

Capital Project Fund – This fund is to record all expenses associated with the construction of the new intermediate school.

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 Fund – This fund is used to account for all payroll transactions including salaries and wages, withholding, employee benefits, and payroll taxes.

# HOLLY SPRINGS SCHOOL DISTRICT

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

Accounts Payable Clearing Fund – This fund is used to account for the payment of claims against the school district.

Student Club Funds – These funds are used to account for student club activities at each of the five schools which comprise the district.

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

## HOLLY SPRINGS SCHOOL DISTRICT

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

(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 city 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.

HOLLY SPRINGS SCHOOL DISTRICT

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

**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 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.

# HOLLY SPRINGS SCHOOL DISTRICT

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

### 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

### 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 or business type activities columns 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.

HOLLY SPRINGS SCHOOL DISTRICT

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

The following schedule details the capitalization thresholds:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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.

# HOLLY SPRINGS SCHOOL DISTRICT

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

### 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. This formal action is the formal resolution by the board to enter into legally binding contracts.

*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 the Business Managers pursuant to authorization established by school board policy.

*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

# HOLLY SPRINGS SCHOOL DISTRICT

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

could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

The board of the Holly Springs School District formally adopted the *Minimum Unassigned Fund Balance* policy (Policy DGA) which states the goal of the District is to achieve and maintain an unassigned fund balance in the General Fund at fiscal year-end of no less than 7% of all revenues (functions 0000-5999). If the assigned 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 and Cash with Fiscal Agents**

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments 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.

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 12,316,696 and \$653,567, 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.

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$124,274.

HOLLY SPRINGS SCHOOL DISTRICT

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

**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 - Basic Fund	\$ 98,858
	EHA - Part B Fund	72,733
	Other Governmental Funds	33,574
	Fiduciary Funds	4,837
Title I A Basic Fund	Fiduciary Funds	1,397
	General Fund	77
Other Governmental Funds	Other Governmental Funds	19,366
	Fiduciary Funds	715
	General Fund	402
Fiduciary Funds	Fiduciary Funds	119
		<u>\$ 232,078</u>

The purposes of the interfund loans were to cover federal funds and/or ad valorem taxes not received prior to year end, interest earned on fiduciary fund bank accounts, and voided check amounts remaining in fiduciary funds.

**B. Advances To/From Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ <u>24,297</u>

The advances were made to the Food Service Fund to cover shortfalls in prior years.

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 580,048
Title I A Basic Fund	General Fund	21,000
EHA - Part B Fund	General Fund	22,795
Capital Project Fund	Other Governmental Funds	15,709
Other Governmental Funds	General Fund	106,767
Other Governmental Funds	Other Governmental Funds	1,542
Total		<u>\$ 747,861</u>

The principal purpose of the interfund transfers was to provide for daily operations. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

HOLLY SPRINGS SCHOOL DISTRICT

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

**Note 4 – Restricted Assets**

The restricted assets represent the cash with fiscal agent balance totaling \$124,274 of the MAEP Limited Obligation Bond/Note Fund and cash balance of \$9,102,865 of the Capital Project Fund which is restricted for the construction of a new school building.

**Note 5 – Capital Assets**

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

	Balance 7/1/2013	Increases	Decreases	Adjustments	Balance 6/30/2014
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 65,155	\$	\$	\$	\$ 65,155
Construction-in-progress		566,437			566,437
Total non-depreciable capital assets	65,155	566,437	-	-	631,592
<u>Depreciable capital assets:</u>					
Buildings	10,574,905				10,574,905
Building improvements	2,051,331				2,051,331
Improvements other than buildings	248,515				248,515
Mobile equipment	1,789,433				1,789,433
Furniture and equipment	1,521,221	194,171	175,911		1,539,481
Total depreciable capital assets	16,185,405	194,171	175,911	-	16,203,665
<u>Less accumulated depreciation for:</u>					
Buildings	4,122,346	185,830			4,308,176
Building improvements	423,106	82,053		10,361	515,520
Improvements other than buildings	73,695	9,941			83,636
Mobile equipment	1,198,865	68,977			1,267,842
Furniture and equipment	1,421,227	77,288	166,666		1,331,849
Total accumulated depreciation	7,239,239	424,089	166,666	10,361	7,507,023
Total depreciable capital assets, net	8,946,166	(229,918)	9,245	(10,361)	8,696,642
Governmental activities capital assets, net	\$ 9,011,321	\$ 336,519	\$ 9,245	\$ (10,361)	\$ 9,328,234

Adjustments were made to correctly present capital assets at year end.

Depreciation expense was charged to the following governmental functions:

Governmental Activities:	<u>Amount</u>
Instruction	\$ 305,195
Support services	113,671
Non-instructional	5,223
Total depreciation expense	<u>\$ 424,089</u>

HOLLY SPRINGS SCHOOL DISTRICT

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

The capital assets above include significant amounts of buildings and furniture and fixtures which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

Construction in progress is composed of:

	Spent to June 30, 2014	Remaining Commitment
New Intermediate School	\$ 566,437	\$ 9,186,895

Construction projects included in governmental activities are funded with proceeds of a general obligation bond.

**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	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. General obligation bonds payable	\$	\$ 9,750,000	\$	\$ 9,750,000	\$ 195,000
General obligation refunding bonds payable	1,045,000		195,000	850,000	200,000
Premiums/Discounts	17,041	190,697	3,409	204,329	
B. Limited obligation refunding bonds payable	1,505,000		230,000	1,275,000	240,000
Premiums/Discounts	27,001		5,400	21,601	
C. Qualified school construction bonds payable	891,830		46,236	845,594	48,441
D. Compensated absences payable	89,245		634	88,611	
Total	\$ 3,575,117	\$ 9,940,697	\$ 480,679	\$ 13,035,135	\$ 683,441

**A. General obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Refunding Bonds					
Series 2009	3%-4%	6/1/2009	6/18/2018	\$ 1,785,000	\$ 850,000
2. Capital Projects -					
Int. School	3.5%-4.75%	8/1/2013	8/1/2033	9,750,000	9,750,000
Total				\$ 11,535,000	\$ 10,600,000

HOLLY SPRINGS SCHOOL DISTRICT

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

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

1. General obligation refunding bond issue of June 1, 2009:

Year Ending June 30	Principal	Interest	Total
2015	\$ 200,000	\$ 30,413	\$ 230,413
2016	210,000	24,413	234,413
2017	215,000	17,062	232,062
2018	225,000	9,000	234,000
Total	\$ 850,000	\$ 80,888	\$ 930,888

This debt will be retired from the General Obligations Refunding Bond Fund.

2. General obligation bond issue of August 1, 2013:

Year Ending June 30	Principal	Interest	Total
2015	\$ 195,000	\$ 602,531	\$ 797,531
2016	195,000	393,725	588,725
2017	195,000	386,900	581,900
2018	195,000	380,075	575,075
2019	205,000	373,075	578,075
2020 – 2024	2,425,000	1,638,303	4,063,303
2025 – 2029	2,990,000	1,110,707	4,100,707
2030 – 2034	3,350,000	374,547	3,724,547
Total	\$ 9,750,000	\$ 5,259,863	\$ 15,009,863

This debt will be retired from the GO – Intermediate School Construction Bond Fund.

HOLLY SPRINGS SCHOOL DISTRICT

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

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2015	\$ 395,000	\$ 632,944	\$ 1,027,944
2016	405,000	418,138	823,138
2017	410,000	403,962	813,962
2018	420,000	389,075	809,075
2019	205,000	373,075	578,075
2020 – 2024	2,425,000	1,638,303	4,063,303
2025 – 2029	2,990,000	1,110,707	4,100,707
2030 – 2034	3,350,000	374,547	3,724,547
<b>Total</b>	<b>\$ 10,600,000</b>	<b>\$ 5,340,751</b>	<b>\$ 15,940,751</b>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2014, the amount of outstanding bonded indebtedness was equal to 15% of property assessments as of October 1, 2013.

**B. 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 Refunding bonds, Series 2009	3%-3.5%	5/15/2009	2/1/2018	\$ 2,190,000	\$ 1,275,000

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

HOLLY SPRINGS SCHOOL DISTRICT

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 240,000	\$ 38,575	278,575
2016	245,000	30,994	275,994
2017	255,000	22,869	277,869
2018	535,000	14,175	549,175
Total	\$ 1,275,000	\$ 106,613	1,381,613

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.

**C. Qualified school construction bonds payable**

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy efficiency lease purchase	2.44% - 4.77%	6/29/2012	6/29/2027	\$ 935,961	\$ 845,594

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	\$ 48,441	\$ 40,335	88,776
2016	50,752	38,024	88,776
2017	53,173	35,603	88,776
2018	55,708	33,067	88,775
2019	58,367	30,410	88,777
2020 - 2024	336,348	107,535	443,883
2025 - 2027	242,805	23,524	266,329
Total	\$ 845,594	\$ 308,498	1,154,092

HOLLY SPRINGS SCHOOL DISTRICT

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

**D. 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 – Short-Term Financing**

During the fiscal year ended June 30, 2014, the school district participated in the following short-term financing for the purpose of major building repairs and renovation:

Bank-financed short term debt.

The school district issued a three mill note payable to *Merchants and Farmers Bank*, and the proceeds from such issuance are accounted for as a current liability in the Building Improvement fund of the school district. Once the cash flow is available, the district will make a payment consisting of principal and interest to the trustee.

All transactions related to participation in this program are accounted for as part of the school district's Building Improvement fund.

Changes in short-term debt activity recorded in the governmental activities during fiscal year 2014 are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three Mill Note	1.97%	8/1/2013	8/1/2014	<u>\$ 175,000</u>	<u>\$ 175,000</u>

**Note 8 – Other Commitments**

Commitments under construction contracts are described in Note 5.

**Note 9 – 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.

# HOLLY SPRINGS SCHOOL DISTRICT

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

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 \$1,165,332, \$1,063,916 and \$912,812, respectively, which equaled the required contributions for each year.

### Note 10 – Prior Period Adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

#### Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. Federal revenue receivable was calculated incorrectly in prior years	\$ (10,975)
2. Adjustment was made to properly present capital assets.	(10,361)
Total	<u>\$ (21,336)</u>

#### Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	Federal revenue receivable was calculated incorrectly in prior years.	<u>\$ (10,975)</u>

### Note 11 – 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 disallowances 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.

## HOLLY SPRINGS SCHOOL DISTRICT

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

#### **Note 12 – 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. 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.

#### **Note 13 – 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 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 from 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 school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. 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 most recent interest payment date to which interest has been paid at the rate of interest per annum set forth above on June 29 of each year, commencing May 8, 2012. However, the United States Treasury reimburses the District for the amount of interest paid on the principal amount.

#### **Note 14 - Insurance Loss Recoveries**

The Holly Springs School District received \$242,907 in insurance loss recoveries related to damage from water pipes bursting in the ceiling of the Central Office during the 2013-2014 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as follows and allocated among the expense functions based on the following percentages:

HOLLY SPRINGS SCHOOL DISTRICT

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

Insurance Loss			
	Recoveries	Percentage	Expense Function
\$	87,033	36%	Instruction
	155,874	64%	Support services
\$	242,907	100%	

**Note 15 - 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 Holly Springs 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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>
Three Mill Note	1.24%	8/1/2014	6/1/2015	\$182,000

REQUIRED SUPPLEMENTARY INFORMATION

**HOLLY SPRINGS SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 3,494,394	\$ 3,447,817	\$ 3,447,817	\$ (46,577)	\$ -
State sources	6,500,804	6,730,403	6,730,403	229,599	-
Federal sources	345,617	107,800	107,800	(237,817)	-
Total Revenues	10,340,815	10,286,020	10,286,020	(54,795)	-
<b>Expenditures:</b>					
Instruction	5,903,261	5,682,464	5,658,816	220,797	23,648
Support services	4,783,816	4,577,083	4,486,840	206,733	90,243
Debt service:					
Interest	-	-	2,315	-	(2,315)
Total Expenditures	10,687,077	10,259,547	10,147,971	427,530	111,576
Excess (Deficiency) of Revenues over (under) Expenditures	(346,262)	26,473	138,049	372,735	111,576
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	-	242,907	242,907	242,907	-
Operating transfers in	1,819,849	1,684,921	150,562	(134,928)	(1,534,359)
Operating transfers out	(2,249,071)	(2,221,174)	(580,048)	27,897	1,641,126
Total Other Financing Sources (Uses)	(429,222)	(293,346)	(186,579)	135,876	106,767
Net Change in Fund Balances	(775,484)	(266,873)	(48,530)	508,611	218,343
<b>Fund Balances:</b>					
July 1, 2013, as previously reported	2,299,574	2,494,233	2,389,781	194,659	(104,452)
Prior period adjustments	-	(10,975)	(10,975)	(10,975)	-
July 1, 2013, as restated	2,299,574	2,483,258	2,378,806	183,684	(104,452)
June 30, 2014	\$ 1,524,090	\$ 2,216,385	\$ 2,330,276	\$ 692,295	\$ 113,891

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

**HOLLY SPRINGS SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule  
Title I A Basic Fund  
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 1,718,982	\$ 1,103,276	\$ 1,063,220	\$ (615,706)	\$ (40,056)
Total Revenues	1,718,982	1,103,276	1,063,220	(615,706)	(40,056)
<b>Expenditures:</b>					
Instruction	558,092	766,271	483,084	(208,179)	283,187
Support services	839,496	716,704	502,997	122,792	213,707
Noninstructional services	245,030	255,729	56,139	(10,699)	199,590
Total Expenditures	1,642,618	1,738,704	1,042,220	(96,086)	696,484
Excess (Deficiency) of Revenues over (under) Expenditures	76,364	(635,428)	21,000	(711,792)	656,428
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(76,364)	(65,363)	(21,000)	11,001	44,363
Total Other Financing Sources (Uses)	(76,364)	(65,363)	(21,000)	11,001	44,363
Net Change in Fund Balances	-	(700,791)	-	(700,791)	700,791
Fund Balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	\$ -	\$ (700,791)	\$ -	\$ (700,791)	\$ 700,791

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

**HOLLY SPRINGS SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule  
EHA - Part B Fund  
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 628,653	\$ 628,653	\$ 574,327	\$ -	\$ (54,326)
Total Revenues	628,653	628,653	574,327	-	(54,326)
<b>Expenditures:</b>					
Instruction	242,133	253,357	228,226	(11,224)	25,131
Support services	327,035	349,883	323,306	(22,848)	26,577
Total Expenditures	569,168	603,240	551,532	(34,072)	51,708
Excess (Deficiency) of Revenues over (under) Expenditures	59,485	25,413	22,795	(34,072)	(2,618)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(27,409)	(27,409)	(22,795)	-	4,614
Total Other Financing Sources (Uses)	(27,409)	(27,409)	(22,795)	-	4,614
Net Change in Fund Balances	32,076	(1,996)	-	(34,072)	1,996
Fund Balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	\$ 32,076	\$ (1,996)	\$ -	\$ (34,072)	\$ 1,996

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## **Holly Springs 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

**HOLLY SPRINGS SCHOOL DISTRICT**

**Supplementary Information**

**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 No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 293,375
National School Lunch Program	10.555	660,945
Summer Food Service Program for Children	10.559	36,712
Total Child Nutrition Cluster		<u>991,032</u>
Fresh Fruit and Vegetable Program	10.582	41,179
Total passed-through Mississippi Department of Education		<u>1,032,211</u>
<b>Total U.S. Department of Agriculture</b>		<u>1,032,211</u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	25,685
<b>Total U.S. Department of Defense</b>		<u>25,685</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	39,497
<b>Total Federal Communications Commission</b>		<u>39,497</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation Services - Vocational Rehabilitation Grants to State	84.126	616
Total passed-through Mississippi Department of Rehabilitation Services		<u>616</u>
Passed-through Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,070,436
Career and Technical Education - Basic Grants to States	84.048	25,142
Improving Teacher Quality-State Grants	84.367	133,544
Subtotal		<u>1,229,122</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	599,513
Special Education - Preschool Grants	84.173	34,354
Total Special Education Cluster		<u>633,867</u>
Total passed-through Mississippi Department of Education		<u>1,862,989</u>
<b>Total U.S. Department of Education</b>		<u>1,863,605</u>
<b><u>U.S. Department of Energy</u></b>		
Direct Program:		
Energy Efficiency and Conservation Block Grant Program	81.128	97,775
<b>Total U.S. Department of Energy</b>		<u>97,775</u>
Total for All Federal Awards		<u>\$ 3,058,773</u>

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and the same 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.

**HOLLY SPRINGS SCHOOL DISTRICT**

**Supplementary Information**

**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	\$ 10,182,564	7,612,740	725,569	706,069	1,138,186
Other	5,277,379	1,287,003	226,809	10,331	3,753,236
Total	<u>\$ 15,459,943</u>	<u>8,899,743</u>	<u>952,378</u>	<u>716,400</u>	<u>4,891,422</u>
Total number of students *	<u>1,447</u>				
Cost per student	<u>\$ 10,684</u>	<u>6,151</u>	<u>658</u>	<u>495</u>	<u>3,380</u>

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

Instruction and Other Student 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 function: Support Services - School Administration.

Other - includes all expenditure 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

**HOLLY SPRINGS SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2014	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 3,447,817	\$ 3,249,040	\$ 3,170,484	\$ 3,052,600
State sources	6,730,403	6,642,775	6,765,301	6,658,589
Federal sources	107,800	178,895	230,422	371,096
Total Revenues	<u>10,286,020</u>	<u>10,070,710</u>	<u>10,166,207</u>	<u>10,082,285</u>
<b>Expenditures:</b>				
Instruction	5,658,816	5,723,902	5,695,731	5,342,913
Support services	4,486,840	4,310,462	4,232,046	4,441,815
Debt service:				
Interest	2,315	-	-	-
Total Expenditures	<u>10,147,971</u>	<u>10,034,364</u>	<u>9,927,777</u>	<u>9,784,728</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>138,049</u>	<u>36,346</u>	<u>238,430</u>	<u>297,557</u>
<b>Other Financing Sources (Uses):</b>				
Notes issued	-	-	39,744	-
Insurance recovery	242,907	-	-	4,546
Operating transfers in	150,562	73,521	61,550	143,103
Operating transfers out	(580,048)	(675,019)	(477,153)	(262,772)
Other financing uses	-	-	-	(22,208)
Total Other Financing Sources (Uses)	<u>(186,579)</u>	<u>(601,498)</u>	<u>(375,859)</u>	<u>(137,331)</u>
Net Change in Fund Balances	<u>(48,530)</u>	<u>(565,152)</u>	<u>(137,429)</u>	<u>160,226</u>
<b>Fund Balances:</b>				
July 1, as previously reported	2,389,781	2,954,933	3,166,579	3,006,353
Prior period adjustments	(10,975)	-	(74,217)	-
July 1, as restated	<u>2,378,806</u>	<u>2,954,933</u>	<u>3,092,362</u>	<u>3,006,353</u>
June 30,	<u>\$ 2,330,276</u>	<u>\$ 2,389,781</u>	<u>\$ 2,954,933</u>	<u>\$ 3,166,579</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**HOLLY SPRINGS SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2014	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 4,444,324	\$ 3,746,036	\$ 3,620,927	\$ 3,555,712
State sources	7,368,059	7,270,316	7,369,179	7,401,333
Federal sources	3,100,775	3,094,281	3,225,954	4,405,109
<b>Total Revenues</b>	<b>14,913,158</b>	<b>14,110,633</b>	<b>14,216,060</b>	<b>15,362,154</b>
<b>Expenditures:</b>				
Instruction	7,102,524	7,194,141	7,285,693	7,888,370
Support services	5,868,071	5,726,199	5,559,389	5,607,022
Noninstructional services	1,037,451	1,038,082	989,337	996,904
Facilities acquisition and construction	566,437	918,531	86,173	172,871
Debt service:				
Principal	471,236	723,875	692,853	535,000
Interest	126,743	143,261	109,684	116,763
Other	287,481	3,300	3,050	3,035
<b>Total Expenditures</b>	<b>15,459,943</b>	<b>15,747,389</b>	<b>14,726,179</b>	<b>15,319,965</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(546,785)	(1,636,756)	(510,119)	42,189
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	9,750,000	-	494,744	235,000
QSCB Proceeds	-	-	935,961	-
Insurance recovery	242,907	-	-	4,546
Premiums on bonds	190,697	-	-	-
Operating transfers in	747,861	777,702	538,703	405,875
Operating transfers out	(747,861)	(777,702)	(538,703)	(405,875)
Other financing uses	-	-	-	(23,861)
<b>Total Other Financing Sources (Uses)</b>	<b>10,183,604</b>	<b>-</b>	<b>1,430,705</b>	<b>215,685</b>
<b>Net Change in Fund Balances</b>	<b>9,636,819</b>	<b>(1,636,756)</b>	<b>920,586</b>	<b>257,874</b>
<b>Fund Balances:</b>				
July 1, as previously reported	2,991,308	4,631,693	3,755,226	3,492,987
Prior period adjustments	(10,975)	-	(53,536)	-
July 1, as restated	2,980,333	4,631,693	3,701,690	3,492,987
Increase (Decrease) in inventory	(6,568)	(3,629)	9,417	4,365
June 30,	\$ 12,610,584	\$ 2,991,308	\$ 4,631,693	\$ 3,755,226

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL 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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board  
Holly Springs 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 Holly Springs School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Holly Springs School District's basic financial statements, and have issued our report thereon dated June 18, 2015.

**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.

1929 SPILLWAY ROAD, SUITE B  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Holly Springs 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  
June 18, 2015

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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  
Holly Springs School District

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

We have audited Holly Springs School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Holly Springs School District's major federal programs for the year ended June 30, 2014. The Holly Springs School District's major federal programs are 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 each of Holly Springs School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Holly Springs School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

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

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
June 18, 2015

Certified Public Accountants

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  
Holly Springs School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Holly Springs School District as of and for the year ended June 30, 2014, which collectively comprise the Holly Springs School District's basic financial statements and have issued our report thereon dated June 18, 2015. 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.

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  
June 18, 2015

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Holly Springs 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:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? No.

#### 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.

SUMMARY OF PRIOR FEDERAL AUDIT FINDING



**Holly Springs School District**  
Dr. Irene Walton Turnage, Superintendent of Education

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SUMMARY OF PRIOR AUDIT FINDINGS

As required by Section \_\_\_\_315(b) of OMB Circular A-133, the Holly Springs School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2014:

<u>Finding</u>	<u>Status</u>
2013 - 1	Corrected