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KOSCIUSKO SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2014**

**Kimberly T. May, CPA, PLLC
Madison, MS**

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Kosciusko School District

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kosciusko School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Kosciusko 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Kosciusko 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 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kosciusko 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, as required by the Mississippi State Auditor's Office, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my 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, as required by the Mississippi Department of Education, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated October 31, 2014, on my consideration of the Kosciusko School District's internal control over financial reporting and on my 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 my 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 Kosciusko School District's internal control over financial reporting and compliance.

Kimberly J. May, CPA, PLLC

Madison, MS
October 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Kosciusko 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 \$681,777, which represents a 3% increase from fiscal year 2013. Total net position for 2013 increased \$582,938, which represents a 3% increase from fiscal year 2012.
- General revenues amounted to \$16,015,688 and \$15,315,768, or 83% and 82% 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 \$3,191,913, or 17% of total revenues for 2014, and \$3,281,141, or 18% of total revenues for 2013.
- The District had \$18,525,824 and \$18,013,971 in expenses for fiscal years 2014 and 2013; only \$3,191,913 for 2014 and \$3,281,141 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$16,015,688 for 2014 and \$15,315,768 for 2013 were adequate to provide for these programs.
- Among major funds, the General Fund had \$15,549,755 in revenues and \$14,049,651 in expenditures for 2014, and \$15,027,548 in revenues and \$13,597,521 in expenditures in 2013. The General Fund's fund balance increased by \$1,372,011 from 2013 to 2014, and increased by \$388,868 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$268,059 for 2014 and decreased by \$342,343 for 2013. The decrease for 2014 was due to the addition/disposal of capital assets coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$468,902 for 2014 and decreased by \$458,636 for 2013. This decrease for 2014 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$11,098 for 2014 and increased by \$6,364 for 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental funds – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$24,234,706 as of June 30, 2014.

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

Table 1
Condensed Statement of Net Position

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Current assets	\$ 12,586,068	\$ 12,543,429	0.34 %
Restricted assets	1,872,095	1,455,103	28.66 %
Capital assets, net	12,744,417	13,012,476	(2.06) %
Total assets	<u>27,202,580</u>	<u>27,011,008</u>	0.71 %
Current liabilities	20,382	41,685	(51.10) %
Long-term debt outstanding	2,947,492	3,416,394	(13.73) %
Total liabilities	<u>2,967,874</u>	<u>3,458,079</u>	(14.18) %
Net position:			
Net investment in capital assets	11,754,417	11,542,476	1.84 %
Restricted	2,522,359	2,727,675	(7.53) %
Unrestricted	9,957,930	9,282,778	7.27 %
Total net position	<u>\$ 24,234,706</u>	<u>\$ 23,552,929</u>	2.89 %

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

- Decrease in net capital assets in the amount of \$268,059.
- The principal retirement of \$480,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$19,207,601 and \$18,596,909, respectively. The total cost of all programs and services was \$18,525,824 for 2014 and \$18,013,971 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.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2014</u>	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 627,797	\$ 659,927	(4.87) %
Operating grants and contributions	2,564,116	2,621,214	(2.18) %
General revenues:			
Property taxes	4,627,559	4,340,919	6.60 %
Grants and contributions not restricted	11,190,865	10,763,003	3.98 %
Investment earnings	18,453	11,969	54.17 %
Sixteenth section sources	178,811	198,621	(9.97) %
Other	0	1,256	(100.00) %
Total revenues	<u>19,207,601</u>	<u>18,596,909</u>	3.28 %
Expenses:			
Instruction	10,195,716	9,980,551	2.16 %
Support services	6,880,353	6,553,339	4.99 %
Non-instructional	1,302,127	1,263,075	3.09 %
Sixteenth section	19,318	74,387	(74.03) %
Interest on long-term liabilities	128,310	142,619	(10.03) %
Total expenses	<u>18,525,824</u>	<u>18,013,971</u>	2.84 %
Increase (Decrease) in net position	<u>681,777</u>	<u>582,938</u>	16.96 %
Net Position, July 1	<u>23,552,929</u>	<u>22,969,991</u>	2.54 %
Net Position, June 30	<u>\$ 24,234,706</u>	<u>\$ 23,552,929</u>	2.89 %

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage</u>
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Instruction	\$ 10,195,716	\$ 9,980,551	2.16 %
Support services	6,880,353	6,553,339	4.99 %
Non-instructional	1,302,127	1,263,075	3.09 %
Sixteenth section	19,318	74,387	(74.03) %
Interest on long-term liabilities	128,310	142,619	(10.03) %
Total expenses	<u>\$ 18,525,824</u>	<u>\$ 18,013,971</u>	2.84 %

	Net (Expense) Revenue		Percentage Change
	2014	2013	
Instruction	\$ (9,110,280)	\$ (8,790,133)	3.64 %
Support services	(6,148,086)	(5,848,406)	5.12 %
Non-instructional	72,083	122,715	(41.26) %
Sixteenth section	(19,318)	(74,387)	(74.03) %
Interest on long-term liabilities	(128,310)	(142,619)	(10.03) %
Total net (expense) revenue	\$ (15,333,911)	\$ (14,732,830)	4.08 %

- Net cost of governmental activities (\$15,333,911 for 2014 and \$14,732,830 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$4,627,559 for 2014 and \$4,340,919 for 2013) and state and federal revenues (\$11,190,865 for 2014 and \$10,763,003 for 2013). In addition, there was \$178,811 and \$198,621 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$18,453 for 2014 and \$11,969 for 2013.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$14,451,699, an increase of \$476,143, which includes an increase in inventory of \$1,038. \$11,554,717 or 80% 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 \$2,896,982 or 20% 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 increase in fund balance in the General Fund for the fiscal year was \$1,372,011. The fund balance of Other Governmental Funds showed a decrease in the amount of \$895,868 which includes an increase in reserve for inventory of \$1,038. The increase (decrease) in the fund balances for the other major funds were as follows:

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

BUDGETARY HIGHLIGHTS

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.

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 fund(s) 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 \$20,093,259, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$222,769 from 2013. Total accumulated depreciation as of June 30, 2014, was \$7,348,842, and total depreciation expense for the year was \$514,259, resulting in total net capital assets of \$12,744,417.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 402,877	\$ 402,877	0.00 %
Buildings	11,433,371	11,741,811	(2.63) %
Building improvements	166,991	211,625	(21.09) %
Mobile equipment	591,659	524,217	12.87 %
Furniture and equipment	149,519	131,946	13.32 %
Total	\$ 12,744,417	\$ 13,012,476	(2.06) %

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 \$2,947,492 in outstanding long-term debt, of which \$297,202 is due within one year. The liability for compensated absences increased \$11,098 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	0	195,000	(100.00) %
Limited obligation refunding bonds payable	990,000	1,275,000	(22.35) %
Qualified school construction bonds payable	1,850,000	1,850,000	0.00 %
Compensated absences payable	107,492	96,394	11.51 %
Total	\$ 2,947,492	\$ 3,416,394	(13.73) %

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

CURRENT ISSUES

The Kosciusko 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 any questions about this report or need additional financial information, contact the Superintendent's Office of the Kosciusko School District, 229 West Washington Street, Kosciusko, MS 39090.

BASIC FINANCIAL STATEMENTS

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Kosciusko School District
Statement of Net Position
June 30, 2014

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 11,993,940
Due from other governments	561,941
Other receivables, net	10,000
Inventories	20,187
Restricted assets (Note 4)	1,872,095
Non-depreciable capital assets (Note 5)	402,877
Depreciable capital assets, net (Note 5)	12,341,540
Total Assets	<u>27,202,580</u>
Liabilities	
Accounts payable and accrued liabilities	6,464
Interest payable on long-term liabilities	13,918
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	290,000
Non-capital related liabilities	7,202
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	700,000
Non-capital related liabilities	1,950,290
Total Liabilities	<u>2,967,874</u>
Net Position	
Net investment in capital assets	11,754,417
Restricted net position	
Expendable	
School-based activities	525,140
Debt service	1,115,840
Contractual commitments	473,205
Forestry improvements	100,341
Unemployment benefits	63,935
Non-expendable	
Sixteenth section	243,898
Unrestricted	9,957,930
Total Net Position	<u>\$ 24,234,706</u>

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

Kosciusko 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 Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 10,195,716	294,080	791,356	(9,110,280)
Support services	6,880,353	60,510	671,757	(6,148,086)
Non-instructional	1,302,127	273,207	1,101,003	72,083
Sixteenth section	19,318			(19,318)
Interest on long-term liabilities	128,310			(128,310)
Total Governmental Activities	18,525,824	627,797	2,564,116	(15,333,911)
General Revenues				
Taxes				
General purpose levies				4,411,954
Debt purpose levies				215,605
Unrestricted grants and contributions				
State				10,989,122
Federal				201,743
Unrestricted investment earnings				18,453
Sixteenth section sources				178,811
Total General Revenues				16,015,688
Changes in Net Position				681,777
Net Position - Beginning				23,552,929
Net Position - Ending				\$ 24,234,706

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

Kosciusko School District
 Balance Sheet - Governmental Funds
 June 30, 2014

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	Title I Fund	EHA, Part B Fund	Other Governmental Funds	
Assets					
Cash and cash equivalents (Note 2)	\$ 11,520,736			1,646,487	13,167,223
Investments (Note 2)				698,812	698,812
Due from other governments	280,084	53,665	38,109	190,083	561,941
Due from other funds (Note 3)	121,037				121,037
Inventories				20,187	20,187
Total Assets	11,921,857	53,665	38,109	2,555,569	14,569,200
Liabilities and Fund Balances					
Liabilities					
Accounts payable & accrued liabilities	6,435			29	6,464
Due to other funds (Note 3)		53,665	38,109	19,263	111,037
Total Liabilities	6,435	53,665	38,109	19,292	117,501
Fund Balances					
Nonspendable					
Inventory				20,187	20,187
Permanent fund principal				243,898	243,898
Restricted					
Debt service				1,129,758	1,129,758
Forestry improvements				100,341	100,341
Unemployment benefits				63,935	63,935
Grant activities				504,953	504,953
Contractual commitments (Note 7)				473,205	473,205
Assigned					
School activities	18,428				18,428
Other purposes	342,277				342,277
Unassigned	11,554,717				11,554,717
Total Fund Balances	11,915,422	0	0	2,536,277	14,451,699
Total Liabilities and Fund Balances	\$ 11,921,857	53,665	38,109	2,555,569	14,569,200

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

Kosciusko School District
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2014

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 14,451,699
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:</p>	
Land	402,877
Buildings	16,513,571
Building improvements	345,527
Mobile equipment	2,150,470
Furniture and equipment	680,814
Accumulated depreciation	<u>(7,348,842)</u>
	12,744,417
<p>Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:</p>	
Limited obligation bonds payable	(990,000)
Qualified school construction bonds payable	(1,850,000)
Compensated absences	(107,492)
Accrued interest payable	<u>(13,918)</u>
	<u>(2,961,410)</u>
Total Net Position - Governmental Activities	<u>\$ 24,234,706</u>

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

Kosciusko School District
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2014

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	Title I Fund	EHA, Part B Fund	Other Governmental Funds	
Revenues					
Local sources	\$ 4,777,289			496,521	5,273,810
State sources	10,480,427			508,694	10,989,121
Federal sources	115,096	743,417	499,534	1,407,576	2,765,623
Sixteenth section sources	176,943			2,104	179,047
Total Revenues	15,549,755	743,417	499,534	2,414,895	19,207,601
Expenditures					
Instruction	8,914,637	485,078	208,442	321,969	9,930,126
Support services	4,980,698	211,849	291,092	1,385,110	6,868,749
Noninstructional services	1,901	34,087		1,244,398	1,280,386
Sixteenth section	19,318				19,318
Facilities acquisition and construction				20,816	20,816
Debt service					
Principal (Note 6)	122,834			357,166	480,000
Interest	9,263			120,937	130,200
Other	1,000			1,901	2,901
Total Expenditures	14,049,651	731,014	499,534	3,452,297	18,732,496
Excess (Deficiency) of Revenues Over Expenditures	1,500,104	12,403	0	(1,037,402)	475,105
Other Financing Sources (Uses)					
Operating transfers in (Note 3)	196,903			337,795	534,698
Operating transfers out (Note 3)	(324,996)	(12,403)		(197,299)	(534,698)
Total Other Financing Sources (Uses)	(128,093)	(12,403)	0	140,496	0
Net Change in Fund Balances	1,372,011	0	0	(896,906)	475,105
Fund Balances					
July 1, 2013	10,543,411	0	0	3,432,145	13,975,556
Increase in reserve for inventory				1,038	1,038
June 30, 2014	\$ 11,915,422	0	0	2,536,277	14,451,699

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

Kosciusko School District
 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

	<u>Amount</u>	
Net Change in Fund Balance - Governmental Funds	\$ 475,105	
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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, those amounts are:</p>		
Capital outlay	247,671	
Depreciation expense	<u>(514,259)</u>	(266,588)
<p>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 asset sold.</p>		
		(1,471)
<p>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 issuance cost, 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:</p>		
Payments of debt principal	480,000	
Accrued interest payable	<u>4,791</u>	484,791
<p>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 the governmental funds. These activities include:</p>		
Change in compensated absences	(11,098)	
Change in inventory reserve	<u>1,038</u>	(10,060)
Changes in Net Position of Governmental Activities		<u>\$ 681,777</u>

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

Kosciusko School District
Statement of Fiduciary Assets and Liabilities
June 30, 2014

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 667,824
Total Assets	<u>667,824</u>
Liabilities	
Accounts payable and accrued liabilities	610,369
Due to other funds (Note 3)	10,000
Due to student clubs	47,443
Other payables	12
Total Liabilities	<u>\$ 667,824</u>

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

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

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

The school district reports the following major governmental funds:

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

Title I Fund - This special revenue fund is financed with federal funds and is used to account for the activities associated with educationally deprived children.

EHA Part B Fund - This special revenue fund is financed with federal funds and is used to account for the activities associated with providing special education students with appropriate services.

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 as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing - This fund is used as a clearing account for non-payroll transactions.

Student Club Accounts - These funds are used to account for the transaction of student clubs.

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.

Permanent Funds - Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

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

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

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

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

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

Ad valorem property taxes are levied by the governing authority of the 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.

D. Encumbrances

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

E. Assets, liabilities and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code

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

Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bonds sinking funds. Also, the nonexpendable portion of the Permanent Fund is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

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.

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

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 Debt Bond Discounts/Premiums**

In the government-wide financial statements, outstanding debt is reported as liabilities.

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 documented in the board minutes of the school board. Currently there is no committed fund balance for this school district.

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 of Education and the Business Manager pursuant to authorization established

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

by Board of Education.

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/expense 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/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the policy of the School District to maintain a minimum fund balance in the General Fund that is not less than 8% of the revenues of the District Maintenance Fund (General Fund).

Note 2 – Cash and Cash Equivalents and Investments

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.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

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 \$13,167,223 and \$667,824 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.

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

Investments

As of June 30, 2014, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Federated US Treasury Reserve	AAAm	Less the one year 5 to 10	\$ 155,727
US Treasury SLGS Deposit	N/A	years	539,002
Money Market Funds	N/A	Less the one year	4,083
Total			<u>\$ 698,812</u>

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2014, the district did not have any investments to which this would apply.

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	Major fund - Title I Fund	\$ 53,665
	Major fund - EHA, Part B Fund	38,109
	Other governmental funds	19,263
	Fiduciary Funds	10,000
Total		<u>\$ 121,037</u>

The purpose of the inter-fund loans was to eliminate the deficit cash balances in certain federal programs as part of the normal year end closing entries.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 324,996
Major fund - Title I Fund	General Fund	12,403
Other governmental funds	General Fund	184,500
	Other governmental funds	12,799
Total		<u>\$ 534,698</u>

The transfer out of the General Fund was for the purpose of funding the vocational program, the worker's

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

compensation fund and the construction fund contained in the Other Governmental Funds. The transfer from the Title I Fund was for indirect cost. The transfer from the Other Governmental Funds to the General Fund was for indirect cost and to transfer 16th section funds.

Note 4 – Restricted Assets

The restricted assets represent the cash and investment balances, totaling \$1,173,283 and \$698,812, respectively, which is legally restricted (i.e., 16th Section Principal Fund, Debt Service Funds and similar type funds) and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 402,877			402,877
Total non-depreciable capital assets	<u>402,877</u>	<u>0</u>	<u>0</u>	<u>402,877</u>
<u>Depreciable capital assets:</u>				
Buildings	16,492,755	20,816		16,513,571
Building improvements	345,527			345,527
Mobile equipment	1,997,953	166,099	(13,582)	2,150,470
Furniture and equipment	631,378	60,756	(11,320)	680,814
Total depreciable capital assets	<u>19,467,613</u>	<u>247,671</u>	<u>(24,902)</u>	<u>19,690,382</u>
<u>Less accumulated depreciation for:</u>				
Buildings	4,750,944	329,256		5,080,200
Building improvements	133,902	44,634		178,536
Mobile equipment	1,473,736	97,299	(12,224)	1,558,811
Furniture and equipment	499,432	43,070	(11,207)	531,295
Total accumulated depreciation	<u>6,858,014</u>	<u>514,259</u>	<u>(23,431)</u>	<u>7,348,842</u>
Total depreciable capital assets, net	<u>12,609,599</u>	<u>(266,588)</u>	<u>(1,471)</u>	<u>12,341,540</u>
Governmental activities capital assets, net	<u>\$ 13,012,476</u>	<u>(266,588)</u>	<u>(1,471)</u>	<u>12,744,417</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 265,590
Support services	225,890
Non-instructional	22,779
Total depreciation expense - Governmental activities	<u>\$ 514,259</u>

Note 6 – Long-term Liabilities

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

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

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. General obligation refunding bonds payable	\$ 195,000		(195,000)	0	
B. Limited obligation refunding bonds payable	1,275,000		(285,000)	990,000	290,000
C. Qualified school construction bonds payable	1,850,000			1,850,000	0
D. Compensated absences payable	96,394	11,098		107,492	7,202
Total	<u>\$ 3,416,394</u>	<u>11,098</u>	<u>(480,000)</u>	<u>2,947,492</u>	<u>297,202</u>

A. General obligation refunding bonds payable

The General Obligation Refunding Bonds were paid in full during the fiscal year.

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
Limited obligation refunding bonds, 2010	2.25	10/1/2010	8/1/2017	\$ 1,720,000	990,000

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 290,000	17,136	307,136
2016	300,000	11,236	311,236
2017	305,000	5,186	310,186
2018	95,000	1,068	96,068
Total	<u>\$ 990,000</u>	<u>34,626</u>	<u>1,024,626</u>

This debt will be retired from the MAEP Debt Retirement Fund (Debt Service Fund)

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 12, 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
Qualified school construction bonds, 2010	5.3	10/1/2010	8/1/2020	\$ 1,850,000	1,850,000

Kosciusko 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 – Other Commitments

Commitments under re-roofing and renovation contracts amount to \$473,205.

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$1,523,300, \$1,361,955 and \$1,138,793, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2015	\$ 67,702
2016	63,622
2017	54,170
2018	54,170
2019	54,170
2020 – 2024	227,375
2025 – 2029	170,600
2030 – 2034	107,985
Thereafter	34,835
Total	\$ 834,629

Note 10 – 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.

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

Note 11 – 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 12 – 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 received a cash subsidy from the IRS of \$86,648.

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 amount on deposit at June 30, 2014 was \$543,085. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2015	\$ 179,000
2016	189,000
2017	189,000
2018	189,000
2019	189,000
2020 – 2021	378,000
Total	\$ 1,313,000

Note 13 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated September 14, 1993 creating the Kosciusko-Attala County Alternative Education Cooperative. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Kosciusko School District and the Attala County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Kosciusko School District has been designated as the lead school district for the Kosciusko-Attala County Alternative Education Cooperative, and the operations of the consortium are included in its financial statements.

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

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Kosciusko-Attala County Alternative Education Cooperative.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2014

Revenues

Local sources:	
Tuition from other LEA's within the state:	
Attala County School District	\$ 110,949
Interest	340
Total local sources	<u>111,289</u>
State sources	<u>123,491</u>
Total Revenues	<u>234,780</u>

Expenditures

Salaries	156,256
Employee benefits	55,979
Purchased professional and technical services	840
Other professional services	175
Purchased property services	61,564
Supplies	<u>1,055</u>
Total Expenditures	<u>275,869</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(41,089)</u>

Other Financing Sources/Uses

Net Change in Fund Balance	<u>0</u>
	<u>(41,089)</u>

Fund Balance:

July 1, 2013	<u>383,365</u>
June 30, 2014	<u>\$ 342,276</u>

Note 14 – Vocational School Consortium

The school district entered into a Vocational Education Agreement dated February 14, 1978 creating the Vocational-Technical Training Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972) and was approved by the Mississippi Department of Education. The center includes the Kosciusko School District and the Attala County School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement for the construction or operation of a regional vocational education center. The agreement designates the fiscal agent and provides the method of financing the operation for the center, the manner in which the center is to be controlled and staffed and sets detail procedures for student admission and the transportation services for those students. The Attala County School District has been designated as the fiscal agent for the Vocational-Technical Training Center and the operations of the center are included in its financial statements.

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

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

existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through October 31, 2014 and determined that no subsequent event has occurred requiring disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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Kosciusko School District
 Budgetary Comparison Schedule for the 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
Revenues					
Local sources	\$ 4,586,999	4,794,515	4,777,289	207,516	(17,226)
State sources	10,453,274	10,477,226	10,480,427	23,952	3,201
Federal sources	98,889	115,043	115,096	16,154	53
Sixteenth section sources	0	0	176,943	0	176,943
Total Revenues	15,139,162	15,386,784	15,549,755	247,622	162,971
Expenditures					
Instruction	9,508,202	9,169,625	8,914,637	338,577	254,988
Support services	5,317,382	5,498,731	4,980,698	(181,349)	518,033
Noninstructional services	1,500	1,901	1,901	(401)	0
Sixteenth section	0	0	19,318	0	(19,318)
Debt service					
Principal	122,834	122,834	122,834	0	0
Interest	9,263	9,263	9,263	0	0
Other	1,000	1,000	1,000	0	0
Total Expenditures	14,960,181	14,803,354	14,049,651	156,827	753,703
Excess (Deficiency) of Revenues Over Expenditures	178,981	583,430	1,500,104	404,449	916,674
Other Financing Sources (Uses)					
Operating transfers in	141,831	400,079	196,903	258,248	(203,176)
Operating transfers out	(133,827)	(159,501)	(324,996)	(25,674)	(165,495)
Total Other Financing Sources (Uses)	8,004	240,578	(128,093)	232,574	(368,671)
Net Change in Fund Balances			1,372,011		
Fund Balances					
July 1, 2013			10,543,411		
June 30, 2014			\$ 11,915,422		

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

Kosciusko School District
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 784,862	879,441	743,417	94,579	(136,024)
Total Revenues	<u>784,862</u>	<u>879,441</u>	<u>743,417</u>	<u>94,579</u>	<u>(136,024)</u>
Expenditures					
Instruction	502,933	572,647	485,078	(69,714)	87,569
Support services	236,759	249,846	211,849	(13,087)	37,997
Noninstructional services	40,476	41,350	34,087	(874)	7,263
Total Expenditures	<u>780,168</u>	<u>863,843</u>	<u>731,014</u>	<u>(83,675)</u>	<u>132,829</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,694</u>	<u>15,598</u>	<u>12,403</u>	<u>10,904</u>	<u>(3,195)</u>
Other Financing Sources (Uses)					
Operating transfers out	(4,693)	(15,598)	(12,403)	10,905	3,195
Total Other Financing Sources (Uses)	<u>(4,693)</u>	<u>(15,598)</u>	<u>(12,403)</u>	<u>10,905</u>	<u>3,195</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2013			<u>0</u>		
June 30, 2014			<u>\$ 0</u>		

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

Kosciusko School District
 Budgetary Comparison Schedule for the Major Special Revenue Fund - 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
	Revenues				
Federal sources	\$ 843,446	851,222	499,534	7,776	(351,688)
Total Revenues	<u>843,446</u>	<u>851,222</u>	<u>499,534</u>	<u>7,776</u>	<u>(351,688)</u>
Expenditures					
Instruction	475,781	486,147	208,442	(10,366)	277,705
Support services	358,665	364,075	291,092	(5,410)	72,983
Noninstructional services	1,000	1,000	0	0	1,000
Total Expenditures	<u>835,446</u>	<u>851,222</u>	<u>499,534</u>	<u>(15,776)</u>	<u>351,688</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>8,000</u>	<u>0</u>	<u>0</u>	<u>(8,000)</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers out	(8,000)	0	0	(8,000)	0
Total Other Financing Sources (Uses)	<u>(8,000)</u>	<u>0</u>	<u>0</u>	<u>(8,000)</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2013			<u>0</u>		
June 30, 2014			<u>\$ 0</u>		

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

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

(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 following the end of the fiscal year. A budgetary comparison is presented for the general fund and each major special revenue fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

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Kosciusko School District
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
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 427,927
National school lunch program	10.555	\$ 941,508
Total child nutrition cluster		<u>\$ 1,369,435</u>
Total U.S. Department of Agriculture		<u>\$ 1,369,435</u>
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.xxx	\$ 110,541
Total Federal Communications Commission		<u>\$ 110,541</u>
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	\$ 743,417
Rural education	84.358	\$ 43,576
Improving teacher quality - state grants	84.367	\$ 128,911
Total		<u>\$ 915,904</u>
Special education cluster:		
Special education - grants to states	84.027	\$ 499,534
Special education - preschool grants	84.173	\$ 49,245
Total special education cluster		<u>\$ 548,779</u>
Total passed-through Mississippi Department of Education		<u>\$ 1,464,683</u>
Total U.S. Department of Education		<u>\$ 1,464,683</u>
Total for All Federal Awards		<u><u>\$ 2,944,659</u></u>

NOTES TO SCHEDULE

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

Kosciusko School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2014

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 13,473,277	\$ 10,639,708	\$ 568,650	\$ 929,974	\$ 1,334,945
Other	\$ 5,259,219	\$ 971,039	\$ 144,113	\$ 12,523	\$ 4,131,544
Total	<u>\$ 18,732,496</u>	<u>\$ 11,610,747</u>	<u>\$ 712,763</u>	<u>\$ 942,497</u>	<u>\$ 5,466,489</u>
Total number of students	<u>2,199</u>				
Cost per student	<u>\$ 8,519</u>	<u>\$ 5,280</u>	<u>\$ 324</u>	<u>\$ 429</u>	<u>\$ 2,486</u>

Notes to the schedule.

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.

Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

OTHER INFORMATION

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Kosciusko School District
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

UNAUDITED

	2014	2013*	2012*	2011*
Revenues				
Local sources	\$ 4,777,289	4,503,818	4,250,488	4,187,596
State sources	10,480,427	10,242,386	9,975,366	9,209,856
Federal sources	115,096	101,310	15,896	77,680
Sixteenth section sources	176,943	180,034	197,110	0
Total Revenues	15,549,755	15,027,548	14,438,860	13,475,132
Expenditures				
Instruction	8,914,637	8,722,565	8,358,095	7,128,797
Support services	4,980,698	4,659,909	4,215,969	4,368,803
Noninstructional services	1,901	1,843	1,783	1,688
Sixteenth section	19,318	65,859	21,574	0
Facilities acquisition and construction	0	9,386	85,233	16,128
Debt service				
Principal	122,834	118,766	114,442	107,859
Interest	9,263	18,193	26,703	34,578
Other	1,000	1,000	1,000	1,000
Total Expenditures	14,049,651	13,597,521	12,824,799	11,658,853
Excess (Deficiency) of Revenues Over Expenditures	1,500,104	1,430,027	1,614,061	1,816,279
Other Financing Sources (Uses)				
Insurances loss recoveries	0	1,256	4,326	0
Operating transfers in	196,903	33,880	26,402	58,027
Operating transfers out	(324,996)	(1,076,295)	(87,240)	(189,885)
Total Other Financing Sources (Uses)	(128,093)	(1,041,159)	(56,512)	(131,858)
Net Change in Fund Balances	1,372,011	388,868	1,557,549	1,684,421
Fund Balances				
July 1, as previously reported	10,543,411	10,154,543	8,600,868	6,916,447
Prior period adjustments	0	0	(3,874)	0
July 1, as restated	10,543,411	10,154,543	8,596,994	6,916,447
June 30	\$ 11,915,422	10,543,411	10,154,543	8,600,868

* Source - Prior year audit reports.

Kosciusko School District
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

UNAUDITED

	2014	2013*	2012*	2011*
Revenues				
Local sources	\$ 5,273,810	5,013,725	4,747,097	4,706,187
State sources	10,989,121	10,717,102	10,500,188	9,775,934
Federal sources	2,765,623	2,666,205	2,545,162	3,733,761
Sixteenth section sources	179,047	198,621	221,640	61,945
Total Revenues	<u>19,207,601</u>	<u>18,595,653</u>	<u>18,014,087</u>	<u>18,277,827</u>
Expenditures				
Instruction	9,930,126	9,710,960	9,526,246	9,599,103
Support services	6,868,749	6,482,183	5,337,857	6,005,112
Noninstructional services	1,280,386	1,245,790	1,137,554	1,090,188
Sixteenth section	19,318	74,387	21,574	47,024
Facilities acquisition and construction	20,816	9,386	289,911	358,901
Debt service				
Principal	480,000	465,000	369,971	584,352
Interest	130,200	142,058	62,836	108,585
Other	2,901	2,900	2,500	48,011
Total Expenditures	<u>18,732,496</u>	<u>18,132,664</u>	<u>16,748,449</u>	<u>17,841,276</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>475,105</u>	<u>462,989</u>	<u>1,265,638</u>	<u>436,551</u>
Other Financing Sources (Uses)				
Proceeds of general obligation bonds	0	0	0	1,850,000
Proceeds of refunding bonds	0	0	0	1,720,000
Insurances loss recoveries	0	1,256	4,326	0
Operating transfers in	534,698	1,493,127	113,642	247,912
Other financing sources	0	0	0	26,352
Operating transfers out	(534,698)	(1,493,127)	(113,642)	(247,912)
Payment to refunded bond escrow agent	0	0	0	(1,704,652)
Total Other Financing Sources (Uses)	<u>0</u>	<u>1,256</u>	<u>4,326</u>	<u>1,891,700</u>
Net Change in Fund Balances	<u>475,105</u>	<u>464,245</u>	<u>1,269,964</u>	<u>2,328,251</u>
Fund Balances				
July 1, as previously reported	13,975,556	13,511,250	12,248,085	9,915,506
Prior period adjustments	0	0	(3,874)	0
July 1, as restated	13,975,556	13,511,250	12,244,211	9,915,506
Increase (Decrease) in reserve for inventory	<u>1,038</u>	<u>61</u>	<u>(2,925)</u>	<u>4,328</u>
June 30	<u>\$ 14,451,699</u>	<u>13,975,556</u>	<u>13,511,250</u>	<u>12,248,085</u>

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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

Independent Auditor's Report

Superintendent and School Board
Kosciusko School District

I 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 Kosciusko School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Kosciusko School District's basic financial statements, and have issued my report thereon dated October 31, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Kosciusko 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kosciusko School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Kosciusko 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kosciusko School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.

Kimberly T. May, CPA, PLLC

Madison, MS
October 31, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Superintendent and School Board
Kosciusko School District

Report on Compliance for Each Major Federal Program

I have audited Kosciusko 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 Kosciusko School District's major federal programs for the year ended June 30, 2014. Kosciusko School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Kosciusko School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Kosciusko School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Kosciusko School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Kosciusko 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 Kosciusko School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Kosciusko 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, I do not express an opinion on the effectiveness of Kosciusko School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness*

in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my 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.

Kimberly J. May, CPA, PLLC

Madison, MS
October 31, 2014

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

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

Superintendent and School Board
Kosciusko School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kosciusko School District as of and for the year ended June 30, 2014, which collectively comprise Kosciusko School District's basic financial statements and have issued my report thereon dated October 31, 2014. I conducted my 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 insure 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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 insure 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 my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and my 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, 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.

Kimberly T. May, CPA, PLLC

Madison, MS
October 31, 2014

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Kosciusko School District
 Schedule of Findings and Questioned Costs
 June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the basic financial statements: | Unmodified |
| 2. | Noncompliance material to the basic financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | Child nutrition cluster | |
| | CFDA #: 10.553 | |
| | CFDA #: 10.555 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

Section II: Financial Statement Findings

The results of my tests did not disclose any findings and questioned costs related to the financial statements that are required to be reported under the *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

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

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