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



**Quitman School District**

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**INDEPENDENT AUDITOR'S REPORT**

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# Stephen D. Myrick C.P.A., L.L.C.

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*American Institute of*  
*Certified Public Accountants*  
*Accountants*

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*Certified Public*

## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Quitman School District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Quitman School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Quitman School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

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

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-12 and 39-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Quitman School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 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* and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2014, on our consideration of the Quitman School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Quitman School District's internal control over financial reporting and compliance.



Stephen D. Myrick  
Certified Public Accountants

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

The following discussion and analysis of Quitman 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 \$1,501,298, including a prior period adjustment of \$(44,964), which represents a 9% increase from fiscal year 2013. Total net position for 2013 increased \$683,820, which represents a 4% increase from fiscal year 2012.
- General revenues amounted to \$15,873,371 and \$14,422,429, or 80% and 79% 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 \$3,947,188 or 20% of total revenues for 2014, and \$3,753,768, or 21% of total revenues for 2013.
- The District had \$18,274,297 and \$17,558,211 in expenses for fiscal years 2014 and 2013; only \$3,947,188 for 2014 and \$3,753,768 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$15,873,371 for 2014 and 14,422,429 for 2013 were adequate to provide for these programs.
- Among major funds, the General Fund had \$13,314,351 in revenues and \$13,973,250 in expenditures for 2014, and \$13,000,586 in revenues and \$12,864,439 in expenditures in 2013. The General Fund's fund balance decreased by \$717,138 from 2013 to 2014, and increased by \$203,107 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$280,954 for 2014 and decreased by \$658,931 for 2013. The decrease for 2014 was due to the net decrease produced from current year additions and deletions coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$190,000 for 2014 and decreased by \$180,000 for 2013. This decrease for 2014 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$6,478 for 2014 and increased by \$6,007 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 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 \$19,075,143 as of June 30, 2014.

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

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

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Current assets	\$ 6,722,474	\$ 6,789,811	-1%
Restricted assets	3,996,051	2,243,207	78%
Capital assets, net	12,876,584	13,157,538	-2%
<b>Total assets</b>	<b><u>23,595,109</u></b>	<b><u>22,190,556</u></b>	<b>6%</b>
Current liabilities	233,109	146,332	59%
Long-term debt outstanding	4,286,857	4,470,379	-4%
<b>Total liabilities</b>	<b><u>4,519,966</u></b>	<b><u>4,616,711</u></b>	<b>-2%</b>
<b>Net position:</b>			
Net investment in capital assets	8,726,584	8,817,538	-1%
Restricted	7,933,667	5,385,398	47%
Unrestricted	2,414,892	3,370,909	-28%
<b>Total net position</b>	<b><u>\$ 19,075,143</u></b>	<b><u>\$ 17,573,845</u></b>	<b>9%</b>

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

- Increase in restricted assets in the amount of \$1,752,844
- Decrease in net capital assets in the amount of \$280,954.
- The principal retirement of \$190,000 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 \$19,820,559 and \$18,176,197, respectively. The total cost of all programs and services was \$18,274,297 for 2014 and \$17,558,211 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>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 555,886	\$ 496,800	12%
Operating grants and contributions	3,344,059	3,174,575	5%
Capital grants and contributions	47,243	82,393	-43%
General revenues:			
Property taxes	4,817,797	4,494,735	7%
Grants and contributions not restricted	8,363,142	8,329,931	0%
Investment earnings	120,036	58,183	106%
Sixteenth section sources	2,531,365	1,379,656	83%
Other	41,031	159,924	-74%
<b>Total revenues</b>	<b><u>19,820,559</u></b>	<b><u>18,176,197</u></b>	<b>9%</b>
<b>Expenses:</b>			
Instruction	9,693,854	9,480,248	2%
Support services	6,996,770	6,362,179	10%
Non-instructional	1,342,576	1,397,180	-4%
Sixteenth section	50,868	119,950	-58%
Interest on long-term liabilities	190,229	198,654	-4%
<b>Total expenses</b>	<b><u>18,274,297</u></b>	<b><u>17,558,211</u></b>	<b>4%</b>
<b>Increase (Decrease) in net position</b>	<b><u>1,546,262</u></b>	<b><u>617,986</u></b>	<b>150%</b>
<b>Net Position, July 1, as previously reported</b>	<b><u>17,573,845</u></b>	<b><u>16,890,025</u></b>	<b>4%</b>
<b>Prior Period Adjustment</b>	<b><u>(44,964)</u></b>	<b><u>65,834</u></b>	<b>-168%</b>
<b>Net Position, July 1, as restated</b>	<b><u>17,528,881</u></b>	<b><u>16,955,859</u></b>	<b>3%</b>
<b>Net Position, June 30</b>	<b><u>\$ 19,075,143</u></b>	<b><u>\$ 17,573,845</u></b>	<b>9%</b>

#### 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**

	<b>Total Expenses</b>		<b>Percentage</b>
	<b>2014</b>	<b>2013</b>	<b>Change</b>
Instruction	\$ 9,693,854	\$ 9,480,248	2%
Support services	6,996,770	6,362,179	10%
Non-instructional	1,342,576	1,397,180	-4%
Sixteenth section	50,868	119,950	-58%
Interest on long-term liabilities	190,229	198,654	-4%
<b>Total expenses</b>	<b>\$ 18,274,297</b>	<b>\$ 17,558,211</b>	<b>4%</b>
	<b>Net (Expense) Revenue</b>		<b>Percentage</b>
	<b>2014</b>	<b>2013</b>	<b>Change</b>
Instruction	\$ (7,960,157)	\$ (7,857,898)	1%
Support services	(6,206,572)	(5,560,760)	12%
Non-instructional	5,816	(154,814)	-104%
Sixteenth section	24,033	(32,317)	-174%
Interest on long-term liabilities	(190,229)	(198,654)	-4%
<b>Total net (expense) revenue</b>	<b>\$ (14,327,109)</b>	<b>\$ (13,804,443)</b>	<b>4%</b>

- Net cost of governmental activities (\$14,327,109 for 2014 and \$13,804,443 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$4,817,797 for 2014 and \$4,494,735 for 2013) and state and federal revenues (\$8,363,142 for 2014 and \$8,329,931 for 2013). In addition, there was \$2,531,365 and \$1,379,656 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$120,036 for 2014 and \$58,183 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 \$10,580,600, a increase of \$1,641,814, which includes an decrease in inventory of \$3,919. \$2,489,745 or 24% 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 \$8,090,855 or 76% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$717,138. The fund balance of Other Governmental Funds showed an increase in the amount of \$93,375. The increase in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
16th Section Interest	\$ 206,064
16th Section Principal	\$ 2,059,513
Title I Fund	\$ -

## 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 each special revenue fund is provided in this report as required supplementary information.

- The most significant revision in the budget was an increase in 16<sup>th</sup> Section Principal Funds due to the District investing a significant portion of its available 16<sup>th</sup> Section Principal Funds into certain investments outside of demand deposit accounts, as well as, an increase in final timber sale revenues over the initial projection in the original budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2014, the District's total capital assets were \$25,702,402, including land, construction in progress, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$388,915 from 2013. Total accumulated depreciation as of June 30, 2014, was \$12,825,818, and total depreciation expense for the year was \$701,689, resulting in total net capital assets of \$12,876,584.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 174,918	\$ 174,918	0%
Construction in Progress	95,985	-	N/A
Buildings	7,005,568	7,194,031	-3%
Building improvements	3,120,832	3,340,762	-7%
Improvements other than buildings	1,293,232	1,390,244	-7%
Mobile equipment	876,532	762,878	15%
Furniture and equipment	309,517	294,705	5%
<b>Total</b>	<b>\$ 12,876,584</b>	<b>\$ 13,157,538</b>	<b>-2%</b>

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 \$4,286,857 in outstanding long-term debt, of which \$195,000 is due within one year. The liability for compensated absences increased \$6,478 from the prior year.

The District does not have a bond rating.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 2,650,000	\$ 2,840,000	-7%
Qualified school construction bonds payable	1,500,000	1,500,000	0%
Compensated absences payable	136,857	130,379	5%
<b>Total</b>	<b>\$ 4,286,857</b>	<b>\$ 4,470,379</b>	<b>-4%</b>

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

### **CURRENT ISSUES**

The District is currently 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 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.

Enrollment for the 2013-2014 year decreased by 2% to 1,998 students.

### **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 Quitman School District, 104 East Franklin Street, Quitman, MS 39355.

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**FINANCIAL STATEMENTS**

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**QUITMAN SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2014**

	Governmental Activities
<b>Assets:</b>	
Cash and cash equivalents	\$ 5,255,402
Investments	574,589
Due from other governments	466,254
Other receivables, net	407,295
Inventories	18,934
Restricted assets	3,996,051
Capital assets, non-depreciable:	
Land	174,918
Construction in progress	95,985
Capital assets, net of accumulated depreciation:	
Buildings	7,005,568
Building improvements	3,120,832
Improvements other than buildings	1,293,232
Mobile equipment	876,532
Furniture and equipment	309,517
	<hr/>
Total Assets	23,595,109
	<hr/>
<b>Liabilities:</b>	
Accounts payable and accrued liabilities	132,413
Unearned revenue	5,512
Interest payable on long-term liabilities	95,184
Long-term liabilities, due within one year:	
Capital related liabilities	195,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,955,000
Non-capital related liabilities	136,857
	<hr/>
Total Liabilities	4,519,966
	<hr/>
<b>Net Position:</b>	
Net investment in capital assets	8,726,584
Restricted for:	
Expendable:	
School-based activities	3,001,735
Debt service	434,400
Forestry improvements	144,178
Unemployment benefits	42,918
Ad valorem	187,429
Non-expendable:	
Sixteenth section	4,123,007
Unrestricted	2,414,892
	<hr/>
Total Net Position	\$ 19,075,143
	<hr/>

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

QUITMAN SCHOOL DISTRICT  
 Statement of Activities  
 For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 9,693,854	\$ 225,078	\$ 1,508,619	\$ -	\$ (7,960,157)
Support services	6,996,770	-	790,198	-	(6,206,572)
Non-instructional	1,342,576	255,907	1,045,242	47,243	5,816
Sixteenth section	50,868	74,901	-	-	24,033
Interest on long-term liabilities	190,229	-	-	-	(190,229)
<b>Total Governmental Activities</b>	<b>\$ 18,274,297</b>	<b>\$ 555,886</b>	<b>\$ 3,344,059</b>	<b>\$ 47,243</b>	<b>(14,327,109)</b>
<b>General Revenues:</b>					
Taxes:					
General purpose levies					
4,817,797					
Unrestricted grants and contributions:					
State					
8,222,295					
Federal					
140,847					
Unrestricted investment earnings					
120,036					
Sixteenth section sources					
2,531,365					
Other					
41,031					
<b>Total General Revenues</b>					
<b>15,873,371</b>					
Change in Net Position					
1,546,262					
Net Position - Beginning, as previously reported					
17,573,845					
Prior period adjustments					
(44,964)					
Net Position - Beginning, as restated					
17,528,881					
Net Position - Ending					
<b>\$ 19,075,143</b>					

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

**QUITMAN SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2014**

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest	16th Section Principal	Title I		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,981,054	\$ 2,571,990	\$ 2,208,896	\$ -	\$ 702,358	\$ 7,464,298
Cash with fiscal agent	-	-	-	-	224,676	224,676
Investments	-	574,589	1,562,479	-	-	2,137,068
Due from other governments	163,474	-	-	131,963	170,817	466,254
Other receivables, net	45,294	2,225	359,030	-	-	406,549
Due from other funds	635,835	1,886	-	-	60,207	697,928
Inventories	-	-	-	-	18,934	18,934
<b>Total Assets</b>	<u>\$ 2,825,657</u>	<u>\$ 3,150,690</u>	<u>\$ 4,130,405</u>	<u>\$ 131,963</u>	<u>\$ 1,176,992</u>	<u>\$ 11,415,707</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 85,997	\$ 45,228	\$ 5,512	\$ -	\$ 987	\$ 137,724
Due to other funds	474	344,645	1,886	131,963	218,415	697,383
<b>Total Liabilities</b>	<u>86,471</u>	<u>389,873</u>	<u>7,398</u>	<u>131,963</u>	<u>219,402</u>	<u>835,107</u>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory	-	-	-	-	18,934	18,934
Permanent fund principal	-	-	4,123,007	-	-	4,123,007
<b>Restricted:</b>						
Debt service	-	-	-	-	529,584	529,584
Forestry improvement purposes	-	-	-	-	144,178	144,178
Grant activities	-	-	-	-	6,867	6,867
Unemployment benefits	-	-	-	-	42,918	42,918
Ad valorem	187,429	-	-	-	-	187,429
Food service	-	-	-	-	215,109	215,109
<b>Committed</b>						
Sinking fund payments QSCB	-	1,281,000	-	-	-	1,281,000
<b>Assigned:</b>						
Sixteenth section interest	-	1,479,817	-	-	-	1,479,817
Activities	56,840	-	-	-	-	56,840
Athletics	5,172	-	-	-	-	5,172
<b>Unassigned</b>						
	2,489,745	-	-	-	-	2,489,745
<b>Total Fund Balances</b>	<u>2,739,186</u>	<u>2,760,817</u>	<u>4,123,007</u>	<u>-</u>	<u>957,590</u>	<u>10,580,600</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,825,657</u>	<u>\$ 3,150,690</u>	<u>\$ 4,130,405</u>	<u>\$ 131,963</u>	<u>\$ 1,176,992</u>	<u>\$ 11,415,707</u>

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

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

**Total fund balances for governmental funds** **\$ 10,580,600**

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

1.	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
	Land	\$ 174,918	
	Construction in progress	95,985	
	Buildings	11,936,996	
	Building improvements	6,913,309	
	Improvements other than buildings	1,840,230	
	Mobile equipment	3,090,001	
	Furniture and equipment	1,650,963	
	Accumulated depreciation	<u>(12,825,818)</u>	12,876,584
2.	Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
	Limited obligation bonds	(4,150,000)	
	Compensated absences	<u>(136,857)</u>	(4,286,857)
3.	Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.		(95,184)
	<b>Net position of governmental activities</b>		<u><u>\$ 19,075,143</u></u>

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

**QUITMAN SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest	16 Section Principal	Title I Fund		
<b>Revenues:</b>						
Local sources	\$ 4,895,979	\$ -	\$ -	\$ -	\$ 489,977	\$ 5,385,956
State sources	8,290,975	-	-	-	315,695	8,606,670
Federal sources	127,397	-	-	921,043	2,081,633	3,130,073
Sixteenth section sources	-	552,347	2,063,345	-	82,168	2,697,860
Total Revenues	<u>13,314,351</u>	<u>552,347</u>	<u>2,063,345</u>	<u>921,043</u>	<u>2,969,473</u>	<u>19,820,559</u>
<b>Expenditures:</b>						
Instruction	7,710,967	-	-	471,149	1,084,521	9,266,637
Support services	6,262,200	-	-	347,559	563,057	7,172,816
Noninstructional services	83	-	-	59,308	1,222,585	1,281,976
Sixteenth section	-	1,638	3,832	-	45,403	50,873
Facilities acquisition and construction	-	-	-	-	95,985	95,985
Debt service:						
Principal	-	-	-	-	190,000	190,000
Interest	-	-	-	-	190,509	190,509
Other	-	-	-	-	1,600	1,600
Total Expenditures	<u>13,973,250</u>	<u>1,638</u>	<u>3,832</u>	<u>878,016</u>	<u>3,393,660</u>	<u>18,250,396</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(658,899)</u>	<u>550,709</u>	<u>2,059,513</u>	<u>43,027</u>	<u>(424,187)</u>	<u>1,570,163</u>
<b>Other Financing Sources (Uses):</b>						
Insurance recovery	75,570	-	-	-	-	75,570
Operating transfers in	376,020	-	-	-	652,340	1,028,360
Operating transfers out	(509,829)	(344,645)	-	(43,027)	(130,859)	(1,028,360)
Total Other Financing Sources (Uses)	<u>(58,239)</u>	<u>(344,645)</u>	<u>-</u>	<u>(43,027)</u>	<u>521,481</u>	<u>75,570</u>
Net Change in Fund Balances	(717,138)	206,064	2,059,513	-	97,294	1,645,733
<b>Fund Balances:</b>						
July 1, 2013	3,456,324	2,554,753	2,063,494	-	864,215	\$ 938,786
Increase (decrease) in reserve for inventory 6/30/2014	-	-	-	-	(3,919)	(3,919)
	<u>\$ 2,739,186</u>	<u>\$ 2,760,817</u>	<u>\$ 4,123,007</u>	<u>\$ -</u>	<u>\$ 957,590</u>	<u>\$10,580,600</u>

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

**QUITMAN 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**

<b>Net change in fund balances - total governmental funds</b>		<b>\$ 1,645,733</b>
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 421,050	
Depreciation expense	<u>(701,689)</u>	(280,639)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.		(322)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Payments of debt principal	190,000	
Accrued interest payable	<u>1,887</u>	191,887
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	(6,478)	
Change in inventory reserve	<u>(3,919)</u>	(10,397)
<b>Change in net position of governmental activities</b>		<u><u>\$ 1,546,262</u></u>

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

**QUITMAN SCHOOL DISTRICT  
Fiduciary Funds  
Statement of Fiduciary Net Position  
June 30, 2014**

	<u>Private-Purpose Trust Fund</u>	<u>Agency Funds</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 5,775	\$ 588,965
Due from other funds	-	201
Total Assets	<u>5,775</u>	<u>\$ 589,166</u>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	-	\$ 560,277
Due to other funds	-	746
Due to student clubs		28,143
Total Liabilities	<u>-</u>	<u>\$ 589,166</u>
<b>Net position</b>		
Reserved for endowments	5,775	
Total Net Position	<u>\$ 5,775</u>	

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

**Exhibit F**

**QUITMAN SCHOOL DISTRICT  
Fiduciary Funds  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2014**

	<u>Private-Purpose Trust Fund</u>
<b>Additions</b>	
Contributions and donations from private sources	\$ 5,775
Total Additions	<u>5,775</u>
<b>Deductions</b>	
Scholarships awarded	<u>7,760</u>
Total Deductions	<u>7,760</u>
Change in Net Position	<u>(1,985)</u>
<b>Net Position</b>	
July 1, 2013, as previously stated	-
Prior period adjustment	<u>7,760</u>
July 1, 2013, as restated	<u>7,760</u>
June 30, 2014	<u>\$ 5,775</u>

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

# QUITMAN SCHOOL DISTRICT

## Notes to the Financial Statements For the year ended June 30, 2014

### Note 1 – Summary of Significant Accounting Policies

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

#### A. Financial Reporting Entity

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

For financial reporting purposes, Quitman 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.

## QUITMAN SCHOOL DISTRICT

### Notes to the Financial Statements For the 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.

**Sixteenth Section Interest Fund** – This special revenue fund is used to account for expendable revenue earned from sixteenth section lands as well as the related earnings from the investment of nonexpendable revenues.

**Sixteenth Section Principal Fund** – This fund is used to account for sixteenth section resources that are legally restricted; only earnings, and not the principal, may be used for purposes that support the district's programs.

**Title I Fund** – This fund is used to account for grant funds received under the federal grant, Title I – grants to local educational agencies and the related expenditures associated with this grant.

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 school district also reports fiduciary funds which focus on net position and changes in net position.

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

**Private-purpose Trust Funds** - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

**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.

## QUITMAN SCHOOL DISTRICT

### Notes to the Financial Statements For the year ended June 30, 2014

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

#### **D. Encumbrances**

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

#### **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

## QUITMAN SCHOOL DISTRICT

### Notes to the Financial Statements For the year ended June 30, 2014

short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

#### Investments

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

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

Investments for the district are reported at fair market value.

#### 2. Receivables and payables

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

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

#### 3. Due from Other Governments

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

#### 4. Inventories and Prepaid Items

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

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

#### 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> 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

**QUITMAN SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the year ended June 30, 2014**

Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

7. **Compensated Absences**

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

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

8. **Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums**

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

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

9. **Fund Balances**

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based

## QUITMAN SCHOOL DISTRICT

### Notes to the Financial Statements For the year ended June 30, 2014

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.

*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 finance director pursuant to authorization established by school board policy.

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

When an expenditure/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.

#### 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

## QUITMAN SCHOOL DISTRICT

### Notes to the Financial Statements For the year ended June 30, 2014

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 \$7,464,298 and \$594,740, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2014, none of the district's bank balance of \$9,019,368 was exposed to custodial credit risk.

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agent held by the financial institution was \$224,676.

#### Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value	% of Total Investments
U.S. Government securities	AA	1-2 years	\$ 146,896	6.87%
U.S. Government securities	Not Rated	3-4 years	151,524	7.09%
U.S. Government securities	AA	3-4 years	99,538	4.66%
U.S. Government securities	Not Rated	5-6 years	197,372	9.24%
U.S. Government securities	AA	5-6 years	97,268	4.55%
U.S. Government securities	Not Rated	18-19 years	103,456	4.84%
Federal Home Loan Bank	AA	5-6 years	98,276	4.60%
Federal Home Loan Bank	Not Rated	8-9 years	121,480	5.68%
Federal Home Loan Bank	Not Rated	10-11 years	44,362	2.08%
Money Market Mutual Funds	Not Rated	Less than 1 year	26,406	1.24%
Mississippi Government securities	Not Rated	Less than 1 year	140,606	6.58%
Mississippi Government securities	Not Rated	1-2 years	35,962	1.68%
Mississippi Government securities	AA	4-5 years	100,080	4.68%
Mississippi Government securities	AA	5-6 years	52,120	2.44%
Mississippi Government securities	AA	7-8 years	21,708	1.02%
Mississippi Government securities	AA	8-9 years	100,060	4.68%
Mississippi Government Agency Bonds	AA	1-2 years	101,836	4.77%
Mississippi Government Agency Bonds	A	2-3 years	56,326	2.64%
Mississippi Government Agency Bonds	A	18-19 years	49,164	2.30%
U.S. Government Agency Bonds	Not Rated	8-9 years	392,628	18.36%
Total			<u>\$ 2,137,068</u>	<u>100.00%</u>

**QUITMAN SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the year ended June 30, 2014**

*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.

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

**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**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sixteenth Section Interest	\$ 284,905
	Other Governmental Funds	218,221
	Fiduciary Funds	746
	Title I	131,963
Sixteenth Section Interest	Sixteenth Section Principal	1,886
Other Governmental Funds	General Fund	467
	Sixteenth Section Interest	59,740
Fiduciary Funds	General Fund	7
	Other Governmental Funds	194
Total		<u>\$ 698,129</u>

The purpose of the above loans represent the recording of indirect costs from federal grants, loans for working capital, reimbursement of utilities paid by general fund and interest earned in agency funds that will be transferred to the General Fund.

**B. Inter-Fund Transfers**

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 509,829
16th Section Interest	General Fund	284,905
	Other Governmental Funds	59,740
Title I	General Fund	43,027
Other Governmental Funds	General Fund	48,088
	Other Governmental Funds	82,771
Total		<u>\$ 1,028,360</u>

The principal purpose of inter-fund transfers was to provide operating funds to other governmental funds from the General Fund, to pay indirect costs of federal grants to the General Fund, transfer

**QUITMAN SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the year ended June 30, 2014**

unrestricted earnings from the 16<sup>th</sup> Section Interest Fund to the General Fund for operating purposes and to transfer unrestricted investment earnings on 16<sup>th</sup> Section Principal funds to the 16<sup>th</sup> Section Interest Fund.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance and investment balance, totaling \$2,208,896 and \$1,562,479, respectively of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district’s programs.

In addition, the restricted assets also represent the cash with fiscal agents, totaling \$224,676 of the QSCB Bond Retirement Fund.

**Note 5 – Capital Assets**

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

	Balance 7/1/2013	Increases	Decreases	Adjustments	Balance 6/30/2014
<b>Governmental activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 174,918	\$ -	\$ -	\$ -	\$ 174,918
Construction-in-progress	-	95,985	-	-	95,985
Total non-depreciable capital assets	<u>174,918</u>	<u>95,985</u>	<u>-</u>	<u>-</u>	<u>270,903</u>
<u>Depreciable capital assets:</u>					
Buildings	11,936,996	-	-	-	11,936,996
Building improvements	6,913,309	-	-	-	6,913,309
Improvements other than buildings	1,867,023	-	-	(26,793)	1,840,230
Mobile equipment	2,850,170	253,130	-	(13,299)	3,090,001
Furniture and equipment	1,571,071	71,935	32,138	40,095	1,650,963
Total depreciable capital assets	<u>25,138,569</u>	<u>325,065</u>	<u>32,138</u>	<u>3</u>	<u>25,431,499</u>
<u>Less accumulated depreciation for:</u>					
Buildings	4,742,965	188,463	-	-	4,931,428
Building improvements	3,572,547	219,930	-	-	3,792,477
Improvements other than buildings	476,779	73,434	-	(3,215)	546,998
Mobile equipment	2,087,292	127,887	-	(1,710)	2,213,469
Furniture and equipment	1,276,366	91,975	31,816	4,921	1,341,446
Total accumulated depreciation	<u>12,155,949</u>	<u>701,689</u>	<u>31,816</u>	<u>(4)</u>	<u>12,825,818</u>
Total depreciable capital assets, net	<u>12,982,620</u>	<u>(376,624)</u>	<u>322</u>	<u>7</u>	<u>12,605,681</u>
Governmental activities capital assets, net	<u>\$ 13,157,538</u>	<u>\$ (280,639)</u>	<u>\$ 322</u>	<u>\$ 7</u>	<u>\$ 12,876,584</u>

Adjustments column represents the correction of classification of depreciable capital assets.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 426,624
Support services	171,221
Non-instructional	103,844
Total depreciation expense	<u>\$ 701,689</u>

**QUITMAN SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the year ended June 30, 2014**

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

Construction in progress is composed of:

	<u>Spent to 6/30/2014</u>	<u>Remaining Commitment</u>
<b>Governmental Activities:</b>		
Energy Efficient Project	<u>\$95,985</u>	<u>\$1,551,901</u>
Total governmental activities	<u><u>\$95,985</u></u>	<u><u>\$1,551,901</u></u>

The construction project included in governmental activities will be funded with general obligation Certificates of Participation that will be issued on July 15, 2014.

**Note 6 – Long-term Liabilities**

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

	<u>Balance 7/1/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2014</u>	<u>Amounts due within one year</u>
A. Three mill notes payable	\$ 2,840,000	\$ -	\$ 190,000	\$ 2,650,000	\$ 195,000
B. Qualified school construction bonds payable	1,500,000	-	-	1,500,000	-
C. Compensated absences payable	130,379	6,478	-	136,857	-
Total	<u>\$ 4,470,379</u>	<u>\$ 6,478</u>	<u>\$ 190,000</u>	<u>\$ 4,286,857</u>	<u>\$ 195,000</u>

**A. Three Mill Notes Payable**

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited tax notes, series 2007	1.73% - 2.90%	4/15/2007	4/15/2027	<u>\$ 3,800,000</u>	<u>\$ 2,650,000</u>
Total				<u><u>\$ 3,800,000</u></u>	<u><u>\$ 2,650,000</u></u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	195,000	100,484	295,484
2016	205,000	91,709	296,709
2017	195,000	80,670	275,670
2018	200,000	73,312	273,312
2019	210,000	69,562	279,562
2020-2024	1,045,000	226,310	1,271,310
2025-2027	600,000	45,748	645,748
	<u><u>\$ 2,650,000</u></u>	<u><u>\$ 687,795</u></u>	<u><u>\$ 3,337,795</u></u>

This debt will be retired from the Three Mill Note Fund.

**QUITMAN SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the year ended June 30, 2014**

**B. 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
Limited tax notes, series 2010-A, B	4.33%	10/7/2010	10/7/2025	\$ 1,500,000	\$ 1,500,000
Total				<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

**C. 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 – 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 \$1,495,617, \$1,360,758, and \$1,184,629, respectively, which equaled the required contributions for each year.

**Note 8 - 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.

**QUITMAN SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the year ended June 30, 2014**

Year Ending June 30	Amount
2015	\$ 46,665
2016	4,307
2017	4,530
2018	4,961
2019	4,861
2020-2024	23,306
2025-2029	23,306
2030-2034	21,804
2035-2039	7,352
2040-2044	1,074
<b>Total</b>	<b>\$ 142,166</b>

**Note 9 – Prior Period Adjustments**

A summary of significant Net Position adjustments is as follows:

Exhibit A - Statement of Activities

Explanation	Amount
To write off Deferred Issuance Costs in accordance with GASB 65	\$ (44,964)
<b>Total</b>	<b>\$ (44,964)</b>

Exhibit F - Statement of Changes in Fiduciary Net Position

Explanation	Amount
To correct beginning net position	\$ 7,760
<b>Total</b>	<b>\$ 7,760</b>

**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.

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district’s legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

**Note 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. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.  
Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-

**QUITMAN SCHOOL DISTRICT**

**Notes to the Financial Statements  
For the year ended June 30, 2014**

insurance pool. The trust consists of approximately 94 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**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 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 \$224,676. 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	Principal	Interest	Total
2015	71,000	81,000	152,000
2016	71,000	81,000	152,000
2017	92,000	81,000	173,000
2018	95,000	81,000	176,000
2019	89,000	81,000	170,000
2020-2024	563,000	405,000	968,000
2025-2026	300,000	162,000	462,000
	<u>\$ 1,281,000</u>	<u>\$ 972,000</u>	<u>\$ 2,253,000</u>

**Note 14 – Insurance recovery**

The district received \$75,570 in insurance loss recoveries related to property damage during the 2013-2014 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported expenditures and allocated among the expense function based on the following percentages:

QUITMAN SCHOOL DISTRICT

Notes to the Financial Statements  
For the year ended June 30, 2014

<u>Insurance Loss</u>	<u>Percentage</u>	<u>Expense Function</u>
<u>Recoveries</u>		
\$ 75,570	100%	Support Services

**Note 15 – Subsequent Events**

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

- The District issued Certificates of Participation on July 15, 2014 through the Quitman School Facilities Corporation, a blended component unit, in the amount of \$1,340,000 through a lease agreement for the purpose of financing the acquisition and installation of energy savings equipment and related repairs.
- The District issued Limited Tax Notes in the subsequent year for the purpose of redeeming certain outstanding Series 2007, Limited Tax Notes maturing after April 15, 2015 and paying the related costs of issuance.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 4,883,579	\$ 4,895,979	\$ 4,895,979	\$ 12,400	\$ -
State sources	7,816,428	8,290,975	8,290,975	474,547	-
Federal sources	100,000	127,401	127,397	27,401	(4)
Total Revenues	<u>12,800,007</u>	<u>13,314,355</u>	<u>13,314,351</u>	<u>514,348</u>	<u>(4)</u>
<b>Expenditures:</b>					
Instruction	7,977,571	7,710,967	7,710,967	266,604	-
Support services	6,326,321	6,262,200	6,262,200	64,121	-
Noninstructional services	-	83	83	(83)	-
Total Expenditures	<u>14,303,892</u>	<u>13,973,250</u>	<u>13,973,250</u>	<u>330,642</u>	<u>-</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,503,885)</u>	<u>(658,895)</u>	<u>(658,899)</u>	<u>844,990</u>	<u>(4)</u>
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	-	75,570	75,570	75,570	-
Operating transfers in	2,335,921	1,872,102	376,020	(463,819)	(1,496,082)
Operating transfers out	(1,990,390)	(2,005,910)	(509,829)	(15,520)	1,496,081
Total Other Financing Sources (Uses)	<u>345,531</u>	<u>(58,238)</u>	<u>(58,239)</u>	<u>(403,769)</u>	<u>(1)</u>
Net Change in Fund Balances	<u>(1,158,354)</u>	<u>(717,133)</u>	<u>(717,138)</u>	<u>441,221</u>	<u>(5)</u>
<b>Fund Balances:</b>					
July 1, 2013	<u>3,784,785</u>	<u>3,454,795</u>	<u>3,456,324</u>	<u>(329,990)</u>	<u>1,529</u>
June 30, 2014	<u>\$ 2,626,431</u>	<u>\$ 2,737,662</u>	<u>\$ 2,739,186</u>	<u>\$ 111,231</u>	<u>\$ 1,524</u>

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

**QUITMAN SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Sixteenth Section Interest Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Original to Final	Final to Actual
	Original	Final		Positive	(Negative)
<b>Revenues:</b>					
Sixteenth section sources	\$ 561,731	\$ 537,652	\$ 552,347	\$ (24,079)	\$ 14,695
Total Revenues	<u>561,731</u>	<u>537,652</u>	<u>552,347</u>	<u>(24,079)</u>	<u>14,695</u>
<b>Expenditures:</b>					
Sixteenth section	4,100	229	1,638	3,871	(1,409)
Total Expenditures	<u>4,100</u>	<u>229</u>	<u>1,638</u>	<u>3,871</u>	<u>(1,409)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>557,631</u>	<u>537,423</u>	<u>550,709</u>	<u>(20,208)</u>	<u>13,286</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	8,000	-	-	(8,000)	-
Operating transfers out	(725,448)	(344,645)	(344,645)	380,803	-
Total Other Financing Sources (Uses)	<u>(717,448)</u>	<u>(344,645)</u>	<u>(344,645)</u>	<u>372,803</u>	<u>-</u>
Net Change in Fund Balances	<u>(159,817)</u>	<u>192,778</u>	<u>206,064</u>	<u>352,595</u>	<u>13,286</u>
<b>Fund Balances:</b>					
July 1, 2013	2,998,000	2,568,148	2,554,753	(429,852)	(13,395)
June 30, 2014	<u>\$ 2,838,183</u>	<u>\$ 2,760,926</u>	<u>\$ 2,760,817</u>	<u>\$ (77,257)</u>	<u>\$ (109)</u>

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

**QUITMAN SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Sixteenth Section Principal Fund**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Sixteenth section sources	\$ 568,000	\$ 2,022,977	\$ 2,063,345	\$ 1,454,977	\$ 40,368
Total Revenues	568,000	2,022,977	2,063,345	1,454,977	40,368
<b>Expenditures:</b>					
Sixteenth section	-	-	3,832	-	(3,832)
Total Expenditures	-	-	3,832	-	(3,832)
Excess (Deficiency) of Revenues over (under) Expenditures	568,000	2,022,977	2,059,513	1,454,977	36,536
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(8,000)	-	-	8,000	-
Total Other Financing Sources (Uses)	(8,000)	-	-	8,000	-
Net Change in Fund Balances	560,000	2,022,977	2,059,513	1,462,977	36,536
<b>Fund Balances:</b>					
July 1, 2013	2,100,000	2,099,918	2,063,494	(82)	(36,424)
June 30, 2014	\$ 2,660,000	\$ 4,122,895	\$ 4,123,007	\$ 1,462,895	\$ 112

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

**QUITMAN SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**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
<b>Revenues:</b>					
Federal sources	\$ 1,108,536	\$ 921,043	\$ 921,043	\$ (187,493)	\$ -
Total Revenues	<u>1,108,536</u>	<u>921,043</u>	<u>921,043</u>	<u>(187,493)</u>	<u>-</u>
<b>Expenditures:</b>					
Instruction	561,505	471,149	471,149	90,356	-
Support services	417,125	347,559	347,559	69,566	-
Noninstructional services	89,254	59,308	59,308	29,946	-
Total Expenditures	<u>1,067,884</u>	<u>878,016</u>	<u>878,016</u>	<u>189,868</u>	<u>-</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>40,652</u>	<u>43,027</u>	<u>43,027</u>	<u>2,375</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(40,652)	(43,027)	(43,027)	(2,375)	-
Total Other Financing Sources (Uses)	<u>(40,652)</u>	<u>(43,027)</u>	<u>(43,027)</u>	<u>(2,375)</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**QUITMAN SCHOOL DISTRICT**

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

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**SUPPLEMENTARY INFORMATION**

**QUITMAN SCHOOL DISTRICT**  
**Supplementary Information**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 273,801
National school lunch program	10.555	867,668
Total child nutrition cluster		1,141,469
Total passed-through Mississippi Department of Education		1,141,469
<b>Total U.S. Department of Agriculture</b>		1,141,469
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps.	12.XXX	56,805
<b>Total U.S. Department of Defense</b>		56,805
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	70,592
<b>Total Federal Communications Commission</b>		70,592
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	928,985
Career and technical education - basic grants to states	84.048	26,341
Twenty-first century community learning centers	84.287	141,053
Rural education	84.358	35,943
Improving teacher quality-State Grants	84.367	159,943
Subtotal		1,292,265
Special education cluster:		
Special education - grants to states	84.027	466,138
Special education - preschool grants	84.173	32,549
Total special education cluster		498,687
Total passed-through Mississippi Department of Education		1,790,952
<b>Total U.S. Department of Education</b>		1,790,952
Total for All Federal Awards		\$ 3,059,818

**NOTES TO SCHEDULE**

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

**Quitman School District  
Supplementary Information  
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 Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 13,231,962	9,621,740	568,789	1,232,893	1,808,540
Other	5,018,434	938,402	549,731	4,721	3,525,580
Total	<u>\$ 18,250,396</u>	<u>10,560,142</u>	<u>1,118,520</u>	<u>1,237,614</u>	<u>5,334,120</u>
Total number of students	* <u>1,998</u>				
Cost per student	<u>\$ 9,134</u>	<u>5,285</u>	<u>560</u>	<u>619</u>	<u>2,670</u>

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

Instruction and Other Student Instructional Expenditures – includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teacher’s aides or classroom assistants of any type.

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

School Administration – includes expenditures for the following function: Support Services – School Administration.

Other – includes all expenditure functions not included in Instruction or Administration categories.

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

**OTHER INFORMATION**

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**Quitman School District**  
**Other Information**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**General Fund**  
**Last Four Years**  
**Unaudited**

	<u>2014</u>	<u>2013</u> *	<u>2012</u> *	<u>2011</u> *
<b>Revenues:</b>				
Local sources	\$ 4,895,979	\$ 4,633,945	\$ 4,249,280	\$ 3,877,483
State sources	8,290,975	8,253,927	8,269,622	8,758,241
Federal sources	<u>127,397</u>	<u>112,714</u>	<u>106,216</u>	<u>174,103</u>
Total Revenues	<u>13,314,351</u>	<u>13,000,586</u>	<u>12,625,118</u>	<u>12,809,827</u>
<b>Expenditures:</b>				
Instruction	7,710,967	7,535,023	7,346,384	6,139,082
Support services	6,262,200	5,329,336	5,369,689	5,224,225
Noninstructional services	83	80	-	-
Facilities acquisition and maintenance	-	-	-	83,623
Debt service:				
Principal	-	-	<u>5,462</u>	<u>10,924</u>
Total Expenditures	<u>13,973,250</u>	<u>12,864,439</u>	<u>12,721,535</u>	<u>11,457,854</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(658,899)</u>	<u>136,147</u>	<u>(96,417)</u>	<u>1,351,973</u>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	75,570	23,402	2,282	14,001
Operating transfers in	376,020	474,773	617,886	217,432
Operating transfers out	<u>(509,829)</u>	<u>(431,215)</u>	<u>(502,893)</u>	<u>(619,913)</u>
Total Other Financing Sources (Uses)	<u>(58,239)</u>	<u>66,960</u>	<u>117,275</u>	<u>(388,480)</u>
Net Change in Fund Balances	(717,138)	203,107	20,858	963,493
<b>Fund Balances:</b>				
Beginning of period	<u>3,456,324</u>	<u>3,253,217</u>	<u>3,232,359</u>	<u>2,268,866</u>
End of period	<u>\$ 2,739,186</u>	<u>\$ 3,456,324</u>	<u>\$ 3,253,217</u>	<u>\$ 3,232,359</u>

\* SOURCE - PRIOR YEAR AUDIT REPORTS

**Quitman School District**  
**Other Information**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Funds**  
**Last Four Years**  
**Unaudited**

	2014	2013	2012	2011
<b>Revenues:</b>				
Local sources	\$ 5,385,956	\$ 5,143,333	\$ 4,803,971	\$ 4,567,373
State sources	8,606,670	8,534,323	8,580,921	9,094,303
Federal sources	3,130,073	3,052,576	3,168,030	4,679,544
Sixteenth section sources	2,697,860	1,495,785	2,123,979	881,098
Total Revenues	<u>19,820,559</u>	<u>18,226,017</u>	<u>18,676,901</u>	<u>19,222,318</u>
<b>Expenditures:</b>				
Instruction	9,266,637	9,052,424	9,113,400	9,225,068
Support services	7,172,816	6,237,444	6,265,066	6,906,517
Noninstructional services	1,281,976	1,309,758	1,350,088	1,256,887
Sixteenth section	50,873	119,950	159,380	256,378
Facilities acquisition and construction	95,985	-	1,050,321	83,623
Debt service:				
Principal	190,000	180,000	175,462	175,924
Interest	190,509	197,345	192,484	134,584
Other	1,600	1,600	3,100	22,063
Total Expenditures	<u>18,250,396</u>	<u>17,098,521</u>	<u>18,309,301</u>	<u>18,061,044</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,570,163</u>	<u>1,127,496</u>	<u>367,600</u>	<u>1,161,274</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-	-	-	1,500,000
Insurance recovery	75,570	23,402	2,282	14,001
Payment to escrow agent	-	-	141,150	-
Operating transfers in	1,028,360	1,261,043	1,208,587	875,684
Operating transfers out	(1,028,360)	(1,261,043)	(1,208,587)	(875,684)
Payment to qualified school construction agent	-	(49,820)	(141,150)	-
Total Other Financing Sources (Uses)	<u>75,570</u>	<u>(26,418)</u>	<u>2,282</u>	<u>1,514,001</u>
Net Change in Fund Balances	<u>1,645,733</u>	<u>1,101,078</u>	<u>369,882</u>	<u>2,675,275</u>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	8,938,786	7,770,319	7,400,621	4,723,393
Prior period adjustments	-	75,612	-	-
Beginning of period, as restated	<u>8,938,786</u>	<u>7,845,931</u>	<u>7,400,621</u>	<u>4,723,393</u>
Increase (Decrease) in reserve for inventory	<u>(3,919)</u>	<u>(8,223)</u>	<u>(184)</u>	<u>1,953</u>
End of period	<u>\$ 10,580,600</u>	<u>\$ 8,938,786</u>	<u>\$ 7,770,319</u>	<u>\$ 7,400,621</u>

\* SOURCE - PRIOR YEAR AUDIT REPORTS

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**REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

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# Stephen D. Myrick C.P.A., L.L.C.

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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

Superintendent and School Board  
Quitman School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Quitman School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Quitman School District's basic financial statements, and have issued our report thereon dated October 14, 2014.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, 2014-1.

### Compliance and Other Matters

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

Quitman School District's Response to Finding

Quitman School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Quitman School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express not opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or 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.



Stephen D. Myrick  
Certified Public Accountants

October 14, 2014  
Quitman, Mississippi

# Stephen D. Myrick C.P.A., L.L.C.

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

Superintendent and School Board  
Quitman School District

### Report on Compliance for Each Major Federal Program

We have audited Quitman 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 Quitman School District's major federal programs for the year ended June 30, 2014. Quitman 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*

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

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

#### *Opinion on Each Major Federal Program*

In our opinion, Quitman School District complied, in all material respects, with the 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 Quitman School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing

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

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

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

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



Stephen D. Myrick  
Certified Public Accountants

October 14, 2014  
Quitman, Mississippi

**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  
Quitman School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Quitman School District as of and for the year ended June 30, 2014, which collectively comprise Quitman School District's basic financial statements and have issued our report thereon dated October 14, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to 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, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(ii), 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 our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

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

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



Stephen D. Myrick  
Certified Public Accountants

October 14, 2014  
Quitman, Mississippi

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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# QUITMAN SCHOOL DISTRICT

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

### Section I: Summary of Auditor's Results

#### Financial Statements:

- |    |   |            |
|----|---|------------|
| 1. | Type of auditor's report issued:                      | Unmodified |
| 2. | Internal control over financial reporting:            |            |
|    | a. Material weakness(es) identified?                  | No         |
|    | b. Significant deficiency(ies) identified?            | Yes        |
| 3. | Noncompliance material to financial statements noted? | No         |

#### Federal Awards:

- |    |  |               |
|----|--|---------------|
| 4. | Internal control over major programs:  |               |
|    | a. Material weakness(es) identified?   | No            |
|    | b. Significant deficiency(ies) identified?   | None reported |
| 5. | Type of auditor's report issued on compliance for major programs:  | Unmodified    |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No            |

#### 7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Special Education cluster:
84.027	Special Education – grants to states
84.173	Special Education – preschool grants
	School Nutrition cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program

- |    |  |           |
|----|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee?                                   | Yes       |

### Section II: Financial Statement Findings

The results of our tests disclosed the following finding related to the financial statements that are required to be reported under *Government Auditing Standards*.

# QUITMAN SCHOOL DISTRICT

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

### Significant Deficiency

#### Finding 2014-1

#### Condition

As stated in the prior year, Qualified School Construction Bonds Sinking Fund activity was not included on the District's books.

#### Criteria

The Qualified School Construction Bonds agreement requires the District to make equal annual payments into a sinking fund which will be used to pay-off the bonds at termination.

#### Cause

Controls were not in place to ensure that the sinking bond fund's activity was properly reflected on the District's books.

#### Effect

This caused an understatement on the District's books. An adjustment was proposed and posted to the District's books by the auditor as part of the audit procedures to properly reflect the activity that occurred during the current year in the Qualified School Construction Bonds Sinking fund.

#### Questioned Costs

None

#### Recommendation

The District should develop and implement a system of internal control that would require all activity to be included in the accounting records for the Qualified School Construction Bonds Sinking Fund.

#### Response

The District has already begun to implement procedures to ensure that all activity is posted to the District's financial records.

### Section III: Federal Award Findings and Questioned Costs

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