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Rankin County School District

Audited Financial Statements
For the Year Ended June 30, 2014

Fortenberry & Ballard, PC
Certified Public Accountants

Rankin County School District
TABLE OF CONTENTS

PAGE #

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION 4

MANAGEMENT'S DISCUSSION AND ANALYSIS 8

BASIC FINANCIAL STATEMENTS
- Government-wide Financial Statements
  - Exhibit A - Statement of Net Position 21
  - Exhibit B - Statement of Activities 22
- Governmental Funds Financial Statements
  - Exhibit C - Balance Sheet 24
  - Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 26
  - Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances 28
  - Exhibit D - 1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities 30
- Fiduciary Funds Financial Statements
  - Exhibit E - Statement of Fiduciary Net Position 31
  - Exhibit F - Statement of Changes in Fiduciary Net Position 32
- Notes to the Financial Statements 34

REQUIRED SUPPLEMENTARY INFORMATION
- Budgetary Comparison Schedule - General Fund 57
- Budgetary Comparison Schedule - EHA (IDEA) Fund 58
- Notes to the Required Supplementary Information 59

SUPPLEMENTARY INFORMATION
- Schedule of Expenditures of Federal Awards 61
- Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds 62

OTHER INFORMATION
- Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years 64
- Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years 65

REPORTS ON INTERNAL CONTROL AND COMPLIANCE
- 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* 67
- Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133 69

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS 72

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 75

FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Rankin County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 to 19 and 57 to 59 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 Rankin County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived

from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2014, on our consideration of the Rankin County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rankin County School District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 19, 2014

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2014 increased $6,398,350, which represents a 5% increase from fiscal year 2013. Total net position for 2013 increased $4,616,005, including a prior period adjustment of ($1,636), which represents a 3% increase from fiscal year 2012.

- General revenues amounted to $138,283,890 and $137,475,353, or 84% and 83% 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 $26,884,949, or 16% of total revenues for 2014, and $27,286,032, or 17% of total revenues for 2013.

- The District had $158,770,489 and $160,143,744 in expenses for fiscal years 2014 and 2013; only $26,884,949 for 2014 and $27,286,032 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $138,283,890 for 2014 and $137,475,353 for 2013 were adequate to provide for these programs.

- Among the major funds, the General Fund had $130,720,770 in revenues and $132,269,923 in expenditures for 2014, and $129,407,372 in revenues and $133,069,326 in expenditures for 2013. The General Fund's fund balance increased by $2,477,876, from 2013 to 2014, and decreased by $1,943,490, from 2012 to 2013.

- Capital assets, net of accumulated depreciation, decreased by $2,538,197 for 2014 and decreased by $2,806,128 for 2013. The decrease for 2014 was due to retirements of mobile equipment, including buses and various items of furniture and equipment coupled with the increase in accumulated depreciation.

- Long-term debt increased by $2,298,845, for 2014 and decreased by $8,638,355, including a prior period adjustment of $1,636 for 2013. This increase for 2014 was due primarily to the issuance of a three mill note and inception of capital leases. The liability for compensated absences increased by $26,736 for 2014 and increased by $50,658 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 $145,809,828 as of June 30, 2014.

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

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

Table 1
Condensed Statement of Net Position

		June 30, 2014	June 30, 2013	Percentage Change
Current assets	$	47,303,318	37,293,668	27%
Restricted assets		14,059,808	12,493,955	13%
Capital assets, net		156,352,135	158,890,332	(2)%
Total assets		217,715,261	208,677,955	4%
Current liabilities		1,788,692	1,778,423	1%
Long-term debt outstanding		70,116,741	67,488,054	4%
Total liabilities		71,905,433	69,266,477	4%
Net position:				
Net investment in capital assets		87,281,038	92,421,186	(6)%
Restricted		34,380,543	25,280,194	36%
Unrestricted		24,148,247	21,710,098	11%
Total net position	$	145,809,828	139,411,478	5%

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

- Increase in current assets due mainly to remaining proceeds of three mill note.
- Decrease in net capital assets in the amount of $2,538,197.
- The principal retirement of $11,009,155 in long-term debt.

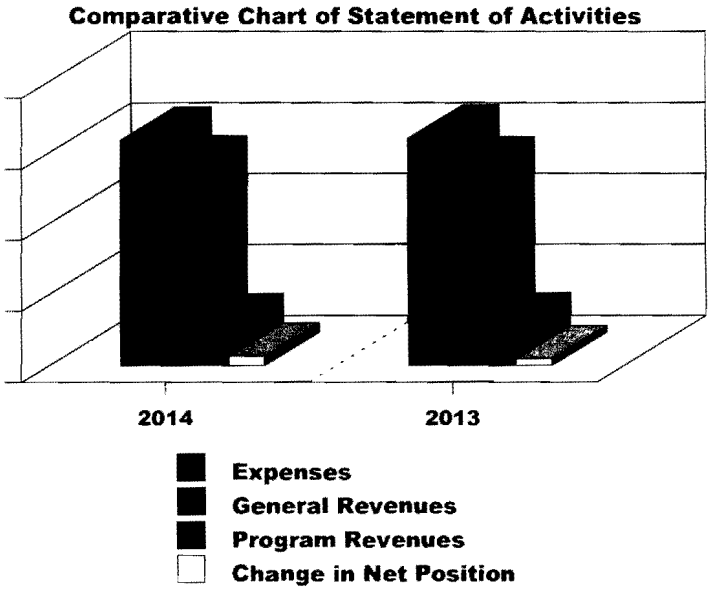
Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were $165,168,839 and $164,761,385, respectively. The total cost of all programs and services was $158,770,489 for 2014 and $160,143,744 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

		Year Ended June 30, 2014	Year Ended June 30, 2013	Percentage Change
Revenues:				
Program revenues:				
Charges for services	$	8,592,494	8,610,758	0%
Operating grants and contributions		18,292,455	18,675,274	(2)%
Total program revenues		26,884,949	27,286,032	(1)%
General revenues:				
Property taxes		57,360,965	56,788,180	1%
Grants and contributions not restricted		77,698,117	77,036,668	1%
Unrestricted investment earnings		451,937	319,266	42%
Sixteenth section sources		2,623,822	3,199,706	(18)%
Other		149,049	131,533	13%
Total general revenues		138,283,890	137,475,353	1%
Total revenues		165,168,839	164,761,385	0%
Expenses:				
Instruction		94,463,304	94,114,047	0%
Support services		50,953,954	54,172,249	(6)%
Non-instructional		10,157,313	8,506,829	19%
Sixteenth section		321,739	300,297	7%
Interest on long-term liabilities		2,874,179	3,050,322	(6)%
Total expenses		158,770,489	160,143,744	(1)%
Increase (Decrease) in net position		6,398,350	4,617,641	39%
Net Position, July 1, as previously reported		139,411,478	134,795,473	3%
Prior Period Adjustment			(1,636)	(100)%
Net Position, July 1, as restated		139,411,478	134,793,837	3%
Net Position, June 30	$	145,809,828	139,411,478	5%



Governmental activities

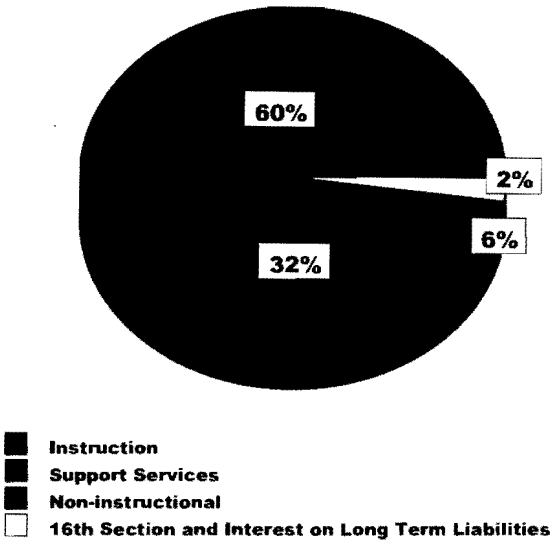
The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the 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

	Total Expenses		
	2014	2013	Percentage Change
Instruction	$ 94,463,304	94,114,047	0%
Support services	50,953,954	54,172,249	(6)%
Non-instructional	10,157,313	8,506,829	19%
Sixteenth section	321,739	300,297	7%
Interest on long-term liabilities	2,874,179	3,050,322	(6)%
Total expenses	$ 158,770,489	160,143,744	(1)%

		Net (Expense) Revenue		
		2014	2013	Percentage Change
Instruction	$	(82,383,504)	(81,193,642)	1%
Support services		(46,726,282)	(49,949,496)	(6)%
Non-instructional		384,391	1,586,920	(76)%
Sixteenth section		(285,966)	(251,172)	14%
Interest on long-term liabilities		(2,874,179)	(3,050,322)	(6)%
Total net (expense) revenue	$	(131,885,540)	(132,857,712)	(1)%

Chart of Expenses per Statement of Activities



- Net cost of governmental activities ($131,885,540 for 2014 and $132,857,712 for 2013) was financed by general revenue, which is primarily made of property taxes ($57,360,965 for 2014 and $56,788,180 for 2013) and state and federal revenues ($77,698,117 for 2014 and $77,036,668 for 2013). In addition, there was $2,623,822 and $3,199,706 in Sixteenth Section sources for 2014 and 2013, respectively.

- Investment earnings amounted to $451,937 for 2014 and $319,266 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 $60,210,841, an increase of $11,450,125, which includes an increase in inventory of $69,895. $17,041,591, or 28% 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 or assigned to specific purposes within the general fund. The remaining fund balance of $43,169,250, or 72% 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 increase in fund balance in the General Fund for the fiscal year was $2,477,876. The fund balance of Other Governmental Funds showed a decrease in the amount of $781,802, which includes an increase in inventory of $69,895 due primarily to reflect inventory to actual. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund		Increase (Decrease)
EHA (IDEA) Fund		no increase or decrease
2014 Three Mill 10 Year Fund	$	8,166,329
Sixteenth Section Principal Fund	$	1,587,722

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were $226,865,947, including land, construction in progress, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of $2,017,059 from 2013. Total accumulated depreciation as of June 30, 2014, was $70,513,812, and total depreciation expense for the year was $4,920,684, resulting in total net capital assets of $156,352,135.

Table 4
Capital Assets, Net of Accumulated Depreciation

		June 30, 2014	June 30, 2013	Percentage Change
Land	$	10,294,025	10,216,525	1%
Construction in progress		1,438,812		
Buildings		136,444,567	140,166,583	(3)%
Building improvements		2,658,026	2,805,552	(5)%
Mobile equipment		4,726,889	4,664,246	1%
Furniture and equipment		789,816	1,037,426	(24)%
Total	$	156,352,135	158,890,332	(2)%

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 $69,813,635 in outstanding long-term debt, excluding the premium of $303,106, of which $11,000,546 is due within one year. The liability for compensated absences increased $26,736 from the prior year.

Table 5
Outstanding Long-Term Debt

		June 30, 2014	June 30, 2013	Percentage Change
General obligation bonds payable	$	37,090,000	43,920,000	(16)%
Three mill notes payable		29,775,000	20,885,000	43%
Premium on debt issued		303,106		
Obligations under capital leases		1,902,991	1,664,146	14%
Compensated absences payable		1,045,644	1,018,908	3%
Total	$	70,116,741	67,488,054	4%

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

CURRENT ISSUES

Rankin County School District is the third largest school district in the State of Mississippi, serving grades kindergarten through twelve with a current enrollment of approximately 19,500. The district consists of twenty eight schools in the its eight attendance zones. The attendance zones are Brandon, Florence, McLaurin, Northwest, Pelahatchie, Pisgah, Puckett, and Richland. Over the last five years, the district's enrollment has increased approximately 1,200 students.

The District has committed itself to financial excellence for many years. This is evident by the fact that the "Certificate Recognizing Achievement in Financial Reporting", issued by the Office of the State Auditor, has been awarded to the school district for the last several years. Because of the district's strong financial position, the district was upgraded during fiscal year 2012 from an AA- to an AA bond credit rating with Standard and Poor's Rating Service. The District's system of financial planning, budgeting and internal financial controls are well regarded.

The assessed valuation of the Rankin County School District at October 1, 2013 was $1,236,783,590.

The District's operational tax millage rate for fiscal year 2014 is 40.81 mills and the debt service millage rate is 8.61 mills. The total millage rate of 49.42 mills is one of the lowest when compared to other districts of the metro Jackson area and other districts of comparable enrollment. The table on page 19 compares tax rates of these districts with the Rankin County School District.

The Rankin County School District is financially stable. The Mississippi State Department of Education requires a school district to maintain the fund balance of the District Maintenance Fund (main operating fund) at a level of at least 5% of its total revenues. At June 30, 2014, the District Maintenance unassigned fund balance was $17,041,591 or 13.6% of revenues within the District Maintenance Fund.

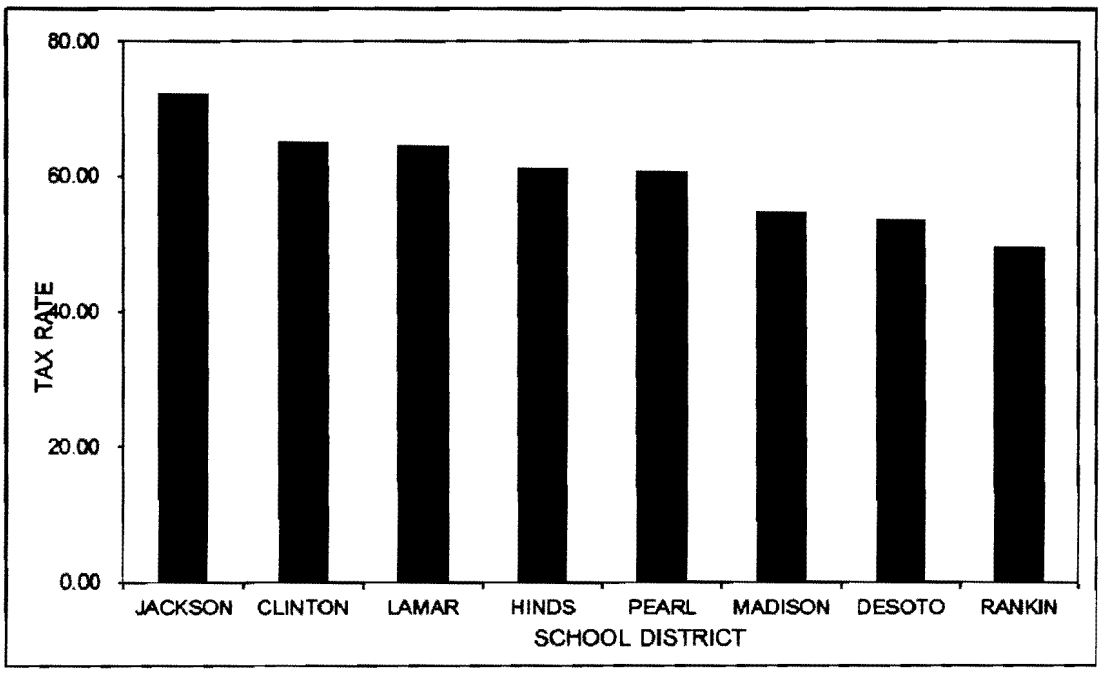
The District pursues grant funding to supplement the local, state and federal revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the Rankin County School District, 1220 Apple Park Place, Brandon, MS 39042.

RANKIN COUNTY SCHOOL DISTRICT
COMPARISON OF TAX RATES
FOR FISCAL YEAR 2014

SCHOOL DISTRICT	TAX RATE (MILLS)
JACKSON	71.96
CLINTON	64.94
LAMAR	64.23
HINDS	61.00
PEARL	60.39
MADISON	54.55
DESOTO	53.57
RANKIN	49.42



FINANCIAL STATEMENTS

RANKIN COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets	
Cash and cash equivalents	$ 43,282,017
Due from other governments	3,519,772
Accrued interest receivable	34,285
Other receivables, net	148,330
Inventories	318,471
Prepaid items	443
Restricted assets	14,059,808
Capital assets, non-depreciable:	
Land	10,294,025
Construction in progress	1,438,812
Capital assets, net of accumulated depreciation:	
Buildings	136,444,567
Improvements other than buildings	2,658,026
Mobile equipment	4,726,889
Furniture and equipment	789,816
Total Assets	217,715,261
Liabilities	
Accounts payable and accrued liabilities	1,025,287
Unearned revenue	37,715
Interest payable on long-term liabilities	725,690
Long-term liabilities, due within one year:	
Capital related liabilities	11,000,546
Long-term liabilities, due beyond one year:	
Capital related liabilities	57,767,445
Premiums on debt issued	303,106
Non-capital related liabilities	1,045,644
Total Liabilities	71,905,433
Net Position	
Net Investment in Capital Assets	87,281,038
Restricted For:	
Expendable:	
School based activities	5,693,598
Debt service	5,723,805
Capital projects	8,166,329
Unemployment benefits	490,509
Forestry improvements	212,209
Sixteenth section	138,467
Non-expendable:	
Sixteenth section	13,955,626
Unrestricted	24,148,247
Total Net Position	$ 145,809,828

The accompanying notes are an integral part of this statement.

EXHIBIT B

RANKIN COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	94,463,304	3,135,941	8,943,859	(82,383,504)
Support services	50,953,954	--	4,227,672	(46,726,282)
Noninstructional services	10,157,313	5,420,780	5,120,924	384,391
Sixteenth section	321,739	35,773	--	(285,966)
Interest on long-term liabilities	2,874,179	--	--	(2,874,179)
Total Governmental Activities	$ 158,770,489	$ 8,592,494	$ 18,292,455	(131,885,540)

General Revenues:	
Taxes:	
General purpose levies	46,865,969
Debt purpose levies	10,494,996
Unrestriced grants and contributions:	
State	77,352,596
Federal	345,521
Unrestricted investment earnings	451,937
Sixteenth section sources	2,623,822
Other	149,049
Total General Revenues	138,283,890
Change in Net Position	6,398,350
Net Position- Beginning	139,411,478
Net Position- Ending	$ 145,809,828

The accompanying notes are an integral part of this statement.

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RANKIN COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	EHA (IDEA) Fund
Assets:		
Cash and cash equivalents	$ 22,308,144	$ --
Investments	--	--
Due from other governments	1,838,682	786,594
Accrued interest receivable	--	--
Other receivables, net	47,920	--
Due from other funds	1,205,153	--
Inventories	--	--
Total Assets	$ 25,399,899	$ 786,594
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable and accrued liabilities	$ 257,576	$ --
Due to other funds	--	786,594
Unearned revenue	37,715	--
Total Liabilities	295,291	786,594
Fund Balances:		
Non-spendable:		
Permanent fund principal	--	--
Inventory	--	--
Restricted:		
Unemployment benefits	--	--
Forestry improvements	--	--
Capital improvements	--	--
Debt service	--	--
Grant activities	--	--
Food service	--	--
Sixteenth section interest	--	--
Committed:		
Projects	1,709,695	--
Assigned:		
Forestry improvements	--	--
Permanent fund principal	--	--
R-PAL special	--	--
Family resource center	--	--
Special education	884,576	--
Alternative school	270,683	--
At risk	65,271	--
Activity funds	1,086,490	--
Extended day enrichment program - frontiers	762,115	--
Building and improvements	26,435	--
Projects	3,257,752	--
Unassigned	17,041,591	--
Total Fund Balances	25,104,608	--
Total Liabilities and Fund Balances	$ 25,399,899	$ 786,594

The accompanying notes are an integral part of this statement.

2014 Three Mill 10 Year Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
$ 8,934,040	$ 2,135,697	$ 12,039,833	$ 45,417,714
--	11,924,111	--	11,924,111
--	--	719,808	3,345,084
--	34,285	--	34,285
--	--	100,853	148,773
--	--	--	1,205,153
--	--	318,471	318,471
$ 8,934,040	$ 14,094,093	$ 13,178,965	$ 62,393,591
$ 767,711	$ --	$ --	$ 1,025,287
--	--	333,154	1,119,748
--	--	--	37,715
767,711	--	333,154	2,182,750
--	13,955,626	--	13,955,626
--	--	318,471	318,471
--	--	490,509	490,509
--	--	210,833	210,833
8,166,329	--	--	8,166,329
--	--	6,449,495	6,449,495
--	--	377,137	377,137
--	--	3,477,676	3,477,676
--	--	1,505,380	1,505,380
--	--	--	1,709,695
--	--	1,376	1,376
--	138,467	--	138,467
--	--	14,833	14,833
--	--	101	101
--	--	--	884,576
--	--	--	270,683
--	--	--	65,271
--	--	--	1,086,490
--	--	--	762,115
--	--	--	26,435
--	--	--	3,257,752
--	--	--	17,041,591
8,166,329	14,094,093	12,845,811	60,210,841
$ 8,934,040	$ 14,094,093	$ 13,178,965	$ 62,393,591

EXHIBIT C-1

RANKIN COUNTY SCHOOL DISTRICT

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

Total fund balances for governmental funds	$ 60,210,841
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	156,352,135
Premiums on issuance of debt are recognized in the SNP.	(303,106)
Liabilities due in one year are not recognized in the funds.	(11,000,546)
Payables for bond principal which are not due in the current period are not reported in the funds.	(29,890,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(947,445)
Payables for bond interest which are not due in the current period are not reported in the funds.	(725,690)
Payables for notes which are not due in the current period are not reported in the funds.	(26,930,000)
Payables for compensated absences not due in the current period are not reported in the funds.	(1,045,644)
Receivable recognized for sixteenth section not reported in the funds.	89,283
Net position of governmental activities	$ 145,809,828

The accompanying notes are an integral part of this statement.

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RANKIN COUNTY SCHOOL DISTRICT

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

	General Fund	EHA (IDEA) Fund
Revenues:		
Local sources	$ 52,997,646	$ --
State sources	77,374,089	--
Federal sources	349,035	3,721,516
Sixteenth section sources	--	--
Total Revenues	130,720,770	3,721,516
Expenditures:		
Instruction	80,604,346	1,665,539
Support services	48,315,015	1,708,615
Noninstructional services	2,157,895	--
Sixteenth section	--	--
Facilities acquisition and construction	77,500	--
Debt service:		
Principal	1,069,155	--
Interest	46,012	--
Other	--	--
Total Expenditures	132,269,923	3,374,154
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,549,153)	347,362
Other Financing Sources (Uses):		
Proceeds of debt issued	--	--
Inception of capital leases	1,308,000	--
Insurance recovery	3,871,413	--
Premium on debt issued	--	--
Sale of other property	4,195	--
Operating transfers in	1,216,709	--
Operating transfers out	(2,373,288)	(347,362)
Total Other Financing Sources (Uses)	4,027,029	(347,362)
Net Change in Fund Balances	2,477,876	--
Fund Balances:		
July 1, 2013	22,626,732	--
Increase (decrease) in inventory	--	--
June 30, 2014	$ 25,104,608	$ --

The accompanying notes are an integral part of this statement.

2014 Three Mill 10 Year Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
$ 56,782	$ --	$ 13,769,146	$ 66,823,574
--	--	3,872,484	81,246,573
--	--	10,189,631	14,260,182
--	1,673,328	1,173,977	2,847,305
56,782	1,673,328	29,005,238	165,177,634
656,090	--	8,751,255	91,677,230
1,545,551	--	2,433,942	54,003,123
--	--	7,596,385	9,754,280
--	--	321,739	321,739
1,438,812	--	--	1,516,312
--	--	9,940,000	11,009,155
--	--	2,692,448	2,738,460
250,000	--	13,819	263,819
3,890,453	--	31,749,588	171,284,118
(3,833,671)	1,673,328	(2,744,350)	(6,106,484)
12,000,000	--	--	12,000,000
--	--	--	1,308,000
--	--	--	3,871,413
--	--	303,106	303,106
--	--	--	4,195
--	--	3,482,761	4,699,470
--	(85,606)	(1,893,214)	(4,699,470)
12,000,000	(85,606)	1,892,653	17,486,714
8,166,329	1,587,722	(851,697)	11,380,230
--	12,506,371	13,627,613	48,760,716
--	--	69,895	69,895
$ 8,166,329	$ 14,094,093	$ 12,845,811	$ 60,210,841

EXHIBIT D-1

RANKIN COUNTY SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	$ 11,380,230
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,430,413
The depreciation of capital assets used in governmental activities is not reported in the funds.	(4,920,684)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(47,926)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	6,830,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	1,069,155
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	3,110,000
(Increase) decrease in accrued interest from beginning of period to end of period.	128,100
Change in inventory affects fund balance in the funds but affects expense in the SOA.	69,895
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	(26,736)
Revenues for sixteenth section recognized under the accrual method.	(12,991)
Proceeds of notes do not provide revenue in SOA, but are reported as current resources in the funds.	(12,000,000)
Bond premiums are reported in the funds but not in the SOA.	(303,106)
Proceeds of leases do not provide revenue in SOA, but are reported as current resources in funds.	(1,308,000)
Change in net position of governmental activities	$ 6,398,350

The accompanying notes are an integral part of this statement.

RANKIN COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and other deposits	$ 151,979	$ 6,330,244
Total Assets	$ 151,979	$ 6,330,244
Liabilities		
Accounts payable and accrued liabilities		$ 5,701,768
Due to student clubs		543,071
Due to other funds		85,405
Total Liabilities		$ 6,330,244
Net Position:		
Reserverd for endowments	$ 151,979	
Total Net Position	$ 151,979	

The accompanying notes are an integral part of this statement.

EXHIBIT F

RANKIN COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Private-Purpose Trust Funds
Additions	
Investment Income	$ 716
Donations	1,000
Total Additions	1,716
Deductions	
Dues Fees	2,252
Total Deductions	2,252
Change in Net Position	(536)
Net Position	
July 1, 2013	152,515
June 30, 2014	$ 151,979

The accompanying notes are an integral part of this statement.

Rankin County School District

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

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

The school district reports the following major governmental funds:

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

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

2014 Three Mill 10 Year Fund - This fund is a capital project fund used to purchase buses, construct buildings and renovate existing facilities.

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

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.

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund serves as a clearing fund for payroll type transactions.

Student Club Fund - This fund accounts for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual club.

Scholarship Funds - These funds are private purpose trust funds that serve to report all trust arrangements.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

Capital Projects Funds - Capital Project 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 financial 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.

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 are 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 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. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	$ 0	0
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than Buildings	25,000	20 years
Mobile Equipment	5,000	5-10 years
Furniture and Equipment	5,000	3-7 years
Leased Property Under Capital Leases	*	*

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

7. Compensated Absences

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

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

8. Long-term Liabilities and Bond Discounts/ Premiums

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

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

9. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and Business Manager pursuant to authorization established by the policy adopted by the School District.

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

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 10-15% of the district maintenance fund's total revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 - Cash and Cash Equivalents and Investments

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

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

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

any fund must be credited to that fund. Investment income of less than $100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $45,417,714 and $6,482,223, 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 $57,096,433 was exposed to custodial credit risk.

Investments

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

Investment Type	Rating	Maturities in (years)	Fair Value
Federal Home Loan Bank	AA+	4 years	$ 1,980,130
Federal Home Loan Bank	AA+	3 years	2,000,200
Federal Home Loan Bank	AA+	5 years	1,998,840
Federal Farm Credit	AA+	4 years	2,013,980
Federal Farm Credit	AA+	4 years	1,976,700
Federal National Mortgage Assoc.	AA+	4 years	988,110
MS Development Bank	AA	4 years	259,445
MS Development Bank	AA	5 years	706,706
Total			$ 11,924,111

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

Receivable Fund	Payable Fund		Amount
General Fund	EHA (IDEA) Fund	$	786,594
	Other Governmental Funds		333,154
	Fiduciary Funds		85,405
Total		$	1,205,153

The purpose of the most significant interfund loans was to eliminate deficit cash balances in certain federal programs as part of normal year end closing adjustments.

B. Inter-fund Transfers

Transfers In	Transfers Out		Amount
General Fund	EHA (IDEA) Fund	$	60,048
	Sixteenth Section Principal Fund		85,606
	Other Governmental Funds		1,071,055
Other Governmental Funds	EHA (IDEA) Fund		287,314
	Other Governmental Funds		822,159
	General Fund		2,373,288
Total		$	4,699,470

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

Note 4 - Restricted Assets

The restricted assets represent the cash and investment balance, totaling $2,135,697 and $11,924,111, 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.

Note 5 - Capital Assets

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

		Balance 7-1-2013	Additions	Retirements	Balance 6-30-2014
Non-depreciable capital assets:					
Land	$	10,216,525	77,500		10,294,025
Construction in progress			1,438,812		1,438,812
Total non-depreciable capital assets		10,216,525	1,516,312	0	11,732,837
Depreciable capital assets:					
Buildings		188,997,614			188,997,614
Building improvements		4,221,982			4,221,982
Mobile equipment		15,542,354	830,219	342,593	16,029,980
Furniture and equipment		5,870,413	83,882	70,761	5,883,534
Total depreciable capital assets		214,632,363	914,101	413,354	215,133,110
Less accumulated depreciation for:					
Buildings		48,831,031	3,722,016		52,553,047
Building improvements		1,416,430	147,526		1,563,956
Mobile equipment		10,878,108	733,317	308,334	11,303,091
Furniture and equipment		4,832,987	317,825	57,094	5,093,718
Total accumulated depreciation		65,958,556	4,920,684	365,428	70,513,812
Total depreciable capital assets, net		148,673,807	(4,006,583)	47,926	144,619,298
Governmental activities capital assets, net	$	158,890,332	(2,490,271)	47,926	156,352,135

Depreciation expense was charged to the following governmental functions:

		Amount
Instruction	$	2,829,552
Support services		1,618,204
Non-instructional		472,928
Total depreciation expense	$	4,920,684

Construction in progress is composed of:

Governmental Activities:		Spent to June 30, 2014	Remaining Commitments
Girls' Field House - Brandon High School	$	457,314	45,937
Girls' Softball Field - Brandon High School		235,586	209,089
Girls' Field House - Florence High School		373,685	333,116
Girls' Field House - North West High School		372,227	326,586
Total	$	1,438,812	914,728

Construction projects in governmental activities are funded with proceeds from the 3 mill note.

Note 6 - Long-term liabilities

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

		Balance 7-1-2013	Additions	Reductions	Balance 6-30-2014	Amounts due within one year
A. General obligation bonds payable	$	43,920,000		6,830,000	37,090,000	7,200,000
B. Three mill note payable		20,885,000	12,000,000	3,110,000	29,775,000	2,845,000
Premium on note issued			303,106		303,106	
C. Obligations under capital leases		1,664,146	1,308,000	1,069,155	1,902,991	955,546
D. Compensated absences payable		1,018,908	26,736		1,045,644	
Total	$	67,488,054	13,637,842	11,009,155	70,116,741	11,000,546

A. General Obligation Bonds Payable

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

Description	Interest Rate	Issue Date	Maturity Date		Amount Issued	Amount Outstanding
General obligation bonds, Series 1998	4.0-4.5%	06-01-98	02-01-15	$	33,045,000	2,865,000
General obligation bonds, Refunded 2007	3.5-5.0%	10-01-06	10-01-20		43,370,000	34,225,000
Total				$	76,415,000	37,090,000

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

1. Bond issue Series 1998:

Year Ending June 30		Principal	Interest	Total
2015	$	2,865,000	150,413	3,015,413

This debt will be retired from the 1998 Bond Issue Refinanced Fund.

2. Bond issue Refunded Series 2007:

Year Ending June 30		Principal	Interest	Total
2015	$	4,335,000	1,482,700	5,817,700
2016		4,520,000	1,265,950	5,785,950
2017		4,710,000	1,039,950	5,749,950
2018		4,890,000	839,775	5,729,775
2019		5,070,000	644,175	5,714,175
2020 - 2021		10,700,000	665,981	11,365,981
Total	$	34,225,000	5,938,531	40,163,531

This debt will be retired from the 2001 Bond Issue Fund.

Total general obligation bond payments for all issues:

Year Ending June 30		Principal	Interest	Total
2015	$	7,200,000	1,633,113	8,833,113
2016		4,520,000	1,265,950	5,785,950
2017		4,710,000	1,039,950	5,749,950
2018		4,890,000	839,775	5,729,775
2019		5,070,000	644,175	5,714,175
2020 - 2021		10,700,000	665,981	11,365,981
Total	$	37,090,000	6,088,944	43,178,944

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

met. As of June 30, 2014, the amount of outstanding bonded indebtedness was equal to 3% of property assessments as of October 1, 2013.

B. Three Mill Note Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date		Amount Issued	Amount Outstanding
2006 Three Mill Note	3.5-4.42%	08-01-06	08-01-26	$	17,000,000	12,655,000
2008 Three Mill Note	3.0-4.0%	06-01-08	06-01-18		4,500,000	1,995,000
2009 Three Mill Note	2.5-3.25%	05-06-09	04-01-19		5,700,000	3,125,000
2014 Three Mill Note		08-01-13	08-01-23		12,000,000	12,000,000
Total				$	39,200,000	29,775,000

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

1. Three mill note payable issued in 2004:

This debt was paid off during the year and retired from the 3 Mill 10 Year (04) Fund.

2. Three mill note payable issued in 2006:

Year Ending June 30		Principal	Interest	Total
2015	$	740,000	530,356	1,270,356
2016		770,000	492,606	1,262,606
2017		805,000	453,231	1,258,231
2018		840,000	416,306	1,256,306
2019		880,000	381,906	1,261,906
2020 - 2024		5,030,000	1,318,310	6,348,310
2025 - 2027		3,590,000	237,233	3,827,233
Total	$	12,655,000	3,829,948	16,484,948

This debt will be retired from the 3 Mill 20 Year (2006) Fund.

3. Three mill note payable issued in 2008:

This note is secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi Department of Education pursuant to the Mississippi Education Enhancement Funds (EEF Fund), Section 37-61-33(2)(d), Miss. Code Ann. (1972). The EEF funds pledged is to secure the 2009 through 2019 maturities in the approximate amounts of $534,448 each year.

Year Ending June 30		Principal	Interest	Total
2015	$	470,000	65,896	535,896
2016		490,000	50,856	540,856
2017		510,000	34,931	544,931
2018		525,000	17,719	542,719
Total	$	1,995,000	169,402	2,164,402

This debt will be retired from the EEF Building and Buses Fund.

4. Three mill note payable issued in 2009:

Year Ending June 30		Principal	Interest	Total
2015	$	575,000	95,438	670,438
2016		600,000	78,188	678,188
2017		625,000	60,188	685,188
2018		650,000	41,438	691,438
2019		675,000	21,938	696,938
Total	$	3,125,000	297,190	3,422,190

This debt will be retired from the 3 Mill 10 Year (2009) Fund.

5. Three mill note payable issued in 2014:

Year Ending June 30		Principal	Interest	Total
2015	$	1,060,000	478,013	1,538,013
2016		1,090,000	290,513	1,380,513
2017		1,120,000	264,250	1,384,250
2018		1,150,000	235,875	1,385,875
2019		1,180,000	206,750	1,386,750
2020 - 2024		6,400,000	490,500	6,890,500
Total	$	12,000,000	1,965,901	13,965,901

This debt will be retired from the 3 Mill 10 Year (2014) Fund.

Total three mill notes payable payments for all issues:

Year Ending June 30		Principal	Interest	Total
2015	$	2,845,000	1,169,703	4,014,703
2016		2,950,000	912,163	3,862,163
2017		3,060,000	812,600	3,872,600
2018		3,165,000	711,338	3,876,338
2019		2,735,000	610,594	3,345,594
2020 - 2024		11,430,000	1,808,810	13,238,810
2025 - 2027		3,590,000	237,233	3,827,233
Total	$	29,775,000	6,262,441	36,037,441

C. Obligations under Capital Leases

The school district has entered into lease agreements as lessee for financing the acquisition of computers and driver's education cars at a cost of $175,000, $1,450,000, $1,308,000, respectively. These leases qualify as capital leases for accounting purposes.

The option available to the lessee for these leases is as follows:

1. Option to purchase the equipment at the end of the lease term.

Description	Interest Rate	Issue Date	Maturity Date		Amount Issued	Amount Outstanding
Master Lease - 2011 Drivers Education Cars	5%	08-16-11	04-10-16	$	175,000	73,937
Master Lease - 2013 Computers	1.56%	09-12-12	09-12-15		1,450,000	733,449
Master Lease - 2014 Computers	1.78%	08-26-13	09-25-16		1,308,000	1,095,605
Total				$	2,933,000	1,902,991

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

1. Master Lease - 2011 Computers:

This debt was paid off during the year and retired from the District Maintenance Fund.

2. Master Lease - 2011 Drivers Education Cars:

Year Ending June 30		Principal	Interest	Total
2015	$	36,056	3,251	39,307
2016		37,881	1,426	39,307
Total	$	73,937	4,677	78,614

This debt will be retired from the District Maintenance Fund.

3. Master Lease - 2013 Computers:

Year Ending June 30		Principal	Interest	Total
2015	$	487,064	9,550	496,614
2016		246,385	1,922	248,307
Total	$	733,449	11,472	744,921

This debt will be retired from the District Maintenance Fund.

4. Master Lease - 2014 Computers:

Year Ending June 30		Principal	Interest	Total
2015	$	432,426	17,586	450,012
2016		440,158	9,854	450,012
2017		223,021	1,985	225,006
Total	$	1,095,605	29,425	1,125,030

This debt will be retired from the District Maintenance Fund.

Total obligation under capital leases payable payments for all issues:

Year Ending June 30		Principal	Interest	Total
2015	$	955,546	30,387	985,933
2016		724,424	13,202	737,626
2017		223,021	1,985	225,006
Total	$	1,902,991	45,574	1,948,565

This debt will be retired from the District Maintenance Fund.

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

D. Compensated absences payable

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

Note 7 - Other Commitments

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has several operating leases for the following:

1. Copiers
2. Risographs
3. Duplicators
4. Storage Room

Lease expenditures for the year ended June 30, 2014, amounted to $444,665.

Future lease payments for these leases are as follows:

Year Ending June 30		Amount
2015	$	286,255
2016		157,595
2017		84,594
Total	$	528,444

Note 8 - Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplemental 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 $13,689,598, $12,465,890, and $10,693,335, respectively, which equaled the required contributions for each year.

Note 9 - Sixteenth Section Lands

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

Year Ending June 30		Amount
2015	$	892,216
2016		853,489
2017		828,626
2018		817,499
2019		788,724
2020 - 2024		3,833,189
2025 - 2029		3,728,374
2030 - 2034		2,772,981
2035 - 2039		1,787,583
2040 - 2044		732,913
2045 - 2049		351,235
2050 - 2054		116,840
Thereafter		590,000
Total	$	18,093,669

Note 10 - Risk Management

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

Note 11 - Contingencies

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

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

Note 12 - Insurance Loss Recoveries

The Rankin County School District received $3,871,413 in insurance loss recoveries related to damages from tornado and hail storm during the 2013-2014 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as follows:

	Insurance Loss Recoveries	Percentage	Expense Function
$	3,871,413	100%	Support services

Note 13 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

RANKIN COUNTY SCHOOL DISTRICT **Exhibit 1**

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 51,839,160	52,482,380	52,997,646	643,220	515,266
State sources	78,674,340	78,674,340	77,374,089	-	(1,300,251)
Federal sources	429,600	429,600	349,035	-	(80,565)
Total Revenues	130,943,100	131,586,320	130,720,770	643,220	(865,550)
Expenditures:					
Instruction	81,392,903	81,962,139	80,604,346	(569,236)	1,357,793
Support services	46,053,309	47,807,774	48,315,015	(1,754,465)	(507,241)
Noninstructional services	1,982,870	2,182,090	2,157,895	(199,220)	24,195
Facilities acquisition and construction	-	77,500	77,500	(77,500)	-
Debt Service:					
Principal	1,069,155	1,069,155	1,069,155	-	-
Interest	45,969	45,969	46,012	-	(43)
Total Expenditures	130,544,206	133,144,627	132,269,923	(2,600,421)	874,704
Excess (Deficiency) of Revenues Over (Under) Expenditures	398,894	(1,558,307)	(1,549,153)	(1,957,201)	9,154
Other Financing Sources (Uses):					
Inception of capital leases	1,308,000	1,308,000	1,308,000	-	-
Insurance recovery	10,000	23,199	3,871,413	13,199	3,848,214
Sale of other property	8,000	8,000	4,195	-	(3,805)
Operating transfers in	14,279,511	14,317,335	1,216,709	37,824	(13,100,626)
Operating transfers out	(16,617,418)	(16,617,418)	(2,373,288)	-	14,244,130
Total Other Financing Sources (Uses)	(1,011,907)	(960,884)	4,027,029	51,023	4,987,913
Net Change in Fund Balances	(613,013)	(2,519,191)	2,477,876	(1,906,178)	4,997,067
Fund Balances:					
July 1, 2013	21,900,000	22,630,664	22,626,732	730,664	(3,932)
June 30, 2014	$ 21,286,987	20,111,473	25,104,608	(1,175,514)	4,993,135

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

RANKIN COUNTY SCHOOL DISTRICT **Exhibit 2**

Budgetary Comparison Schedule
EHA (IDEA) Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 4,266,911	4,266,911	3,721,516	-	(545,395)
Total Revenues	4,266,911	4,266,911	3,721,516	-	(545,395)
Expenditures:					
Instruction	2,194,955	2,194,955	1,665,539	-	529,416
Support services	1,917,956	1,917,956	1,708,615	-	209,341
Total Expenditures	4,112,911	4,112,911	3,374,154	-	738,757
Excess (Deficiency) of Revenues Over (Under) Expenditures	154,000	154,000	347,362	-	193,362
Other Financing Sources (Uses):					
Operating transfers out	(154,000)	(154,000)	(347,362)	-	(193,362)
Total Other Financing Sources (Uses)	(154,000)	(154,000)	(347,362)	-	(193,362)
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	$ -	-	-	-	-

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

Rankin County School District

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

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

Rankin County School District **Schedule 1**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Agriculture		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	$ 589,389
National School Lunch Program	10.555	4,419,389
Total child nutrition cluster		5,008,778
Total passed-through the Mississippi Department of Education		5,008,778
Total U.S. Department of Agriculture		5,008,778
Federal Communications Commission		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	239,364
Total Federal Communications Commission		239,364
U.S. Department of Defense		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	575,240
Total U.S. Department of Defense		575,240
U.S. Department of Education		
Passed-through the Mississippi Department of Education:		
Adult Education- Basic Grants to States	84.002	286,685
Title I Grants to Local Educational Agencies	84.010	2,673,825
Career and Technical Education - Basic Grants to States	84.048	158,302
English Language Acquisition Grants	84.365	48,008
Improving Teacher Quality - State Grants	84.367	986,272
Grants for State Assessments and Related Activities	84.369	297,758
Sub-total		4,450,850
Special Education Cluster:		
Special Education - Grants to States	84.027	3,750,215
Special Education - Preschool Grants	84.173	92,571
Total special education cluster		3,842,786
Total passed-through the Mississippi Department of Education		8,293,636
Total U.S. Department of Education		8,293,636
U. S. Department of Health and Human Services		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	26,080
Total passed-through the Mississippi Department of Education		26,080
Passed-through the Mississippi Department of Mental Health:		
Developmental Disabilities Basic Support and Advocacy Grants	93.630	19,749
Total passed-through the Mississippi Department of Mental Health		19,749
Total U.S. Department of Health and Human Services		45,829
U. S. Department of Homeland Security		
Direct program		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	34,013
Total U.S. Department of Homeland Security		34,013
TOTAL FOR ALL FEDERAL AWARDS		$ 14,196,860

Notes to Schedule

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

Schedule 2

Rankin County School District

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2014

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	120,274,399	92,794,013	2,846,327	10,484,626	14,149,433
Other		51,009,719	15,244,051	1,204,526	252,507	34,308,635
Total	$	171,284,118	108,038,064	4,050,853	10,737,133	48,458,068
Total number of students *		19,189				
Cost per student	$	8,926	5,630	211	560	2,525

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

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

General Administration - includes expenditures for the following functions: Support Services - General Administration ; 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 school year.

OTHER INFORMATION

RANKIN COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances "UNAUDITED"
General Fund
Last Four Years

	2014	2013*	2012*	2011*
Revenues:				
Local sources	$ 52,997,646	52,195,283	48,640,675	48,514,100
State sources	77,374,089	76,784,465	74,372,076	68,145,697
Federal sources	349,035	427,624	813,924	706,278
Total Revenues	130,720,770	129,407,372	123,826,675	117,366,075
Expenditures:				
Instruction	80,604,346	80,207,022	76,743,595	62,660,976
Support services	48,315,015	50,034,033	44,858,775	42,062,685
Noninstructional services	2,157,895	2,027,108	1,923,138	1,844,102
Facilities acquisition and construction	77,500	193,376	425,000	304,000
Debt service:				
Principal	1,069,155	563,355	437,252	143,014
Interest	46,012	44,432	32,337	8,596
Total Expenditures	132,269,923	133,069,326	124,420,097	107,023,373
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,549,153)	(3,661,954)	(593,422)	10,342,702
Other Financing Sources (Uses):				
Inception of capital leases	1,308,000	1,450,000	1,140,699	-
Insurance recovery	3,871,413	1,522,435	31,880	4,065
Sale of transportation equipment	-	-	2,097	3,020
Sale of other property	4,195	10,673	4,844	2,256
Operating transfers in	1,216,709	1,127,773	1,315,299	1,502,862
Operating transfers out	(2,373,288)	(2,392,417)	(2,454,021)	(2,560,085)
Total Other Financing Sources (Uses)	4,027,029	1,718,464	40,798	(1,047,882)
Net Change in Fund Balances	2,477,876	(1,943,490)	(552,624)	9,294,820
Fund Balances:				
July 1, as previously reported	22,626,732	24,570,222	25,122,846	15,835,144
Prior period adjustments	-	-	-	(7,118)
July 1, as restated	22,626,732	24,570,222	25,122,846	15,828,026
June 30,	$ 25,104,608	22,626,732	24,570,222	25,122,846

*SOURCE - PRIOR YEAR AUDIT REPORTS

RANKIN COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances "UNAUDITED"
All Governmental Funds
Last Four Years

	2014	2013*	2012*	2011*
Revenues:				
Local sources	$ 66,823,574	66,149,976	64,572,937	64,488,226
State sources	81,246,573	80,581,853	78,197,598	71,523,323
Federal sources	14,260,182	14,675,539	14,730,165	23,116,006
Sixteenth section sources	2,847,305	3,277,840	2,554,579	2,833,347
Total Revenues	165,177,634	164,685,208	160,055,279	161,960,902
Expenditures:				
Instruction	91,677,230	91,385,425	88,112,651	82,026,513
Support services	54,003,123	53,694,317	48,850,924	46,183,645
Noninstructional services	9,754,280	9,547,037	9,553,266	9,059,059
Sixteenth section	321,739	300,297	358,177	345,832
Facilities acquisition and construction	1,516,312	731,969	425,000	304,000
Debt service:				
Principal	11,009,155	10,089,991	9,600,905	8,879,321
Interest	2,738,460	3,165,107	3,582,277	3,939,294
Other	263,819	13,207	-	17,570
Total Expenditures	171,284,118	168,927,350	160,483,200	150,755,234
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,106,484)	(4,242,142)	(427,921)	11,205,668
Other Financing Sources (Uses):				
Proceeds of debt issued	12,000,000	-	-	-
Inception of capital leases	1,308,000	1,450,000	1,140,699	
Insurance recovery	3,871,413	1,522,435	31,880	4,065
Premium on debt issued	303,106	-	-	-
Sale of transportation equipment	-	-	2,097	3,020
Sale of other property	4,195	10,673	4,844	7,193
Operating transfers in	4,699,470	4,835,240	4,116,070	5,103,460
Operating transfers out	(4,699,470)	(4,835,240)	(4,116,070)	(5,103,460)
Other financing uses	-	(98,548)	-	-
Total Other Financing Sources (Uses)	17,486,714	2,884,560	1,179,520	14,278
Net Change in Fund Balances	11,380,230	(1,357,582)	751,599	11,219,946
Fund Balances:				
July 1, as previously reported	48,760,716	50,119,777	49,323,680	38,067,042
Prior period adjustments	-	-	-	(7,118)
July 1, as restated	48,760,716	50,119,777	49,323,680	38,059,924
Increase (Decrease) in inventory	69,895	(1,479)	44,498	43,810
June 30,	$ 60,210,841	48,760,716	50,119,777	49,323,680

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Rankin County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rankin County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Rankin County School District's basic financial statements, and have issued our report thereon dated November 19, 2014.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 19, 2014

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Rankin County School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 19, 2014

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Rankin County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rankin County School District as of and for the year ended June 30, 2014, which collectively comprise the Rankin County School District's basic financial statements and have issued our report thereon dated November 19, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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noncompliance with other state laws and regulations.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 19, 2014

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Rankin County School District

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

Section I: Summary of Auditor's Results

Financial Statements:

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

2. Internal control over financial reporting:

   a. Material weakness(es) identified? No.
   b. Significant deficiency(ies) identified? None reported

3. Noncompliance material to financial statements? 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 federal programs: Unmodified.

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

7. Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553 & 10.555	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.027 & 84.173	Special Education Cluster

8. Dollar threshold used to distinguish between type A and type B programs: $425,906

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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