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**Brookhaven School District**

Audited Financial Statements  
For the Year Ended June 30, 2014

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

**Brookhaven School District  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Brookhaven 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 Brookhaven School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Brookhaven School District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 to 17 and 47 to 51 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 Brookhaven 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 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 24, 2014, on our consideration of the Brookhaven 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 Brookhaven School District's internal control over financial reporting and compliance.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
November 24, 2014

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

**FINANCIAL HIGHLIGHTS**

- Total net position for 2014 increased \$690,379, which represents a 3% increase from fiscal year 2013. Total net position for 2013 decreased \$509,507, which represents a 2% decrease from fiscal year 2012.
- General revenues amounted to \$22,502,721 and \$21,829,866, or 82% and 81% 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 \$5,064,670, or 18% of total revenues for 2014, and \$4,969,052, or 19% of total revenues for 2013.
- The District had \$26,877,012 and \$27,308,425 in expenses for fiscal years 2014 and 2013; only \$5,064,670 for 2014 and \$4,969,052 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$22,502,721 for 2014 were adequate to provide for these programs. General revenues of \$21,829,866 for 2013 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$19,826,646 in revenues and \$20,056,965 in expenditures for 2014, and \$19,049,551 in revenues and \$21,803,588 in expenditures in 2013. The General Fund's fund balance decreased by \$128,657, including a decrease in supplies inventory of \$676, from 2013 to 2014, and decreased by \$2,384,863, including an increase in supplies inventory of \$2,045, from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$216,871 for 2014 and decreased by \$39,588 for 2013. The decrease for 2014 was due to the disposal of mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt, including premiums, increased by \$2,949,564 for 2014 and decreased by \$1,333,524 for 2013. The increase for 2014 was due primarily to the issuance of three mill notes payable during the fiscal year. The liability for compensated absences decreased by \$12,064 for 2014 and increased by \$23,070 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,

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

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-

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

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

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

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 and deferred outflows of resources exceeded liabilities by \$24,965,878 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.

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

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Current assets	\$ 7,779,753	\$ 8,195,732	(5.08) %
Restricted assets	10,954,904	7,231,315	51.49 %
Capital assets, net	15,620,665	15,837,536	(1.37) %
<b>Total assets</b>	<b><u>34,355,322</u></b>	<b><u>31,264,583</u></b>	<b>9.89 %</b>
<b>Deferred outflows of resources</b>	<b><u>66,546</u></b>	<b><u>-</u></b>	<b>N/A %</b>
Current liabilities	974,482	1,528,259	(36.24) %
Long-term debt outstanding	8,481,508	5,460,825	55.32 %
<b>Total liabilities</b>	<b><u>9,455,990</u></b>	<b><u>6,989,084</u></b>	<b>35.30 %</b>
<b>Net position:</b>			
Net investment in capital assets	12,493,111	11,832,593	5.58 %
Restricted	10,801,984	9,486,502	13.87 %
Unrestricted	1,670,783	2,956,404	(43.49) %
<b>Total net position</b>	<b><u>\$ 24,965,878</u></b>	<b><u>\$ 24,275,499</u></b>	<b>2.84 %</b>

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

- Decrease in net capital assets in the amount of \$216,871.
- The principal retirement of \$992,910 of long-term debt.
- The reclassification of an item considered long-term debt in prior year but a deferred outflows of resources in the current year.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$27,567,391 and \$26,798,918, respectively. The total cost of all programs and services was \$26,877,012 for 2014 and \$27,308,425 for 2013.

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

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

**Table 2**  
**Changes in Net Position**

	<u>Year Ended</u> <u>June 30, 2014</u>	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 787,440	\$ 802,038	(1.82) %
Operating grants and contributions	4,277,230	4,167,014	2.64 %
General revenues:			
Property taxes	8,605,904	8,189,576	5.08 %
Grants and contributions not restricted	12,544,069	12,320,243	1.82 %
Investment earnings	158,003	132,644	19.12 %
Sixteenth section sources	1,148,173	1,140,166	0.70 %
Other	46,572	47,237	(1.41) %
<b>Total revenues</b>	<b>27,567,391</b>	<b>26,798,918</b>	<b>2.87 %</b>
<b>Expenses:</b>			
Instruction	14,063,570	14,101,326	(0.27) %
Support services	10,552,512	10,964,184	(3.75) %
Non-instructional	1,723,954	1,740,742	(0.96) %
Sixteenth section	257,734	268,694	(4.08) %
Interest on long-term liabilities	279,242	233,479	19.60 %
<b>Total expenses</b>	<b>26,877,012</b>	<b>27,308,425</b>	<b>(1.58) %</b>
<b>Increase (Decrease) in net position</b>	<b>690,379</b>	<b>(509,507)</b>	<b>235.50 %</b>
<b>Net Position, July 1</b>	<b>24,275,499</b>	<b>24,785,006</b>	<b>(2.06) %</b>
<b>Net Position, June 30</b>	<b>\$ 24,965,878</b>	<b>\$ 24,275,499</b>	<b>2.84 %</b>

**Governmental activities**

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

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

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

	Total Expenses		Percentage Change
	2014	2013	
Instruction	\$ 14,063,570	\$ 14,101,326	(0.27) %
Support services	10,552,512	10,964,184	(3.75) %
Non-instructional	1,723,954	1,740,742	(0.96) %
Sixteenth section	257,734	268,694	(4.08) %
Interest on long-term liabilities	279,242	233,479	19.60 %
<b>Total expenses</b>	<b>\$ 26,877,012</b>	<b>\$ 27,308,425</b>	<b>(1.58) %</b>

  

	Net (Expense) Revenue		Percentage Change
	2014	2013	
Instruction	\$ (11,900,081)	\$ (11,838,541)	0.52 %
Support services	(9,351,216)	(9,874,293)	(5.30) %
Non-instructional	(64,295)	(149,796)	(57.08) %
Sixteenth section	(217,508)	(243,264)	(10.59) %
Interest on long-term liabilities	(279,242)	(233,479)	19.60 %
<b>Total net (expense) revenue</b>	<b>\$ (21,812,342)</b>	<b>\$ (22,339,373)</b>	<b>(2.36) %</b>

- Net cost of governmental activities (\$21,812,342 for 2014 and \$22,339,373 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$8,605,904 for 2014 and \$8,189,576 for 2013) and state and federal revenues (\$12,544,069 for 2014 and \$12,320,243 for 2013). In addition, there was \$1,148,173 and \$1,140,166 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$158,003 for 2014 and \$132,644 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 \$17,909,946, an increase of \$4,007,625, which includes an increase in inventory of \$420. \$4,133,345, or 23%, of the fund balance is unassigned, which represents the residual

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

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 \$13,776,601, or 77%, is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$128,657, which includes a decrease in inventory of \$676. The fund balance of Other Governmental Funds showed an increase in the amount of \$695,473, which includes an increase in inventory of \$1,096. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Basic Fund	no increase or decrease
BSD 3 Mill Note, Series 2013 Fund	\$ 2,724,836
Sixteenth Section Principal Fund	\$ 715,973

**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. Budget revisions made during the fiscal year were routine in nature and were insignificant when compared with total revenues and expenditures of the District.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2014, the District's total capital assets were \$25,891,208, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$304,070 from 2013. Total accumulated depreciation as of June 30, 2014, was \$10,270,543, and total depreciation expense for the year was \$610,224, resulting in total net capital assets of \$15,620,665.

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

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 289,467	\$ 174,115	66.25 %
Buildings	13,681,467	14,052,207	(2.64) %
Building improvements	205,629	216,390	(4.97) %
Improvements other than buildings	252,266	267,847	(5.82) %
Mobile equipment	1,050,933	977,041	7.56 %
Furniture and equipment	140,903	149,936	(6.02) %
<b>Total</b>	<b><u>\$ 15,620,665</u></b>	<b><u>\$ 15,837,536</u></b>	<b>(1.37) %</b>

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

**Debt Administration.** At June 30, 2014, the District had \$8,481,508 in outstanding long-term debt, of which \$1,067,134 is due within one year. During the fiscal year, the District received proceeds from the issuance of a three mill note in the amount of \$5,000,000. A portion of the proceeds was used to refund three mill notes payable in the amount of \$1,050,000, and the remainder of the proceeds will be used for non-capital improvements and renovations. The District made principal payments totaling \$992,910 on outstanding long-term debt. The liability for compensated absences decreased \$12,064 from the prior year.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 3,164,000	\$ 3,788,000	(16.47) %
Premiums on bonds	30,100	37,626	(20.00) %
Three mill notes payable	5,000,000	1,050,000	376.19 %
Shortfall notes payable	94,488	463,398	(79.61) %
Compensated absences payable	192,920	204,984	(5.89) %
<b>Total long-term debt</b>	<b><u>\$ 8,481,508</u></b>	<b><u>\$ 5,544,008</u></b>	<b>52.99 %</b>

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

## CURRENT ISSUES

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

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

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

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Brookhaven School District, P. O. Box 540, Brookhaven, MS 39602.

## FINANCIAL STATEMENTS

**BROOKHAVEN SCHOOL DISTRICT**

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

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 6,932,092
Due from other governments	669,158
Other receivables, net	105,725
Inventories	49,976
Prepaid items	22,802
Restricted assets	10,954,904
Capital assets, non-depreciable:	
Land	289,467
Capital assets, net of accumulated depreciation:	
Buildings	13,681,467
Building improvements	205,629
Improvements other than buildings	252,266
Mobile equipment	1,050,933
Furniture and equipment	140,903
Total Assets	<u>34,355,322</u>
 <b>Deferred Outflows of Resources</b>	
Deferred outflow from advance refunding of debt	66,546
Total Deferred Outflows of Resources	<u>66,546</u>
 <b>Liabilities</b>	
Accounts payable and accrued liabilities	807,468
Due to other governments	74
Unearned revenue	17,169
Interest payable on long-term liabilities	149,771
Long-term liabilities, due within one year:	
Capital related liabilities	653,000
Non-capital related liabilities	414,134
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,511,000
Capital related bond premium	30,100
Non-capital related liabilities	4,873,274
Total Liabilities	<u>9,455,990</u>
 <b>Net Position</b>	
Net investment in capital assets	12,493,111
Restricted for:	
Expendable:	
School-based activities	1,451,076
Debt service	1,230,275
Forestry improvements	311,079
Unemployment benefits	69,101
Sixteenth section revenues	709,906
Non-expendable:	
Sixteenth section	7,030,547
Unrestricted	1,670,783
Total Net Position	<u>\$ 24,965,878</u>

**BROOKHAVEN SCHOOL DISTRICT**

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

**Exhibit B**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 14,063,570	\$ 477,667	\$ 1,685,822	\$ (11,900,081)
Support services	10,552,512	11,234	1,190,062	(9,351,216)
Non-instructional	1,723,954	258,313	1,401,346	(64,295)
Sixteenth section	257,734	40,226	-	(217,508)
Interest on long-term liabilities	279,242	-	-	(279,242)
<b>Total Governmental Activities</b>	<b>\$ 26,877,012</b>	<b>\$ 787,440</b>	<b>\$ 4,277,230</b>	<b>\$ (21,812,342)</b>
General Revenues:				
Taxes:				
				7,163,191
				1,442,713
Unrestricted grants and contributions:				
				12,434,681
				109,388
				158,003
				1,148,173
				46,572
				<u>22,502,721</u>
				Change in Net Position <u>690,379</u>
				Net Position - Beginning <u>24,275,499</u>
				Net Position - Ending <u>\$ 24,965,878</u>

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

**BROOKHAVEN SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**

**Exhibit C**

**June 30, 2014**

	Major Funds						Total Governmental Funds
	General Fund	Title I-A Basic Fund	BSD 3 Mill Note, Series 2013 Fund	Sixteenth Section Principal Fund	Other Governmental Funds		
<b>Assets</b>							
Cash and cash equivalents	\$ 3,689,738	\$ -	\$ 3,027,334	\$ 7,927,570	\$ 3,242,354	\$	17,886,996
Due from other governments	273,940	152,221	-	-	203,824		629,985
Other receivables, net	105,725	-	-	-	-		105,725
Due from other funds	395,404	-	-	-	40,074		435,478
Inventories	17,459	-	-	-	32,517		49,976
Prepaid items	22,802	-	-	-	-		22,802
Total assets	<u>\$ 4,505,068</u>	<u>\$ 152,221</u>	<u>\$ 3,027,334</u>	<u>\$ 7,927,570</u>	<u>\$ 3,518,769</u>	<u>\$</u>	<u>19,130,962</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 241,792	\$ 35,196	\$ 302,498	\$ 187,117	\$ 40,865	\$	807,468
Due to other funds	29,921	117,025	-	-	249,433		396,379
Deferred revenue	-	-	-	-	17,169		17,169
Total Liabilities	<u>271,713</u>	<u>152,221</u>	<u>302,498</u>	<u>187,117</u>	<u>307,467</u>		<u>1,221,016</u>
<b>Fund Balances:</b>							
<b>Nonspendable:</b>							
Inventory	17,459	-	-	-	32,517		49,976
Permanent fund principal	-	-	-	7,030,547	-		7,030,547
Prepaid items	22,802	-	-	-	-		22,802
<b>Restricted:</b>							
Debt service	-	-	-	-	1,380,046		1,380,046
Facility improvements and renovations	-	-	2,724,836	-	-		2,724,836
Forestry improvement purposes	-	-	-	-	311,079		311,079
Grant activities	-	-	-	-	35,125		35,125
Unemployment benefits	-	-	-	-	69,101		69,101
Child nutrition	-	-	-	-	554,102		554,102
Sixteenth section	-	-	-	709,906	829,332		1,539,238
<b>Assigned:</b>							
Activity funds	57,615	-	-	-	-		57,615
Other purposes	2,134	-	-	-	-		2,134
<b>Unassigned</b>	<b>4,133,345</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>4,133,345</b>
Total Fund Balances	<u>4,233,355</u>	<u>-</u>	<u>2,724,836</u>	<u>7,740,453</u>	<u>3,211,302</u>		<u>17,909,946</u>
Total Liabilities and Fund Balances	<u>\$ 4,505,068</u>	<u>\$ 152,221</u>	<u>\$ 3,027,334</u>	<u>\$ 7,927,570</u>	<u>\$ 3,518,769</u>	<u>\$</u>	<u>19,130,962</u>

**BROOKHAVEN SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 17,909,946

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

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

Land	\$ 289,467	
Buildings	20,018,473	
Building improvements	453,149	
Improvements other than buildings	389,513	
Mobile equipment	2,788,076	
Furniture and equipment	1,952,530	
Accumulated depreciation	<u>(10,270,543)</u>	15,620,665

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

General obligation bonds	(3,164,000)	
Notes payable	(5,094,488)	
Compensated absences	(192,920)	
Unamortized charges	66,546	
Unamortized premiums	(30,100)	
Accrued interest payable	<u>(149,771)</u>	(8,564,733)

**Net position of governmental activities** \$ 24,965,878

**BROOKHAVEN SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D**

	Major Funds					Total Governmental Funds
	General Fund	Title I-A Basic Fund	BSD 3 Mill Note, Series 2013 Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
<b>Revenues:</b>						
Local sources	\$ 7,156,294	\$ -	\$ -	\$ -	2,305,610	\$ 9,461,904
State sources	12,482,099	-	-	-	525,000	13,007,099
Federal sources	188,253	1,011,066	-	-	2,614,881	3,814,200
Sixteenth section sources	-	-	-	903,090	369,864	1,272,954
<b>Total Revenues</b>	<b>19,826,646</b>	<b>1,011,066</b>	<b>-</b>	<b>903,090</b>	<b>5,815,355</b>	<b>27,556,157</b>
<b>Expenditures:</b>						
Instruction	11,884,669	758,727	-	-	1,025,821	13,669,217
Support services	8,056,944	235,013	1,214,853	-	1,075,740	10,582,550
Noninstructional services	-	17,326	-	-	1,700,930	1,718,256
Sixteenth section	-	-	-	187,117	70,617	257,734
Facilities acquisition and construction	115,352	-	-	-	-	115,352
Debt service:						
Principal	-	-	-	-	992,910	992,910
Interest	-	-	-	-	172,227	172,227
Other	-	-	-	-	1,940	1,940
<b>Total Expenditures</b>	<b>20,056,965</b>	<b>1,011,066</b>	<b>1,214,853</b>	<b>187,117</b>	<b>5,040,185</b>	<b>27,510,186</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(230,319)	-	(1,214,853)	715,973	775,170	45,971
<b>Other Financing Sources (Uses):</b>						
Notes/refunding notes issued	-	-	3,939,689	-	1,060,311	5,000,000
Insurance recovery	11,234	-	-	-	-	11,234
Payment on refunded notes	-	-	-	-	(1,050,000)	(1,050,000)
Operating transfers in	179,002	-	-	-	98,679	277,681
Operating transfers out	(87,898)	-	-	-	(189,783)	(277,681)
<b>Total Other Financing Sources (Uses)</b>	<b>102,338</b>	<b>-</b>	<b>3,939,689</b>	<b>-</b>	<b>(80,793)</b>	<b>3,961,234</b>
<b>Net Change in Fund Balances</b>	<b>(127,981)</b>	<b>-</b>	<b>2,724,836</b>	<b>715,973</b>	<b>694,377</b>	<b>4,007,205</b>
<b>Fund Balances:</b>						
July 1, 2013	4,362,012	-	-	7,024,480	2,515,829	13,902,321
Increase (Decrease) in inventory	(676)	-	-	-	1,096	420
June 30, 2014	\$ 4,233,355	\$ -	\$ 2,724,836	\$ 7,740,453	\$ 3,211,302	\$ 17,909,946

**BROOKHAVEN SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 4,007,205

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

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

Capital outlay	\$ 409,156	
Depreciation expense	<u>(610,224)</u>	(201,068)

- In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.

(15,803)

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

Notes/refunding notes issued	(5,000,000)	
Payments of debt principal	992,910	
Payment on refunded notes	1,050,000	
Accrued interest payable	<u>(95,964)</u>	(3,053,054)

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

Change in compensated absences	12,064	
Change in inventory	420	
Amortization of deferred charges, premiums and discounts	<u>(59,385)</u>	(46,901)

<b>Change in Net Position of governmental activities</b>	<b>\$ <u>690,379</u></b>
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**BROOKHAVEN SCHOOL DISTRICT**

**Fiduciary Funds**

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

**Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 762,877
Other receivables	1,212
Due from other funds	<u>74</u>
Total Assets	<u><u>\$ 764,163</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 707,284
Due to other funds	39,173
Due to student clubs	<u>17,706</u>
Total Liabilities	<u><u>\$ 764,163</u></u>

**Brookhaven School District**

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

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

For financial reporting purposes, Brookhaven 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

## Brookhaven School District

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

accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

Title I-A Basic Fund - This fund is used to improve the teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families.

BSD 3 Mill Note, Series 2013 Fund - This is a debt service fund that accounts for the payment of three mill notes.

Sixteenth Section Principal Fund - This is a permanent fund used to account for the nonexpendable resources generated from the sale of non-renewable resources on

## Brookhaven School District

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

sixteenth section lands.

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

The District's fiduciary funds include the following:

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

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

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

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.

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

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

### FIDUCIARY FUNDS

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

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

In the government-wide Statement of Net Position and Statement of Activities,

## Brookhaven School District

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus,

## Brookhaven School District

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

when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

#### **D. Encumbrances**

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

#### **E. Assets, liabilities, deferred outflows, 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.

## Brookhaven School District

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

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

Activity 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.

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

#### 5. Restricted Assets

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

# Brookhaven School District

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

Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

### 6. Capital Assets

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

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

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	*	*

## Brookhaven School District

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

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

#### 7. Deferred outflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources expense until then. The district has deferred outflow from advance refunding debt. See Note 12 for further details.

#### 8. 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.

#### 9. 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.

## Brookhaven School District

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

### 10. 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. Currently there is no committed fund balance for this school district.

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

## Brookhaven School District

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

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 7% of actual revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

### Note 2 - Cash and Cash Equivalents

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$17,886,996 and \$762,877, 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 \$19,533,673 was exposed to custodial credit risk.

## Brookhaven School District

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

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

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

#### A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I-A Basic Fund	\$ 117,025
	Other Governmental Funds	239,206
	Fiduciary Fund	39,173
Other Governmental Funds	General Fund	29,847
	Other Governmental Funds	10,227
Fiduciary Fund	General Fund	74
Total		<u>\$ 435,552</u>

The primary purpose of the inter-fund receivables and payables is to close out federal program funds at year end. All inter-fund receivables and payables are expected to be repaid within one year.

#### B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 179,002
	General Fund	87,898
Other Governmental Funds	Other Governmental Funds	<u>10,781</u>
Total		<u>\$ 277,681</u>

The primary purpose of the inter-fund transfers was to transfer General Fund monies to various other governmental funds for operating purposes. These transfers were consistent with the activities of the fund making the transfer.

### Note 4 - Restricted Assets

The restricted assets represent the cash balance, totaling \$7,927,570, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash balance, totaling \$3,027,334, of the

**Brookhaven School District**

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

BSD 3 Mill Note, Series 2013 Fund.

**Note 5 - Capital Assets**

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

	Balance 7-1-2013	Additions	Decreases	Balance 6-30-2014
<u>Non-depreciable capital assets:</u>				
Land	\$ 174,115	115,352		289,467
Total non-depreciable capital assets	<u>174,115</u>	<u>115,352</u>	<u>0</u>	<u>289,467</u>
<u>Depreciable capital assets:</u>				
Buildings	20,018,473			20,018,473
Building improvements	453,149			453,149
Improvements other than buildings	389,513			389,513
Mobile equipment	2,629,920	257,776	99,620	2,788,076
Furniture and equipment	1,921,968	36,028	5,466	1,952,530
Total depreciable capital assets	<u>25,413,023</u>	<u>293,804</u>	<u>105,086</u>	<u>25,601,741</u>
<u>Less accumulated depreciation for:</u>				
Buildings	5,966,266	370,740		6,337,006
Building improvements	236,759	10,761		247,520
Improvements other than buildings	121,666	15,581		137,247
Mobile equipment	1,652,879	168,136	83,872	1,737,143
Furniture and equipment	1,772,032	45,006	5,411	1,811,627
Total accumulated depreciation	<u>9,749,602</u>	<u>610,224</u>	<u>89,283</u>	<u>10,270,543</u>
Total depreciable capital assets, net	<u>15,663,421</u>	<u>(316,420)</u>	<u>15,803</u>	<u>15,331,198</u>
Governmental activities capital assets, net	<u>\$ 15,837,536</u>	<u>(201,068)</u>	<u>15,803</u>	<u>15,620,665</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 402,798
Support services	200,705
Non-instructional	6,721
Total depreciation expense	<u>\$ 610,224</u>

**Brookhaven School District**

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

**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	Deletions	Balance 6-30-2014	Amounts due within one year
A. General obligation bonds payable	\$ 3,788,000		624,000	3,164,000	653,000
Premiums on bonds	37,626		7,526	30,100	
B. Three mill notes payable	1,050,000	5,000,000	1,050,000	5,000,000	310,000
C. Shortfall notes payable	463,398		368,910	94,488	94,488
D. Compensated absences payable	204,984		12,064	192,920	9,646
Total	\$ <u>5,544,008*</u>	<u>5,000,000</u>	<u>2,062,500</u>	<u>8,481,508</u>	<u>1,067,134</u>

\* The difference of \$83,183 in the beginning balance is due to the reclassification of a deferred amount on refunding considered long-term debt in prior year but a deferred outflows of resources in the current year.

**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 refunding bonds, Series 2006	3.84%	01-10-06	07-15-16	\$ 1,116,000	349,000
General obligation refunding bonds, Series 2006	4.00%	10-31-06	04-01-19	<u>5,345,000</u>	<u>2,815,000</u>
Total				\$ <u>6,461,000</u>	<u>3,164,000</u>

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

1. General obligation bond issue of January 10, 2006:

Year Ending	Principal	Interest	Total
June 30			
2015	\$ 113,000	11,232	\$ 124,232
2016	122,000	6,720	128,720
2017	<u>114,000</u>	<u>2,189</u>	<u>116,189</u>
Total	\$ <u>349,000</u>	<u>20,141</u>	<u>369,141</u>

**Brookhaven School District**

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

EEF Building and Buses revenue that the district receives from the State of Mississippi. Pledged EEF funds of \$101,041 will be used to pay approximately 80% of the total annual debt service payment until the final maturity of the general obligation bonds on July 15, 2016.

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

2. General obligation bond issue of October 31, 2006:

Year Ending June 30		Principal	Interest	Total
2015	\$	540,000	112,600	652,600
2016		565,000	91,000	656,000
2017		580,000	68,400	648,400
2018		595,000	45,200	640,200
2019		535,000	21,400	556,400
Total	\$	<u>2,815,000</u>	<u>338,600</u>	<u>3,153,600</u>

This debt will be retired from the Bond Debt Service Fund (Fund 4021).

Total general obligation bond payments for all issues:

Year Ending June 30		Principal	Interest	Total
2015	\$	653,000	123,832	776,832
2016		687,000	97,720	784,720
2017		694,000	70,589	764,589
2018		595,000	45,200	640,200
2019		535,000	21,400	556,400
Total	\$	<u>3,164,000</u>	<u>358,741</u>	<u>3,522,741</u>

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 2% of property assessments as of October 1, 2013.

**Brookhaven School District**

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

**B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax school note, Series 2008	3.57%	12-19-08	12-19-18	\$ 1,625,000	0
2. Limited tax school note, Series 2013	2.82%	9-10-13	9-10-28	<u>5,000,000</u>	<u>5,000,000</u>
Total				\$ <u><u>6,625,000</u></u>	<u><u>5,000,000</u></u>

1. Three mill note payable issued on December 19, 2008 was paid off and retired from the Debt Service Fund.
2. Three mill note payable issue on September 10, 2013:

Year Ending June 30	Principal	Interest	Total
2015	\$ 310,000	8,742	318,742
2016	315,000	8,883	323,883
2017	325,000	9,165	334,165
2018	335,000	9,447	344,447
2019	345,000	9,729	354,729
2020-2024	1,795,000	50,619	1,845,619
2025-2029	<u>1,575,000</u>	<u>44,415</u>	<u>1,619,415</u>
Total	\$ <u><u>5,000,000</u></u>	<u><u>141,000</u></u>	<u><u>5,141,000</u></u>

This debt will be retired from the Debt Service Fund.

**C. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2010	2.91%	08-26-10	08-26-13	\$ 807,784	0
Series 2011	2.79%	08-26-11	08-26-14	<u>275,719</u>	<u>94,488</u>
Total				\$ <u><u>1,083,503</u></u>	<u><u>94,488</u></u>

**Brookhaven School District**

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

1. Shortfall notes payable issued of August 26, 2010 was paid off and retired from the Shortfall Loan Fund.
2. Shortfall notes payable issue of August 26, 2011:

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2015	\$ 94,488	2,673	97,161

This debt will be retired from the Shortfall Loan Fund.

**D. Compensated absences payable**

As more fully explained in Note 1(E)(8), 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**

Operating leases:

The school district has several operating leases for the following:

Sixteen (16) copiers

Lease expenditures for the year ended June 30, 2014, amounted to \$105,809.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2015	\$ 24,258
2016	24,258
2017	24,258
2018	12,129
Total	\$ 84,903

## **Brookhaven School District**

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

### **Note 8 - Defined Benefit Pension Plan**

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

**Funding Policy.** PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$2,273,792, \$2,041,156, and \$1,845,982, 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.

## Brookhaven School District

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

Year Ending June 30	Amount
2015	\$ 22,807
2016	18,087
2017	14,843
2018	11,621
2019	11,621
2020 - 2024	30,858
2025 - 2029	30,607
2030 - 2034	29,107
Thereafter	16,460
Total	\$ <u>186,011</u>

#### 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. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

##### Participation in Public Entity Risk Pool

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

#### Note 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

## Brookhaven School District

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

conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

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

### Note 12 - Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$12,493,111 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from advance refunding of school district debt. The \$66,546 balance of the deferred outflow of resources at June 30, 2014 will be recognized as an expense and decrease the net investment in capital assets net position.

	Balance 7-1-2013	Deletions	Balance 6-30-2014
Deferred outflow of resources \$	<u>83,183</u>	<u>(16,637)</u>	<u>66,546</u>

### Note 13 - Insurance Loss Recoveries

The Brookhaven School District received \$11,234 in insurance loss recoveries related to water damage during the 2013-2014 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as general revenues.

### Note 14 - 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 event have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**BROOKHAVEN SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**General Fund**

**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 7,212,413	\$ 7,156,294	\$ 7,156,294	\$ (56,119)	\$ -
State sources	12,465,592	12,482,099	12,482,099	16,507	-
Federal sources	203,252	188,253	188,253	(14,999)	-
Total Revenues	19,881,257	19,826,646	19,826,646	(54,611)	-
<b>Expenditures:</b>					
Instruction	12,076,430	11,885,345	11,884,669	191,085	676
Support services	7,899,827	8,056,944	8,056,944	(157,117)	-
Facilities acquisition and construction	-	115,352	115,352	(115,352)	-
Total Expenditures	19,976,257	20,057,641	20,056,965	(81,384)	676
Excess (Deficiency) of Revenues over (under) Expenditures	(95,000)	(230,995)	(230,319)	(135,995)	676
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	-	11,234	11,234	11,234	-
Operating transfers in	2,624,524	2,449,914	179,002	(174,610)	(2,270,912)
Operating transfers out	(2,529,524)	(2,358,810)	(87,898)	170,714	2,270,912
Total Other Financing Sources (Uses)	95,000	102,338	102,338	7,338	-
Net Change in Fund Balances	-	(128,657)	(127,981)	(128,657)	676
<b>Fund Balances:</b>					
July 1, 2013	4,561,000	4,362,012	4,362,012	(198,988)	-
Increase (Decrease) in inventory	-	-	(676)	-	(676)
June 30, 2014	\$ 4,561,000	\$ 4,233,355	\$ 4,233,355	\$ (327,645)	\$ -

**BROOKHAVEN SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**Title I-A Basic Fund**

**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 807,130	\$ 1,011,066	\$ 1,011,066	\$ 203,936	\$ -
Total Revenues	807,130	1,011,066	1,011,066	203,936	-
<b>Expenditures:</b>					
Instruction	559,725	758,727	758,727	(199,002)	-
Support services	219,136	235,013	235,013	(15,877)	-
Noninstructional services	28,269	17,326	17,326	10,943	-
Total Expenditures	807,130	1,011,066	1,011,066	(203,936)	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ -

**BROOKHAVEN SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule  
BSD 3 Mill Note, Series 2013 Fund  
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	-
Total Revenues	-	-	-	-	-
<b>Expenditures:</b>					
Support services	3,500,000	1,214,853	1,214,853	2,285,147	-
Total Expenditures	3,500,000	1,214,853	1,214,853	2,285,147	-
Excess (Deficiency) of Revenues over (under) Expenditures	(3,500,000)	(1,214,853)	(1,214,853)	2,285,147	-
<b>Other Financing Sources (Uses):</b>					
Notes/refunding notes issued	3,500,000	3,939,689	3,939,689	439,689	-
Total Other Financing Sources (Uses)	3,500,000	3,939,689	3,939,689	439,689	-
Net Change in Fund Balances	-	2,724,836	2,724,836	2,724,836	-
Fund Balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	\$ -	\$ 2,724,836	\$ 2,724,836	\$ 2,724,836	\$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## **Brookhaven 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

**Brookhaven School District**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

**Schedule 1**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 369,874
National School Lunch Program	10.555	1,175,664
Summer Food Service Program for Children	10.559	14,040
Total Child Nutrition Cluster		<u>1,559,578</u>
Schools and Roads - Grants to States	10.665	19,803
Total passed-through Mississippi Department of Education		<u>1,579,381</u>
<b>Total U. S. Department of Agriculture</b>		<u>1,579,381</u>
<b><u>U.S. DEPARTMENT OF DEFENSE</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	68,469
<b>Total U. S. Department of Defense</b>		<u>68,469</u>
<b><u>FEDERAL COMMUNICATIONS COMMISSION</u></b>		
Administered through Universal Service Administrative Company:		
The School and Libraries Program of the Universal Service Fund	32.xxx	78,883
<b>Total Federal Communications Commission</b>		<u>78,883</u>
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>		
Direct Program:		
Impact Aid	84.041	1,016
Total		<u>1,016</u>
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,015,000
Career and Technical Education - Basic Grants to States	84.048	51,426
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	700
Twenty-First Century Community Learning Centers	84.287	108,876
Rural Education	84.358	41,142
Improving Teacher Quality - State Grants	84.367	215,420
Subtotal		<u>1,432,564</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	619,652
Special Education - Preschool Grants	84.173	14,852
Total Special Education Cluster		<u>634,504</u>
Total passed-through the Mississippi Department of Education		<u>634,504</u>
<b>Total U. S. Department of Education</b>		<u>2,067,068</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	19,382
Total passed-through the Mississippi Department of Education		<u>19,382</u>
<b>Total U. S. Department of Health and Human Services</b>		<u>19,382</u>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<u>\$ 3,814,199</u>

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.

**Brookhaven School District**

**Schedule 2**

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

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$ 19,869,125	14,239,554	1,276,978	1,586,720	2,765,873
Other	7,641,061	1,333,582	376,004	41,035	5,890,440
Total	\$ <u>27,510,186</u>	<u>15,573,136</u>	<u>1,652,982</u>	<u>1,627,755</u>	<u>8,656,313</u>
Total number of students *	<u>2,731</u>				
Cost per student	\$ <u>10,073</u>	<u>5,702</u>	<u>605</u>	<u>596</u>	<u>3,170</u>

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

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

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

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

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

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

## OTHER INFORMATION

**BROOKHAVEN SCHOOL DISTRICT**

"UNAUDITED"

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

	2014	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 7,156,294	6,748,563	6,943,717	7,368,242
State sources	12,482,099	12,114,748	12,304,366	11,716,280
Federal sources	188,253	186,240	299,287	168,863
Total Revenues	<u>19,826,646</u>	<u>19,049,551</u>	<u>19,547,370</u>	<u>19,253,385</u>
<b>Expenditures:</b>				
Instruction	11,884,669	11,707,170	11,883,849	10,091,019
Support services	8,056,944	9,686,449	8,317,549	7,759,110
Noninstructional services	-	13,424	15,783	40,349
Facilities acquisition and construction	115,352	396,545	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>20,056,965</u>	<u>21,803,588</u>	<u>20,217,181</u>	<u>17,890,478</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(230,319)</u>	<u>(2,754,037)</u>	<u>(669,811)</u>	<u>1,362,907</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-	-	275,719	807,784
Insurance loss recoveries	11,234	-	-	7,764
Sale of transportation equipment	-	-	-	6,388
Operating transfers in	179,002	446,149	632,244	269,280
Operating transfers out	<u>(87,898)</u>	<u>(79,020)</u>	<u>(88,271)</u>	<u>(522,585)</u>
Total Other Financing Sources (Uses)	<u>102,338</u>	<u>367,129</u>	<u>819,692</u>	<u>568,631</u>
Net Change in Fund Balances	<u>(127,981)</u>	<u>(2,386,908)</u>	<u>149,881</u>	<u>1,931,538</u>
<b>Fund Balances:</b>				
July 1, as previously reported	4,362,012	6,746,875	6,591,568	4,660,627
Prior period adjustments	-	-	2,753	-
July 1, as restated	<u>4,362,012</u>	<u>6,746,875</u>	<u>6,594,321</u>	<u>4,660,627</u>
Increase (Decrease) in inventory	<u>(676)</u>	<u>2,045</u>	<u>2,673</u>	<u>(597)</u>
June 30,	<u>\$ 4,233,355</u>	<u>4,362,012</u>	<u>6,746,875</u>	<u>6,591,568</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**BROOKHAVEN SCHOOL DISTRICT**

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

"UNAUDITED"

	2014	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 9,461,904	9,061,763	9,366,169	9,140,025
State sources	13,007,099	12,899,555	12,949,548	12,313,851
Federal sources	3,814,200	3,587,699	4,049,721	5,569,962
Sixteenth section sources	1,272,954	1,249,901	1,688,287	1,828,429
Total Revenues	<u>27,556,157</u>	<u>26,798,918</u>	<u>28,053,725</u>	<u>28,852,267</u>
<b>Expenditures:</b>				
Instruction	13,669,217	13,683,957	14,102,988	13,899,521
Support services	10,582,550	10,920,169	9,576,189	9,459,748
Noninstructional services	1,718,256	1,725,717	1,819,086	1,910,008
Sixteenth section	257,734	268,694	335,380	324,148
Facilities acquisition and construction	115,352	396,545	-	-
Debt service:				
Principal	992,910	1,325,998	1,262,153	964,829
Interest	172,227	246,777	286,928	301,590
Other	1,940	1,940	1,940	1,940
Total Expenditures	<u>27,510,186</u>	<u>28,569,797</u>	<u>27,384,664</u>	<u>26,861,784</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>45,971</u>	<u>(1,770,879)</u>	<u>669,061</u>	<u>1,990,483</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	5,000,000	-	275,719	807,784
Insurance loss recoveries	11,234	-	-	7,764
Payment of refunded notes	(1,050,000)	-	-	-
Sale of transportation equipment	-	-	-	6,388
Operating transfers in	277,681	528,844	724,636	797,064
Operating transfers out	(277,681)	(528,844)	(724,636)	(797,064)
Total Other Financing Sources (Uses)	<u>3,961,234</u>	<u>-</u>	<u>275,719</u>	<u>821,936</u>
Net Change in Fund Balances	<u>4,007,205</u>	<u>(1,770,879)</u>	<u>944,780</u>	<u>2,812,419</u>
<b>Fund Balances:</b>				
July 1, as previously reported	13,902,321	15,680,350	14,742,721	11,910,294
Prior period adjustments	-	-	2,753	-
July 1, as restated	<u>13,902,321</u>	<u>15,680,350</u>	<u>14,745,474</u>	<u>11,910,294</u>
Increase (Decrease) in inventory	420	(7,150)	(9,904)	20,008
June 30,	<u>\$ 17,909,946</u>	<u>13,902,321</u>	<u>15,680,350</u>	<u>14,742,721</u>

\*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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board  
Brookhaven 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 Brookhaven School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Brookhaven School District's basic financial statements, and have issued our report thereon dated November 24, 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.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Brookhaven 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 24, 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  
Brookhaven School District

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

We have audited Brookhaven 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 Brookhaven School District's major federal programs for the year ended June 30, 2014. The Brookhaven 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 each of its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Brookhaven 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.

## Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

Management of the Brookhaven 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 Brookhaven 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 24, 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  
Brookhaven School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookhaven School District as of and for the year ended June 30, 2014, which collectively comprise Brookhaven School District's basic financial statements and have issued our report thereon dated November 24, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

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.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
November 24, 2014

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Brookhaven School District

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

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

##### Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

##### Federal Awards:

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

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

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

#### Section II: Financial Statement Findings

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

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

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