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FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Audited Financial Statements
For the Year Ended June 30, 2014

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
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INDEPENDENT AUDITOR'S REPORT



HOLT & ASSOCIATES, PLLC

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Founder (1915-1997)

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Forrest County Agricultural High School

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 Forrest County Agricultural High School as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Forrest County Agricultural High School'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.

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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 Forrest County Agricultural High School, 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 on pages 6 through 13 and budgetary comparison information on pages 36 and 37 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 Forrest County Agricultural High School's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2015 on our consideration of the Forrest County Agricultural High School'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 Forrest County Agricultural High School's internal control over financial reporting and compliance.

Holt & Associates, PLLC

Laurel, Mississippi

January 14, 2015

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

The following discussion and analysis of Forrest County Agricultural High School'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 decreased \$341,543, which represents a 5% decrease from fiscal year 2013. Total net position for 2013 increased \$2,840,749, including a prior period adjustment of \$(77,361), which represents a 60% increase from fiscal year 2012.
- General revenues amounted to \$4,221,622 and \$4,381,246, or 77% and 79% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,226,771, or 23% of total revenues for 2014, and \$1,171,126, or 21 % of total revenues for 2013.
- The District had \$5,789,936 and \$5,607,783 in expenses for fiscal years 2014 and 2013; only \$1,226,771 for 2014 and \$1,171,126 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$4,221,622 for 2014 and \$4,381,246 for 2013 were adequate to provide for these programs.
- Among major funds, the General Fund had \$4,439,453 in revenues and \$4,218,513 in expenditures for 2014, and \$4,596,558 in revenues and \$4,003,880 in expenditures in 2013. The General Fund's fund balance decreased by \$276,150 from 2013 to 2014, and increased by \$88,336 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, increased by \$1,627,652 for 2014 and increased by \$1,144,757 for 2013. The increase for 2014 was due to the completion of capital projects.
- Long-term debt decreased by \$69,865 for 2014 and decreased by \$55,215 for 2013. This decrease for 2014 was due primarily to the payments on outstanding long-term debt. The liability for compensated absences decreased by \$11,648 for 2014 and increased by \$5,932 for 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$7,239,431 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.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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

Table 1
Condensed Statement of Net Position

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Current assets	\$ 1,938,032	\$ 4,275,694	-54.67 %
Capital assets, net	5,762,248	4,134,596	39.37 %
Total assets	<u>7,700,280</u>	<u>8,410,290</u>	-8.44 %
Current liabilities	106,408	405,010	-73.73 %
Long-term debt outstanding	354,441	424,306	-16.47 %
Total liabilities	<u>460,849</u>	<u>829,316</u>	-44.43 %
Net position:			
Net investment in capital assets	5,440,630	3,755,596	44.87 %
Restricted	453,526	2,489,624	-81.78 %
Unrestricted	1,345,275	1,335,754	0.71 %
Total net position	<u>\$ 7,239,431</u>	<u>\$ 7,580,974</u>	-4.51 %

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

- Increase in net capital assets in the amount of \$1,627,652.
- The principal retirement of \$58,217 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$5,448,393 and \$8,525,893, respectively. The total cost of all programs and services was \$5,789,936 for 2014 and \$5,607,783 for 2013.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
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>
Revenues:			
Program revenues:			
Charges for services	\$ 341,184	\$ 336,907	1.27 %
Operating grants and contributions	885,587	834,219	6.16 %
General revenues:			
Property taxes	1,660,487	1,773,674	(6.38) %
Grants and contributions not restricted	2,514,724	2,550,131	(1.39) %
Investment earnings	3,725	8,231	(54.74) %
Other	42,686	49,210	(13.26) %
Special Items			
Proceeds from primary government	-	2,973,521	(100.00)
Total revenues	5,448,393	8,525,893	(36.10) %
Expenses:			
Instruction	3,534,533	3,623,655	(2.46) %
Support services	1,918,254	1,629,780	17.70 %
Non-instructional	333,569	354,009	(5.77) %
Interest on long-term liabilities	3,580	339	956.05 %
Total expenses	5,789,936	5,607,783	3.25 %
Increase (Decrease) in net position	(341,543)	2,918,110	(111.70) %
Net Position, July 1, as previously reported	7,580,974	4,740,225	59.93 %
Prior Period Adjustment	-	(77,361)	(100.00) %
Net Position, July 1, as restated	7,580,974	4,662,864	62.58 %
Net Position, June 30	\$ 7,239,431	\$ 7,580,974	(4.51) %

Governmental activities

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ 3,534,533	\$ 3,623,655	-2.46%
Support Services	1,918,254	1,629,780	17.70%
Non-instructional	333,569	354,009	-5.77%
Interest on long-term liabilities	<u>3,580</u>	<u>339</u>	<u>956.05%</u>
Total Expenses	<u>\$ 5,789,936</u>	<u>\$ 5,607,783</u>	<u>3.25%</u>

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ (2,736,949)	\$ (2,823,220)	-3.06%
Support Services	(1,853,492)	(1,620,390)	14.39%
Non-instructional	30,856	7,292	323.15%
Interest on long-term liabilities	<u>(3,580)</u>	<u>(339)</u>	<u>956.05%</u>
Total Expenses	<u>\$ (4,563,165)</u>	<u>\$ (4,436,657)</u>	<u>2.85%</u>

- Net cost of governmental activities (\$4,563,165 for 2014 and \$4,436,657 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$1,660,487 for 2014 and \$1,773,674 for 2013) and state and federal revenues (\$2,514,724 for 2014 and \$2,550,131 for 2013).
- Investment earnings amounted to \$3,725 for 2014 and \$8,231 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 \$1,832,459, a decrease of \$2,039,489, which includes an increase in inventory of \$5,456. \$835,862 or 46% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$996,597 or 54% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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 \$276,150, which includes an increase in reserve for inventory of \$4,325. The fund balance of Other Governmental Funds showed an increase in the amount of \$91,136, which includes an increase in reserve for inventory of \$1,131. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Capital Improvement Fund	\$	(47,292)
QSCB Capital Projects Fund	\$	(1,807,183)

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund 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 \$8,621,326, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$1,788,684 from 2013. Total accumulated depreciation as of June 30, 2014, was \$2,859,078, and total depreciation expense for the year was \$222,785, resulting in total net capital assets of \$5,762,248.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 640	\$ 640	0.00 %
Construction in Progress	1,916,780	1,272,554	50.62 %
Buildings	2,311,677	2,378,821	(2.82) %
Building improvements	898,706	308,597	191.22 %
Improvements other than buildings	454,003	17,074	2,559.03 %
Mobile equipment	93,027	106,403	(12.57) %
Furniture and equipment	87,415	50,507	73.08 %
Total	<u>\$ 5,762,248</u>	<u>\$ 4,134,596</u>	39.37 %

Additional information on the District's capital assets can be found in Note 4 included in this report.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Debt Administration. At June 30, 2014, the District had \$354,441 in outstanding long-term debt, of which \$64,000 is due within one year. The liability for compensated absences decreased \$11,648 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	Percentage Change
Limited obligation refunding bonds payable	\$ 320,783	\$ 379,000	(15.36) %
Compensated absences payable	33,658	45,306	(25.71) %
Total	<u>\$ 354,441</u>	<u>\$ 424,306</u>	(16.47) %

Additional information on the District's long-term debt can be found in Note 5 included in this report.

CURRENT ISSUES

The Forrest County Agricultural High School District will continue to plan and budget in light of underfunding on the state and local level to ensure the highest education is available to all students in the District. The Forrest County Agricultural High School is committed to financial excellence. The District plans to continue sound fiscal management to meet the challenges of the future. The District is proud of its community support of the Forrest County Agricultural High School District.

The District 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 Forrest County Agricultural High School District, 215 Old Highway 49 E., Brooklyn, Mississippi 39425.

FINANCIAL STATEMENTS

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Statement of Net Position
June 30, 2014

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,083,278
Investments	431,692
Due from other governments	360,506
Inventories	62,556
Capital assets, non-depreciable:	
Land	640
Construction in progress	1,916,780
Capital assets, net of accumulated depreciation:	
Buildings	2,311,677
Building improvements	898,706
Improvements other than buildings	454,003
Mobile equipment	93,027
Furniture and equipment	87,415
Total Assets	7,700,280
Liabilities	
Accounts payable and accrued liabilities	101,331
Unearned Revenue	4,242
Interest payable on long-term liabilities	835
Long-term liabilities, due within one year:	
Capital related liabilities	64,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	256,783
Non-capital related liabilities	33,658
Total Liabilities	460,849
Net Position	
Net investment in capital assets	5,440,630
Restricted for:	
Expendable:	
School-based activities	276,843
Debt service	42,580
Capital improvements	119,975
Unemployment benefits	14,128
Unrestricted	1,345,275
Total Net Position	\$ 7,239,431

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Statement of Activities

Exhibit B

For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 3,534,533	\$ - 222,860	\$ 574,724	\$ -	\$ (2,736,949)
Support services	1,918,254	-	64,762	-	(1,853,492)
Non-instructional	333,569	118,324	246,101	-	30,856
Interest on long-term liabilities	3,580	-	-	-	(3,580)
Total Governmental Activities	\$ 5,789,936	\$ 341,184	\$ 885,587	\$ -	\$ (4,563,165)
General Revenues:					
Taxes:					
General purpose levies					1,660,487
Unrestricted grants and contributions:					
State					2,504,435
Federal					10,289
Unrestricted investment earnings					3,725
Other					42,686
Total General Revenues					4,221,622
Change in Net Position					(341,543)
Net Position - Beginning					7,580,974
Net Position - Ending					\$ 7,239,431

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
BALANCE SHEET- GOVERNMENTAL FUNDS
June 30, 2014

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	Capital Improvement Fund	QSCB Capital Projects	Other Governmental Funds	
Assets					
Cash and cash equivalents	\$ 904,658	\$ -	\$ 63,635	114,985	\$ 1,083,278
Investments	103,355	314,290	-	14,047	431,692
Due from other governments	54,559	-	-	-	54,559
Due from other funds	238,290	-	-	304,947	543,237
Inventories	54,850	-	-	7,706	62,556
Total assets	\$ 1,355,712	\$ 314,290	\$ 63,635	\$ 441,685	\$ 2,175,322
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 31,384	\$ -	\$ 63,635	6,312	\$ 101,331
Due to other funds	-	237,290	-	-	237,290
Unearned revenue	-	-	-	4,242	4,242
Total Liabilities	31,384	237,290	63,635	10,554	342,863
Fund Balances:					
Nonspendable:					
Inventory	54,850	-	-	7,706	62,556
Restricted:					
Debt service				42,580	42,580
Capital projects	42,975	77,000	-	-	119,975
Unemployment benefits	-	-	-	14,128	14,128
Other commitments	211	-	-	214,287	214,498
Assigned:					
Student Activities	390,430	-	-	152,430	542,860
Unassigned					
Total Fund Balances	1,324,328	77,000	-	431,131	1,832,459
Total Liabilities, deferred inflows of resources and Fund Balances	\$ 1,355,712	\$ 314,290	63,635	441,685	\$ 2,175,322

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

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 \$ 1,832,459

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	\$ 640	
Construction in progress	1,916,780	
Buildings	3,745,042	
Building improvements	1,080,368	
Improvements other than buildings	650,207	
Mobile equipment	304,685	
Furniture and equipment	923,604	
Accumulated depreciation	<u>(2,859,078)</u>	5,762,248

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

Limited obligation bonds	(320,783)	
Compensated absences payable	(33,658)	
Accrued interest payable	<u>(835)</u>	<u>(355,276)</u>

Net position of governmental activities \$ 7,239,431

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
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	Capital Improvement Fund	QSCB Capital Projects	Other Governmental Funds	
Revenues:					
Local sources	\$ 1,924,729	1,057	1,563	120,570	\$ 2,047,919
State sources	2,504,435	-	-	218,329	2,722,764
Federal sources	10,289	-	-	667,260	677,549
Total Revenues	4,439,453	1,057	1,563	1,006,159	5,448,232
Expenditures:					
Instruction	2,449,600	-	-	960,815	3,410,415
Support services	1,757,669	-	-	60,933	1,818,602
Noninstructional services	4,941	-	-	330,847	335,788
Facilities acquisition and construction	6,303	48,349	1,811,655	-	1,866,307
Debt service:					
Principal				58,217	58,217
Interest				4,009	4,009
Total Expenditures	4,218,513	48,349	1,811,655	1,414,821	7,493,338
Excess (Deficiency) of Revenues over (under) Expenditures	220,940	(47,292)	(1,810,092)	(408,662)	(2,045,106)
Other Financing Sources (Uses):					
Insurance recovery	161	-	-	-	161
Operating transfers in	-		2,909	498,667	501,576
Operating transfers out	(501,576)			-	(501,576)
Total Other Financing Sources (Uses)	(501,415)	-	2,909	498,667	161
Net Change in Fund Balances	(280,475)	(47,292)	(1,807,183)	90,005	(2,044,945)
Fund Balances:					
July 1, 2013	1,600,478	124,292	1,807,183	339,995	3,871,948
Increase (Decrease) in reserve for inventory	4,325	-	-	1,131	5,456
June 30, 2014	\$ 1,324,328	77,000	-	431,131	\$ 1,832,459

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

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 \$ (2,044,945)

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

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

Capital outlay	\$ 1,851,061	
Depreciation expense	(222,785)	1,628,276

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (624)

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

Payments of debt principal	58,217	
Accrued interest payable	429	58,646

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

Change in compensated absences	11,648	
Change in inventory reserve	5,456	17,104

Change in net position of governmental activities \$ (341,543)

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Statement of Fiduciary Net Position
June 30, 2014

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 12,435	\$ 40,787
Investments	45,842	0
Total Assets	58,277	\$ 40,787
Liabilities		
Due to other funds	\$ 1,000	\$ -
Due to student clubs	-	40,787
Total Liabilities	1,000	\$ 40,787
Net Position		
Reserved for endowments	57,277	
Total Net Position	\$ 57,277	

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Statement of Fiduciary Net Position
For the Year Ended June 30, 2014

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 496
Contributions and donations from private sources	1,300
Total Additions	1,796
 Deductions	
Scholarships awarded	1,000
Total Deductions	1,000
Change in Net Position	796
 Net Position	
June 30, 2013	56,481
June 30, 2014	\$ 57,277

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a six member board to which one member is an at large member (elected superintendent of Forrest County School District), two members are appointed by the Forrest County School District Board and three members are appointed by the Forrest County Board of Supervisors.

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

B. Government-wide and Fund Financial Statements

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

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

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Capital Improvement Fund – This is the school's restricted fund for capital improvements to buildings.

QSCB Capital project Fund – This is the school's restricted fund from Qualified School Construction Bond monies for capital improvements to buildings.

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

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

The District's fiduciary funds include the following:

Payroll Clearing Fund- This agency fund is used to report resources held by the District on behalf of other funds for payroll related liabilities.

Accounts Payable Clearing Fund- This agency fund is used to report resources held by the District on behalf of other funds for related liabilities.

Private-Purpose Trust Funds- These funds are utilized for existing scholarships awarded each year to graduates. Private donations and contributions are the only source of revenue.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

FIDUCIARY FUNDS

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

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

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

D. Encumbrances

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

E. Assets, liabilities, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

4. Inventories and Prepaid Items

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

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

5. 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	*	*
Intangible assets	**	**

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

6. 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).

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

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.

7. 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 5 for details.

8. 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 school board pursuant to authorization established by Board policy.

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

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

Note 2 – Cash and Cash Equivalents and Investments

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,083,278 and \$53,222, 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 \$1,512,443 was exposed to custodial credit risk.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 2 – Cash and Cash Equivalents and Investments (continued)

Investments

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

<u>Investment Type</u>	<u>Maturity In years</u>	<u>Fair Value</u>
Magnolia State Bank-Certificate of Deposit	1	\$ 103,355
The First - Certificate of Deposit	1	314,290
The First - Certificate of Deposit	1	43,160
The First - Certificate of Deposit	1	2,682
The First - Certificate of Deposit	1	14,047
Total		<u>\$ 477,534</u>

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

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

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

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2014, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Magnolia State Bank - Certificate of Deposit	\$ 103,355	22%
The First - Certificate of Deposit	59,889	13%
The First - Certificate of Deposit	314,290	65%
	<u>\$ 477,534</u>	

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Capital Improvement Fund	\$ 237,290
	Fiduciary Funds	1,000
Total		\$ 238,290

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	QSCB Capital Projects	\$ 2,909
	Other Governmental Funds	498,667
Total		\$ 501,576

Note 4 – Capital Assets

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

	Balance 7/1/2013	Increases	Decreases	Construction Complete	Balance 6/30/2014
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 640	\$ -	\$ -	-	640
Construction-in-progress	1,272,554	1,851,061	-	(1,206,835)	1,916,780
Total non-depreciable capital assets	1,273,194	1,851,061	-	(1,206,835)	1,917,420
<u>Depreciable capital assets:</u>					
Buildings	3,745,042	-	-	-	3,745,042
Building improvements	440,530	-	-	639,838	1,080,368
Improvements other than buildings	193,275	-	56,816	513,748	650,207
Mobile equipment	304,685	-	-	-	304,685
Furniture and equipment	875,916	-	5,561	53,249	923,604
Total depreciable capital assets	5,559,448	-	62,377	1,206,835	6,703,906
<u>Less accumulated depreciation for:</u>					
Buildings	1,366,221	67,144	-	-	1,433,365
Building improvements	131,933	49,729	-	-	181,662
Improvements other than buildings	176,201	76,251	56,248	-	196,204
Mobile equipment	198,282	13,376	-	-	211,658
Furniture and equipment	825,409	16,285	5,505	-	836,189
Total accumulated depreciation	2,698,046	222,785	61,753	-	2,859,078
Total depreciable capital assets, net	2,861,402	(222,785)	624	1,206,835	3,844,828
Governmental activities capital assets, net	\$ 4,134,596	\$ 1,628,276	\$ 624	\$ -	\$ 5,762,248

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 4 – Capital Assets (continued)

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 129,357
Support services	85,420
Non-instructional	8,008
Total depreciation expense - Governmental activities	\$ 222,785

Construction in progress is composed of:

	Spent to June 30, 2014	Remaining Commitment
Governmental Activities:		
Cafeteria	\$ 1,916,780	\$ 86,940

Note 5 – Long-term Liabilities

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

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. Limited obligation bonds payable	\$ 379,000	\$ -	\$ 58,217	\$ 320,783	\$ 64,000
B. Compensated absences payable	45,306	-	11,648	33,658	-
Total	\$ 424,306	\$ -	\$ 69,865	\$ 354,441	\$ 64,000

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. State aid capital improvement bond, series 2012	.05% - 1.6%	5/1/2012	2/1/2018	\$ 423,500	\$ 320,783
Total				\$ 423,500	\$ 320,783

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 5 – Long-term Liabilities (continued)

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

1. Limited obligation bond issue of 2012:

Year Ending June 30	Principal	Interest	Total
2015	\$ 64,000	\$ 3,720	\$ 67,720
2016	64,000	3,112	67,112
2017	67,000	2,374	69,374
2018	125,783	1,498	127,281
Total	<u>\$ 320,783</u>	<u>\$ 10,704</u>	<u>\$ 331,487</u>

This debt will be retired from the MAEP Retirement Funds (4041).

B. Compensated absences payable

As more fully explained in Note 1(E)(6), 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 6 – 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 \$483,148, \$435,048 and \$363,375, respectively, which equaled the required contributions for each year.

Note 7 – Qualified School Construction Bond

On August 1, 2012, Forrest County, Mississippi (primary government) issued G.O. Bond, Series 2012 (Qualified School Construction Bonds) on behalf of Forrest County Agricultural High School in the amount of \$3,000,000. The County remitted the entire amount of bond proceeds, net of \$26,494 issuance costs, to Forrest County Agricultural High School for capital improvement projects. The net received from these bond proceeds totaled \$2,973,506 for the year ended June 30, 2013 as is described as proceeds from primary government in the financial statements.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
Notes to the Financial Statements
For Year Ended June 30, 2014

Pursuant to the bond documents, these bonds are to be repaid in full on August 1, 2027, from the proceeds of the County's debt sinking fund and are not a liability of Forrest County Agricultural High School and are therefore not reflected in the debt schedule of the District.

Note 8 – Contingencies

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

Note 9 – Risk Management

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

Note 10 - 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 Forrest County Agricultural High School evaluated the activity of the district through January 14, 2015 (the date the financial statements were available to be issued), and determined that the following subsequent event(s) has (have) occurred requiring disclosure in the notes to the financial statements:

On September 12, 2014 an electrical fire to the school district's main electrical panel initiated an insurance claim. Total expenses that have occurred as of the report date is \$191,460. The district expects insurance proceeds from the claim to total approximately \$147,560.

The Forrest County Agricultural School District made a request from the Forrest County Board of Supervisors for advalorem in the amount of \$1,831,572 for the 2014-2015 fiscal year. The Board of Supervisors approved a millage levy of 2.84 mills which is estimated to generate \$1,519,566 in advalorem revenue (calculated at 95% of collections). The school district's budget is based on \$1,831,571 in advalorem revenue. An attorney general's opinion was requested and received in favor of the school district but was past the deadline for an appeal of current year advalorem levies. The school district's board of education decided against legal action at this time.

REQUIRED SUPPLEMENTARY INFORMATION

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

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
Revenues:					
Local sources	\$ 1,983,138	\$ 1,924,983	\$ 1,924,729	\$ (58,155)	(254)
State sources	2,498,404	2,504,435	2,504,435	6,031	-
Federal sources	10,000	10,289	10,289	289	-
Total Revenues	4,491,542	4,439,707	4,439,453	(51,835)	(254)
Expenditures:					
Instruction	2,307,446	2,449,497	2,449,600	(142,051)	(103)
Support services	1,596,910	1,757,700	1,757,669	(160,790)	31
Noninstructional services	-	4,943	4,941	(4,943)	2
Facilities acquisition and construction	-	6,304	6,303	(6,304)	1
Total Expenditures	3,904,356	4,218,444	4,218,513	(314,088)	(69)
Excess (Deficiency) of Revenues over (under) Expenditures	587,186	221,263	220,940	(365,923)	(323)
Other Financing Sources (Uses):					
Insurance recovery	-	161	161	161	-
Operating transfers in	-	-	-	-	-
Operating transfers out	(484,437)	(518,027)	(501,576)	(33,590)	16,451
Total Other Financing Sources (Uses)	(484,437)	(517,866)	(501,415)	(33,429)	16,451
Net Change in Fund Balances	102,749	(296,603)	(280,475)	(399,352)	16,128
Fund Balances:					
July 1, 2013	1,600,478	1,600,478	1,600,478	-	-
Increase (Decrease) in reserve for inventory	-	-	4,325	-	4,325
June 30, 2014	\$ 1,703,227	\$ 1,303,875	\$ 1,324,328	\$ (399,352)	\$ 20,453

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

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

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedule presents 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 consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 61,473
National school lunch program	10.555	155,877
Total child nutrition cluster		<u>217,350</u>
Total passed-through Mississippi Department of Education		<u>217,350</u>
Total U.S. Department of Agriculture		<u>217,350</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	10,289
Total Federal Communications Commission		<u>10,289</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	12,530
Rural education	84.358	35,266
Improving teacher quality-State Grants	84.367	21,296
Title I grants to local educational agencies	84.010	166,193
Subtotal		<u>235,285</u>
Special education cluster:		
Special education - grants to states	84.027	183,702
Total special education cluster		<u>183,702</u>
Total passed-through Mississippi Department of Education		<u>418,987</u>
Total U.S. Department of Education		<u>418,987</u>
Total for All Federal Awards		<u>\$ 646,626</u>

NOTES TO SCHEDULE

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2014

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 4,585,337	3,231,866	322,989	310,186	720,296
Other	2,908,001	183,490	56,473	6,142	2,661,896
Total	\$ 7,493,338	3,415,356	379,462	316,328	3,382,192
Total number of students *	510				
Cost per student	\$ 14,693	6,697	744	620	-6,632

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

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

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

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

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

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

OTHER INFORMATION

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 1,924,729	\$ 2,031,798	\$ 1,929,410	\$ 1,826,921
State sources	2,504,435	2,554,424	2,476,946	2,337,209
Federal sources	10,289	10,336	32,652	9,582
Total Revenues	4,439,453	4,596,558	4,439,008	4,173,712
Expenditures:				
Instruction	2,449,600	2,406,149	2,231,914	2,125,616
Support services	1,757,669	1,585,524	1,397,374	1,340,801
Noninstruction	4,941	4,492	3,341	5,521
Facilities acquisition and construction	6,303	-	-	-
Debt Service:				
Principal	-	7,715	2,412	2,144
Interest	-	-	1,068	1,336
Total Expenditures	4,218,513	4,003,880	3,636,109	3,475,418
Excess (Deficiency) of Revenues over (under) Expenditures	220,940	592,678	802,899	698,294
Other Financing Sources (Uses):				
Insurance recovery	161	125	378	147
Sale of other property	-	7,715	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(501,576)	(504,932)	(429,742)	(431,014)
Total Other Financing Sources (Uses)	(501,415)	(497,092)	(429,364)	(430,867)
Net Change in Fund Balances	(280,475)	95,586	373,535	267,427
Fund Balances:				
Beginning of period	1,600,478	1,512,142	1,109,787	844,930
Increase (Decrease) in reserve for inventory	4,325	(7,250)	28,820	(2,570)
End of Period	\$ 1,324,328	\$ 1,600,478	\$ 1,512,142	\$ 1,109,787

*SOURCE - PRIOR YEAR AUDIT REPORTS

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 2,047,919	\$ 2,166,731	\$ 2,064,040	\$ 1,949,371
State sources	2,722,764	2,764,994	2,663,057	2,512,478
Federal sources	677,549	619,356	724,154	1,028,738
Total Revenues	5,448,232	5,551,081	5,451,251	5,490,587
Expenditures:				
Instruction	3,410,415	3,425,364	3,171,284	3,319,522
Support services	1,818,602	1,789,724	1,500,997	1,506,179
Noninstructional services	335,788	361,069	341,287	273,833
Facilities acquisition and construction	1,866,307	1,169,945	-	-
Debt service:				
Principal	58,217	52,215	47,412	47,144
Interest	4,009	3,388	22,871	25,321
Other	-	-	3,325	-
Total Expenditures	7,493,338	6,801,705	5,087,176	5,171,999
Excess (Deficiency) of Revenues over (under) Expenditures	(2,045,106)	(1,250,624)	364,075	318,588
Other Financing Sources (Uses):				
Insurance recovery	161	125	378	147
Refunding bonds issued	-	-	423,500	-
Payment to refunded bond escrow agent	-	-	(420,175)	-
Sale of other property	-	7,715	-	-
Operating transfers in	501,576	504,932	429,742	431,014
Operating transfers out	(501,576)	(504,932)	(429,742)	(431,014)
Proceeds from Primary Government	-	2,973,521	-	-
Total Other Financing Sources (Uses)	161	2,981,361	3,703	147
Net Change in Fund Balances	(2,044,945)	1,730,737	367,778	318,735
Fund Balances:				
Beginning of period, as previously reported	3,871,948	2,225,288	1,830,374	1,509,340
Prior period adjustments	-	(77,361)	-	3,271
Beginning of period, as restated	3,871,948	2,147,927	1,830,374	1,512,611
Increase (Decrease) in reserve for inventory	5,456	(6,716)	27,136	(972)
End of Period	\$ 1,832,459	\$ 3,871,948	\$ 2,225,288	\$ 1,830,374

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Forrest County Agricultural High School

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 Forrest County Agricultural High School, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Forrest County Agricultural High School's basic financial statements, and have issued our report thereon dated January 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Forrest County Agricultural High School'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 Forrest County Agricultural High School's internal control. Accordingly, we do not express an opinion on the effectiveness of Forrest County Agricultural High School'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 Forrest County Agricultural High School'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.

Holt & Associates, PLLC

January 14, 2015



HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Forrest County Agricultural High School

Report on Compliance for Each Major Federal Program

We have audited Forrest County Agricultural High School'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 Forrest County Agricultural High School's major federal programs for the year ended June 30, 2014. Forrest County Agricultural High School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Forrest County Agricultural High School'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 Forrest County Agricultural High School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

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Report on Internal Control Over Compliance

Management of Forrest County Agricultural High School 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 Forrest County Agricultural High School'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 Forrest County Agricultural High School's internal control over compliance.

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

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

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

Holt & Associates, PLLC

Laurel, MS

January 14, 2015

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

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



HOLT & ASSOCIATES, PLLC

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

Superintendent and School Board
Forrest County Agricultural High School

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forrest County Agricultural High School as of and for the year ended June 30, 2014, which collectively comprise Forrest County Agricultural High School's basic financial statements and have issued our report thereon dated January 14, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district did not report any classroom supply funds carried over from previous years.

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

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

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

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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 law and regulations.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Holt & Associates, PLLC

January 14, 2015

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FORREST COUNTY AGRICULTURAL HIGH SCHOOL
 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 on the financial statements: | Unmodified. |
| 2. | Noncompliance material to financial statements noted? | No. |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? | No. |
| b. | Significant deficiency(ies) identified that are not considered to be material weakness(es)? | None reported. |

Federal Awards:

- | | | |
|----|--|----------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified. |
| 5. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | No. |
| b. | Significant deficiency(ies) identified that are not considered to be material weakness(es)? | None reported. |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No. |
| 7. | Federal programs identified as major programs: | |
| | <u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u> | |
| | <u>Special Education Cluster (IDEA):</u> | |
| | 84.027 Special Education-Grants to States | |
| | 84.010 Title I Grants to Local Educational Agencies | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | No. |

Section II: Financial Statement Findings

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