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GEORGE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2014

GEORGE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
George County School District
Lucedale, Mississippi

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-15 and 42-45 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the George County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information section, which includes 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 March 13,

2015, on our consideration of the George County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering George County School District's internal control over financial reporting and compliance.

Cunningham CPAs, PLLC

Belzoni, Mississippi

March 13, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- Total net position for 2014 decreased $726,720, including a prior period adjustment of ($152,435), and which represents a 3% decrease from fiscal year 2013. Total net position for 2013 increased $379,078, including a prior period adjustment of $81,052, which represents a 1% increase from fiscal year 2012.

- General revenues amounted to $25,271,395 and $24,489,562, or 82% and 81% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for $5,636,202, or 18% of total revenues for 2014, and $5,812,340, or 19% of total revenues for 2013.

- The District had $31,481,882 and $30,003,876 in expenses for fiscal years 2014 and 2013; only $5,636,202 for 2014 and $5,812,340 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $25,271,395 for 2014 were not adequate to provide for these programs and $24,489,562 for 2013 were adequate to provide for these programs.

- Among major funds, the General Fund had $24,326,744 in revenues and $26,325,986 in expenditures for 2014, and $23,591,397 in revenues and $23,854,974 in expenditures in 2013. The General Fund's fund balance decreased by $1,819,465, including a prior period adjustment of ($70,937) from 2013 to 2014, and decreased by $544,479 from 2012 to 2013.

- Capital assets, net of accumulated depreciation, increased by $2,982,010, including a prior period adjustment of ($21,515), for 2014 and decreased by $200,957, including a prior period adjustment of $81,052 for 2013. The increase for 2014 was due primarily to construction in progress net of the increase in accumulated depreciation.

- Long-term debt increased by $7,548,341 for 2014 and decreased by $388,067 for 2013. This increase for 2014 was due primarily to issuing new debt net of the principal payments on outstanding long-term debt. The liability for compensated absences decreased by $4,541 for 2014 and decreased by $1,067 for 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental

funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by $26,142,436 as of June 30, 2014.

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2014	June 30, 2013	Percentage Change
Current assets	$ 11,112,838	$ 12,700,977	-12.50 %
Restricted assets	6,837,069	1,004,409	580.71 %
Capital assets, net	22,502,509	19,520,499	15.28 %
Total assets	**40,452,416**	**33,225,885**	**21.75 %**
Current liabilities	989,929	585,019	69.21 %
Long-term debt outstanding	13,320,051	5,771,710	130.78 %
Total liabilities	**14,309,980**	**6,356,729**	**125.12 %**
Net position:			
Net investment in capital assets	14,380,839	14,464,499	-0.58 %
Restricted	3,854,732	7,437,092	-48.17 %
Unrestricted	7,906,865	4,967,565	59.17 %
Total net position	**$ 26,142,436**	**$ 26,869,156**	**-2.70 %**

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 $2,982,010.
- The principal retirement of $1,203,165 of long-term debt.
- Issuing $152,885 in shortfall notes payable.
- Issuing $4,000,000 in general obligation bonds.
- Issuing $3,000,000 in quality school construction bonds.
- Inception of $1,557,495 in capital leases.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were $30,907,597 and $30,301,902, respectively. The total cost of all programs and services was $31,481,882 for 2014 and $30,003,876 for 2013.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2014	Year Ended June 30, 2013	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 980,451	$ 891,805	9.94 %
Operating grants and contributions	4,655,751	4,920,535	(5.38) %
General revenues:			
Property taxes	5,226,361	5,050,265	3.49 %
Grants and contributions not restricted	19,421,917	19,023,819	2.09 %
Other	623,117	415,478	49.98 %
Total revenues	**30,907,597**	**30,301,902**	**2.00 %**
Expenses:			
Instruction	18,522,249	18,385,524	0.74 %
Support services	10,685,506	9,410,594	13.55 %
Non-instructional	2,041,932	2,070,480	(1.38) %
Sixteenth section	21,426	6,814	214.44 %
Interest on long-term liabilities and other debt service costs	210,769	130,464	61.55 %
Total expenses	**31,481,882**	**30,003,876**	**4.93 %**
Increase (Decrease) in net position	**(574,285)**	**298,026**	**(292.70) %**
Net Position, July 1, as originally reported	**26,869,156**	**26,490,078**	**1.43 %**
Prior period adjustment	**(152,435)**	**81,052**	**(288.07) %**
Net Position, July 1, as restated	**26,716,721**	**26,571,130**	**0.55 %**
Net Position, June 30	**$ 26,142,436**	**$ 26,869,156**	**(2.70) %**

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2014	2013	Change
Instruction	$ 18,522,249	$ 18,385,524	0.74 %
Support services	10,685,506	9,410,594	13.55 %
Non-instructional	2,041,932	2,070,480	(1.38) %
Sixteenth section	21,426	6,814	214.44 %
Interest on long-term liabilities and other debt service costs	210,769	130,464	61.55 %
Total expenses	**$ 31,481,882**	**$ 30,003,876**	**4.93 %**

	Net (Expense) Revenue		Percentage
	2014	2013	Change
Instruction	$ (16,331,350)	$ (15,999,935)	2.07 %
Support services	(9,523,728)	(8,296,142)	14.80 %
Non-instructional	182,820	241,819	(24.40) %
Sixteenth section	37,347	(6,814)	(648.09) %
Interest on long-term liabilities and other debt service costs	(210,769)	(130,464)	61.55 %
Total net (expense) revenue	**$ (25,845,680)**	**$ (24,191,536)**	**6.84 %**

- Net cost of governmental activities ($25,845,680 for 2014 and $24,191,536 for 2013) was financed by general revenue, which is primarily made up of property taxes ($5,226,361 for 2014 and $5,050,265 for 2013) and state and federal revenues ($19,421,917 for 2014 and $19,023,819 for 2013). In addition, there was $433,502 and $212,576 in Sixteenth Section sources for 2014 and 2013, respectively.

- Investment earnings amounted to $74,945 for 2014 and $85,579 for 2013.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $17,103,594, an increase of $3,929,766, including a prior period adjustment of ($130,920), and which includes an increase in inventory of $13,982. $2,856,842 or 17% 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 $14,246,752 or 83% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was $1,819,465, including a prior period adjustment of ($70,937). The fund balance of Other Governmental Funds showed an increase in the amount of $1,174,112, including a prior period adjustment of ($38,193), and which includes an increase in reserve for inventory of $13,982, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Sixteenth section interest fund	(28,783)
Capital projects funds	2,476,589
Capital projects QSCB fund	2,123,392
MAEP debt service fund	3,921

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were $39,060,849, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of $3,379,302 from 2013. Total accumulated depreciation as of June 30, 2014, was $16,558,340, and total depreciation expense for the year was $958,911, resulting in total net capital assets of $22,502,509.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2014	June 30, 2013	Percentage Change
Land	$ 282,157	$ 282,157	0.00 %
Construction in progress	2,841,435	49,654	5,622.47 %
Buildings	14,889,577	15,229,772	(2.23) %
Building improvements	1,771,770	1,874,812	(5.50) %
Improvements other than buildings	465,990	489,761	(4.85) %
Mobile equipment	1,186,145	1,313,477	(9.69) %
Furniture and equipment	242,192	280,866	(13.77) %
Leased property under capital leases	823,243	-	N/A %
Total	**$ 22,502,509**	**$ 19,520,499**	**15.28 %**

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

Debt Administration. At June 30, 2014, the District had $13,320,051 in outstanding long-term debt, of which $1,391,662 is due within one year. The liability for compensated absences decreased $4,541 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2014	June 30, 2013	Percentage Change
General obligation bonds payable	$ 4,000,000	$ -	N/A %
Premium on debt issuance	18,667	-	N/A %
Limited obligation bonds payable	2,615,000	3,056,000	(14.43) %
Three mill notes payable	284,000	500,000	(43.20) %
Qualified school construction bonds	5,000,000	2,000,000	150.00 %
Shortfall notes payable	152,885	-	N/A %
Obligations under capital leases	1,038,330	-	N/A %
Compensated absences payable	211,169	215,710	(2.11) %
Total	**$ 13,320,051**	**$ 5,771,710**	**130.78 %**

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the George County School District, 5152 Main Street, Lucedale, MS 39452.

FINANCIAL STATEMENTS

GEORGE COUNTY SCHOOL DISTRICT

Statement of Net Position
June 30, 2014

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	$ 9,715,632
Due from other governments	1,355,924
Inventories	41,282
Restricted assets	6,837,069
Capital assets, non-depreciable:	
Land	282,157
Construction in progress	2,841,435
Capital assets, net of accumulated depreciation:	
Buildings	14,889,577
Building improvements	1,771,770
Improvements other than buildings	465,990
Mobile equipment	1,186,145
Furniture and equipment	242,192
Leased property under capital leases	823,243
Total Assets	40,452,416
Liabilities	
Accounts payable and accrued liabilities	846,313
Interest payable on long-term liabilities	143,616
Long-term liabilities, due within one year:	
Capital related liabilities	1,112,148
Non-capital related liabilities	279,514
Long-term liabilities, due beyond one year:	
Capital related liabilities	11,559,849
Non-capital related liabilities	368,540
Total Liabilities	14,309,980
Net Position	
Net investment in capital assets	14,380,839
Restricted for:	
Expendable:	
School-based activities	1,356,624
Debt service	1,555,279
Forestry improvements	459,858
Unemployment benefits	306,454
Non-expendable:	
Sixteenth section	176,517
Unrestricted	7,906,865
Total Net Position	$ 26,142,436

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

Statement of Activities
For the Year Ended June 30, 2014

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 18,522,249	$ 418,477	$ 1,772,422	$ -	$ (16,331,350)
Support services	10,685,506	-	1,161,778	-	(9,523,728)
Non-instructional	2,041,932	503,201	1,721,551	-	182,820
Sixteenth section	21,426	58,773	-	-	37,347
Interest on long-term liabilities and other debt service costs	210,769	-	-	-	(210,769)
Total Governmental Activities	$ 31,481,882	$ 980,451	$ 4,655,751	$ -	$ (25,845,680)

General Revenues:	
Taxes:	
General purpose levies	4,556,384
Debt purpose levies	669,977
Unrestricted grants and contributions:	
State	19,216,253
Federal	205,664
Unrestricted investment earnings	74,945
Sixteenth section	433,502
Other	114,670
Total General Revenues	25,271,395
Change in Net Position	(574,285)
Net Position - Beginning, as originally reported	26,869,156
Prior period adjustments	(152,435)
Net Position - Beginning, as restated	26,716,721
Net Position - Ending	$ 26,142,436

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

GEORGE COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2014

Exhibit C

	Major Funds						
	General Fund	16th Section Interest Fund	Capital Projects Fund	Capital Projects QSCB Fund	MAEP Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	$ 3,877,633	$ 2,161,460	$ 2,731,606	$ 2,333,809	$ -	$ 4,670,233	$ 15,774,741
Cash with fiscal agents	-	-	-	-	266,672	2,264	268,936
Investments	-	-	-	-	-	509,024	509,024
Due from other governments	600,659	-	-	-	285,296	318,374	1,204,329
Due from other funds	711,089	-	-	-	-	628	711,717
Inventories	-	-	-	-	-	41,282	41,282
Total assets	5,189,381	2,161,460	2,731,606	2,333,809	551,968	5,541,805	18,510,029
Liabilities:							
Accounts payable and accrued liabilities	$ 230,304	$ -	$ 304,671	$ 210,417	$ -	$ 100,921	$ 846,313
Due to other funds	-	628	-	-	203,786	355,708	560,122
Total Liabilities	230,304	628	304,671	210,417	203,786	456,629	1,406,435
Fund Balances:							
Nonspendable:							
Inventory	-	-	-	-	-	41,282	41,282
Permanent fund principal	-	-	-	-	-	176,517	176,517
Restricted:							
Debt service	-	-	-	-	348,182	1,350,713	1,698,895
Capital projects	-	-	2,426,935	2,123,392	-	-	4,550,327
Forestry improvement purposes	-	-	-	-	-	459,858	459,858
Grant activities	-	-	-	-	-	1,315,342	1,315,342
Unemployment benefits	-	-	-	-	-	306,454	306,454
Assigned:							
Activity funds	2,102,235	-	-	-	-	-	2,102,235
Capital projects	-	2,160,832	-	-	-	1,435,010	3,595,842
Unassigned	2,856,842	-	-	-	-	-	2,856,842
Total Fund Balances	4,959,077	2,160,832	2,426,935	2,123,392	348,182	5,085,176	17,103,594
Total Liabilities and Fund Balances	$ 5,189,381	$ 2,161,460	$ 2,731,606	$ 2,333,809	$ 551,968	$ 5,541,805	$ 18,510,029

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

GEORGE COUNTY SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position **Exhibit C-1**

June 30, 2014

Total fund balances for governmental funds		$ 17,103,594
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	$ 282,157	
Construction in progress	2,841,435	
Buildings	25,945,943	
Building improvements	2,611,777	
Improvements other than buildings	1,198,905	
Mobile equipment	3,737,812	
Furniture and equipment	1,482,529	
Leased property under capital leases	960,291	
Accumulated depreciation	(16,558,340)	22,502,509
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds payable	(4,000,000)	
Premium on debt issues	(18,667)	
Limited obligation bonds payable	(2,615,000)	
Three mill notes payable	(284,000)	
Qualified school construction bonds	(5,000,000)	
Shortfall notes payable	(152,885)	
Obligation under capital leases	(1,038,330)	
Compensated absences payable	(211,169)	
Accrued interest payable	(143,616)	(13,463,667)
Net position of governmental activities		$ 26,142,436

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

GEORGE COUNTY SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances **Exhibit D**

For the Year Ended June 30, 2014

	Major Funds						
	General Fund	16th Section Interest Fund	Capital Projects Fund	Capital Projects QSCB Fund	MAEP Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Local sources	$ 5,037,032	$ -	$ 10,712	$ 8,732	$ -	$ 1,213,089	$ 6,269,565
State sources	19,063,237	-	-	-	570,592	538,594	20,172,423
Federal sources	226,475	-	-	-	-	3,678,773	3,905,248
Sixteenth section sources	-	57,551	-	-	-	444,008	501,559
Total Revenues	24,326,744	57,551	10,712	8,732	570,592	5,874,464	30,848,795
Expenditures:							
Instruction	15,734,607	-	-	-	-	2,228,956	17,963,563
Support services	10,039,600	-	-	-	-	1,341,849	11,381,449
Noninstructional services	32,614	-	-	-	-	2,043,547	2,076,161
Sixteenth section	-	356	-	-	-	21,070	21,426
Facilities acquisition and construction	-	-	1,553,773	885,340	-	352,668	2,791,781
Debt service:							
Principal	519,165	-	-	-	468,000	216,000	1,203,165
Interest	-	-	-	-	72,300	10,320	82,620
Other	-	-	-	-	27,621	9,670	37,291
Total Expenditures	26,325,986	356	1,553,773	885,340	567,921	6,224,080	35,557,456
Excess (Deficiency) of Revenues over (under) Expenditures	(1,999,242)	57,195	(1,543,061)	(876,608)	2,671	(349,616)	(4,708,661)
Other Financing Sources (Uses):							
Bonds and notes issued	152,885	-	4,000,000	3,000,000	-	-	7,152,885
Premium on debt issues	-	-	19,650	-	-	-	19,650
Proceeds of refunding loans	2,615,000	-	-	-	-	-	2,615,000
Payment to refunded bond escrow agent	(2,589,686)	-	-	-	-	-	(2,589,686)
Inception of capital leases	1,557,495	-	-	-	-	-	1,557,495
Sale of transportation equipment	560	-	-	-	-	-	560
Operating transfers in	626,018	-	-	-	-	4,159,011	4,785,029
Other financing uses	(539)						(539)
Operating transfers out	(2,111,019)	(62,938)	-	-	-	(2,611,072)	(4,785,029)
Total Other Financing Sources (Uses)	250,714	(62,938)	4,019,650	3,000,000	-	1,547,939	8,755,365
Net Change in Fund Balances	(1,748,528)	(5,743)	2,476,589	2,123,392	2,671	1,198,323	4,046,704
Fund Balances:							
July 1, 2013, as originally reported	6,778,542	2,189,615	(49,654)	-	344,261	3,911,064	13,173,828
Prior period adjustments	(70,937)	(23,040)	-	-	1,250	(38,193)	(130,920)
July 1, 2013, as restated	6,707,605	2,166,575	(49,654)	-	345,511	3,872,871	13,042,908
Decrease in reserve for inventory	-	-	-	-	-	13,982	13,982
June 30, 2014	$ 4,959,077	$ 2,160,832	$ 2,426,935	$ 2,123,392	$ 348,182	$ 5,085,176	$ 17,103,594

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

GEORGE COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds		$ 4,046,704
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	$ 4,019,164	
Depreciation expense	(958,911)	3,060,253
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.		(56,728)
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	1,203,165	
Loan proceeds	(7,152,885)	
Premium on debt issues	(19,650)	
Refunding bond proceeds	(2,615,000)	
Payment to bond escrow agent	2,589,686	
Deferred amount of refunding	(1,686)	
Inception of capital leases	(1,557,495)	
Amortization of premium	983	
Accrued interest payable	(90,155)	(7,643,037)
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	4,541	
Change in inventory reserve	13,982	18,523
Change in net position of governmental activities		$ (574,285)

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

GEORGE COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities **Exhibit E**

June 30, 2014

	Agency Funds
Assets	
Cash and cash equivalents	$ 1,897,879
Total Assets	$ 1,897,879
Liabilities	
Accounts payable and other accrued liabilities	$ 1,638,649
Due to other funds	151,595
Due to student clubs	107,635
Total Liabilities	$ 1,897,879

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

The school district reports the following major governmental funds:

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

Sixteenth Section Interest Fund – This is a special revenue fund that accounts for investment activity financed through Sixteenth Section property rental activity and timber sales less expenditures for maintenance and improvements to said property.

Capital Projects Fund- This fund accounts for the capital expenditures funded with general obligation bonds.

Capital Projects QSCB Fund- This fund accounts for the capital expenditures funded with qualified school construction bonds.

MAEP Debt Service Fund – This fund accounts for the debt service of the MAEP limited obligation bonds.

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

The District's fiduciary funds include the following:

Accounts Payable Clearing Fund – This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Payroll Clearing Fund - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Student Club Fund Agency Funds – These funds are used to report student club resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

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

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

8. Long-term Liabilities and Bond Discounts/Premiums

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

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

9. Fund Balances

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

Governmental fund balance is classified as nonspendable, restricted, 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 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.

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

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that

has not been restricted or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (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 (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 assigned resources first and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7% of revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents 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 $15,774,741 and $1,897,879, respectively. The bank balance was $18,758,260.

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.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was $268,936.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government Securities	AAA	1 to 5	$ 509,024

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

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

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

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

Issuer	Fair Value	% of Total Investments
U.S. Government Securities	$ 509,024	100%

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	MAEP debt service fund	$	203,786
	Other governmental funds		355,708
	Fiduciary fund		151,595
Other governmental funds	Sixteenth section interest fund		628
Total		$	711,717

The purpose of the inter-fund loans was to cover federal and state funds not received prior to year-end.

B. Inter-fund Transfers

Transfers Out	Transfers In		Amount
General fund	Other governmental funds	$	2,111,019
Sixteenth section interest fund	Other governmental funds		62,938
Other governmental funds	General fund		626,018
	Other governmental funds		1,985,054
Total		$	4,785,029

The primary purpose of the interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling $175,889, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash balance, totaling $2,731,606, of the unspent proceeds of general obligation bonds.

In addition, the restricted assets represent the cash balance, totaling $2,333,809, of the unspent proceeds of qualified school construction bonds.

Also, the restricted assets represent the cash with fiscal agents and investment balance, totaling $2,264 and $509,024, respectively, of the qualified school construction bonds sinking funds.

In addition, the restricted assets represent the cash balance, totaling $817,805, of debt service funds whose cash is restricted for future debt service requirements.

In addition, the restricted assets represent the cash with fiscal agents balance, totaling $266,672, of the MAEP Debt Service Fund.

Note 5 – Capital Assets

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

	Balance 7/1/2013	Increases	Decreases	Adjustments	Balance 6/30/2014
Governmental Activities:					
Non-depreciable capital assets:					
Land	$ 282,157	$ -	$ -	-	$ 282,157
Construction in progress	49,654	2,791,781	-	-	2,841,435
Total non-depreciable capital assets	331,811	2,791,781	-	-	3,123,592
Depreciable capital assets:					
Buildings	25,886,602	59,341	-	-	25,945,943
Building improvements	2,611,777	-	-	-	2,611,777
Improvements other than buildings	1,198,905	-	-	-	1,198,905
Mobile equipment	3,765,259	146,214	(84,723)	(88,938)	3,737,812
Furniture and equipment	1,887,193	61,537	(454,622)	(11,579)	1,482,529
Leased property under capital leases	-	960,291	-	-	960,291
Total depreciable capital assets	35,349,736	1,227,383	(539,345)	(100,517)	35,937,257
Less accumulated depreciation for:					
Buildings	10,656,830	399,536	-	-	11,056,366
Building improvements	736,965	103,042	-	-	840,007
Improvements other than buildings	709,144	23,771	-	-	732,915
Mobile equipment	2,451,782	211,428	(32,541)	(79,002)	2,551,667
Furniture and equipment	1,606,327	84,086	(450,076)	-	1,240,337
Leased property under capital leases	-	137,048	-	-	137,048
Total accumulated depreciation	16,161,048	958,911	(482,617)	(79,002)	16,558,340
Total depreciable capital assets, net	19,188,688	268,472	(56,728)	(21,515)	19,378,917
Governmental activities capital assets, net	$ 19,520,499	$ 3,060,253	$ (56,728)	(21,515)	$ 22,502,509

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 563,227
Support services	370,921
Non-instructional	24,763
Total depreciation expense - Governmental activities	$ 958,911

Construction in progress is composed of:

	Spent to June 30, 2014	Remaining Commitment
Governmental Activities:		
Networking upgrades and renovations	$ 415,312	$ 90,091
Central Elementary Renovation	911,082	1,156,953
George County Middle Construction	552,398	1,887,724
George County High Construction	962,643	2,130,978
Total construction in progress	$ 2,841,435	$ 5,265,746

Construction projects are funded by general obligation bonds, quality school construction bonds and other local funds.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. General obligation bonds payable	$ -	$ 4,000,000	$ -	$ 4,000,000	$ 90,000
Premiums	-	19,650	(983)	18,667	983
B. Limited obligation bonds payable	3,056,000	27,000	(468,000)	2,615,000	502,000
C. Three mill notes payable	500,000	-	(216,000)	284,000	219,000
D. Qualified school construction bonds payable	2,000,000	3,000,000	-	5,000,000	-
E. Shortfall notes payable	-	152,885	-	152,885	49,956
F. Obligation under capital leases	-	1,557,495	(519,165)	1,038,330	519,165
G. Compensated absences payable	215,710	-	(4,541)	211,169	10,558
Total	$ 5,771,710	$ 8,757,030	$ (1,208,689)	$ 13,320,051	$ 1,391,662

A. General obligations bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds	3.54%	8/15/2013	8/15/2032	$ 4,000,000	$ 4,000,000
Total					

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

Year Ending June 30	Principal	Interest	Total
2015	$ 90,000	$ 204,713	$ 294,713
2016	95,000	132,713	227,713
2017	105,000	129,213	234,213
2018	110,000	125,726	235,726
2019	135,000	122,051	257,051
2020-2024	810,000	539,980	1,349,980
2025-2029	980,000	400,707	1,380,707
2030-2033	1,675,000	115,772	1,790,772
Total	$ 4,000,000	$ 1,770,875	$ 5,770,875

This debt will be retired from the General Bond Issue Retirement Fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2014, the amount of outstanding bonded indebtedness was equal to 3% of property assessments as of October 1, 2013.

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited obligation bonds Series 2013	1.68%	8/8/2013	2/1/2018	$ 2,615,000	$ 2,615,000
Total				$ 2,615,000	$ 2,615,000

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

Year Ending June 30	Principal	Interest	Total
2015	$ 502,000	$ 39,715	$ 541,715
2016	512,000	31,197	543,197
2017	522,000	22,512	544,512
2018	1,079,000	13,659	1,092,659
Total	$ 2,615,000	$ 107,083	$ 2,722,083

This debt will be retired from the MAEP Retirement Fund.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

Advance Refunding

On August 8, 2013, the district issued $2,615,000 in limited obligation bonds with an interest rate of 1.68% to advance refund $2,588,000 of outstanding bonds with an average interest rate of 3.35%. The net proceeds of $2,589,686 after payments of $25,314 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the limited obligation bonds.

As a result, the 2008 series limited obligation bonds are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advanced refunded the 2008 series limited obligation bonds to reduce its total debt service payments over the remaining 4 years of the debt by approximately $100,000 and to realize an economic gain of approximately $74,000.

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note	1.29%	8/20/2012	8/20/2015	$ 500,000	$ 284,000
Total				$ 500,000	$ 284,000

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

Year Ending June 30	Principal	Interest	Total
2015	$ 219,000	$ 3,664	$ 222,664
2016	65,000	839	65,839
Total	$ 284,000	$ 4,503	$ 288,503

This debt will be retired from the 3 mill notes payable debt service fund.

D. Qualified school construction bonds payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds payable, Series 2009	0.00%	11/5/2009	9/15/2024	$ 2,000,000	$ 2,000,000
Qualified school construction bonds payable, Series 2014	0.00%	8/15/2013	6/15/2028	$ 3,000,000	$ 3,000,000
Total				$ 5,000,000	$ 5,000,000

E. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall notes payable	2.00%	8/21/2013	8/21/2016	$ 152,885	$ 152,885

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

Year Ending June 30	Principal	Interest	Total
2015	$ 49,956	$ 3,058	$ 53,014
2016	50,955	2,059	53,014
2017	51,974	1,039	53,013
Total	$ 152,885	$ 6,156	$ 159,041

This debt will be retired from the 2013 shortfall notes payable fund.

F. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of networking and related technology equipment. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
De Lage Landen Public Finance	0.00%	10/21/2013	10/18/2015	$ 1,557,495	$ 1,038,330
Total				$ 1,557,495	$ 1,038,330

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

Year Ending June 30	Principal	Interest	Total
2015	$ 519,165	$ -	$ 519,165
2016	519,165	-	519,165
Total	$ 1,038,330	$ -	$ 1,038,330

This debt will be retired from the general fund

G. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were $2,743,219, $2,448,461 and $2,112,231, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30		Amount
2015	$	50,168
2016		48,268
2017		40,497
2018		33,233
2019		29,746
2020-2024		419,152
Total	$	621,064

Note 10 – Contingencies

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

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

Note 11 – Risk Management

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

Note 12 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond

proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2014 was $511,288. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking funds by the school district.

Year Ending June 30		Amount
2015	$	354,000
2016		354,000
2017		354,000
2018		334,000
2019		334,000
2020-2024		1,745,000
2025-2028		1,013,712
Total	$	4,488,712

Note 13 - Prior Period Adjustments

Exhibit B - Statement of Activities

Explanations		Amount
1. To correct beginning balance sheet accounts.	$	(130,920)
2. To adjust capital assets to subsidiary records.		(21,515)
Total	$	(152,435)

Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanations		Amount
General Fund	To correct beginning balance sheet accounts.	$	(70,937)
Sixteenth Section Interest Fund	To correct beginning balance sheet accounts.		(23,040)
MAEP Debt Service Fund	To correct beginning balance sheet accounts.		1,250
Other Governmental Funds	To correct beginning balance sheet accounts.		(38,193)
	Total	$	(130,920)

Note 14 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the George County School District evaluated the activity of the district through March 13, 2015, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

Debt Issued:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued
Three mill notes payable	1.35% - 1.72%	9/5/2014	9/5/2017	$550,000
Total				$550,000

REQUIRED SUPPLEMENTARY INFORMATION

GEORGE COUNTY SCHOOL DISTRICT

Required Supplementary Information

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 5,249,551	$ 5,037,032	$ 5,037,032	$ (212,519)	$ -
Intermediate sources	-	40,000	-	40,000	(40,000)
State sources	19,187,472	18,996,117	19,063,237	(191,355)	67,120
Federal sources	175,500	71,291	226,475	(104,209)	155,184
Total Revenues	24,612,523	24,144,440	24,326,744	(468,083)	182,304
Expenditures:					
Instruction	16,082,495	15,689,705	15,734,607	392,790	(44,902)
Support services	7,914,386	10,191,021	10,039,600	(2,276,635)	151,421
Sixteenth section	32,800	32,618	32,614	182	4
Debt service:					
Principal	-	519,165	519,165	(519,165)	-
Other	-	-	-	-	-
Total Expenditures	24,029,681	26,432,509	26,325,986	(2,402,828)	106,523
Excess (Deficiency) of Revenues over (under) Expenditures	582,842	(2,288,069)	(1,999,242)	(2,870,911)	288,827
Other Financing Sources (Uses):					
Bonds and notes issued	-	-	152,885	-	152,885
Refunding bonds issued	-	25,314	2,615,000	25,314	2,589,686
Inception of capital lease	-	1,557,495	1,557,495	1,557,495	-
Payment to bond escrow agent	-	-	(2,589,686)	-	(2,589,686)
Insurance loss recovery	-	31,473	-	31,473	(31,473)
Sale of transportation equipment	-	560	560	560	-
Operating transfers in	3,663,545	4,031,844	626,018	368,299	(3,405,826)
Other financing uses	-	-	(539)	-	(539)
Operating transfers out	(4,950,464)	(5,451,846)	(2,111,019)	(501,382)	3,340,827
Total Other Financing Sources (Uses)	(1,286,919)	194,840	250,714	1,481,759	55,874
Net Change in Fund Balances	(704,077)	(2,093,229)	(1,748,528)	(1,389,152)	344,701
Fund Balances:					
July 1, 2013, as originally reported	7,263,572	6,746,529	6,778,542	(517,043)	32,013
Prior period adjustments	-	(110,938)	(70,937)	(110,938)	40,001
July 1, 2013, as restated	7,263,572	6,635,591	6,707,605	(627,981)	72,014
June 30, 2014	$ 6,559,495	$ 4,542,362	$ 4,959,077	$ (2,017,133)	$ 416,715

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

GEORGE COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	$ 32,011	$ 32,011	$ 57,551	$ -	$ 25,540
Total Revenues	32,011	32,011	57,551	-	25,540
Expenditures:					
Sixteenth section	356	356	356	-	-
Total Expenditures	356	356	356	-	-
Excess (Deficiency) of Revenues over (under) Expenditures	31,655	31,655	57,195	-	25,540
Other Financing Sources (Uses):					
Operating transfers out	(2,223,770)	(2,223,770)	(62,938)	-	2,160,832
Total Other Financing Sources (Uses)	(2,223,770)	(2,223,770)	(62,938)	-	2,160,832
Net Change in Fund Balances	(2,192,115)	(2,192,115)	(5,743)	-	2,186,372
Fund Balances:					
July 1, 2013, as originally reported	2,189,615	2,189,615	2,189,615	-	-
Prior period adjustments	2,500	2,192,115	(23,040)	2,189,615	(2,215,155)
July 1, 2013, as restated	2,192,115	4,381,730	2,166,575	2,189,615	(2,215,155)
June 30, 2014	$ -	$ 2,189,615	$ 2,160,832	$ 2,189,615	$ (28,783)

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

GEORGE COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 442,534
National school lunch program	10.555	1,358,635
Summer food service program for children	10.559	10,128
Total child nutrition cluster		1,811,297
Total passed-through Mississippi Department of Education		1,811,297
Total U.S. Department of Agriculture		1,811,297
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	134,443
Total Federal Communications Commission		134,443
U.S. Department of Defense		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	54,361
Total U.S. Department of Defense		54,361
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	737,647
Career and technical education - basic grants to states	84.048	45,129
Education for homeless children and youth	84.196	22,825
Rural education	84.358	40,554
Improving teacher quality-State Grants	84.367	137,810
Teacher incentive fund	84.374	148,210
Subtotal		1,132,175
Special education cluster:		
Special education - grants to states	84.027	749,600
Special education - preschool grants	84.173	6,440
Total special education cluster		756,040
Total passed-through Mississippi Department of Education		1,888,215
Total U.S. Department of Education		1,888,215
U.S. Department of Health and Human Services		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	16,931
Total passed-through Mississippi Department of Education		16,931
Total U.S. Department of Health and Human Services		16,931
Total for All Federal Awards		$ 3,905,247

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.
4. Donated commodities of $140,137 are included in the National School Lunch Program.

GEORGE COUNTY SCHOOL DISTRICT

Supplementary Information

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

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	24,321,568	19,014,461	875,683	1,694,639	2,736,785
Other		11,235,888	3,124,876	174,083	14,679	7,922,250
Total	$	35,557,456	22,139,337	1,049,766	1,709,318	10,659,035
Total number of students *		3,745				
Cost per student	$	9,495	5,913	280	456	2,846

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

GEORGE COUNTY SCHOOL DISTRICT

Other Information

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

	2014	2013*	2012*	2011*
Revenues:				
Local sources	$ 5,037,032	$ 4,784,429	$ 4,212,511	$ 4,194,007
Intermediate sources	-	-	-	27,302
State sources	19,063,237	18,566,650	18,633,353	17,634,417
Federal sources	226,475	240,318	389,788	199,719
Total Revenues	24,326,744	23,591,397	23,235,652	22,055,445
Expenditures:				
Instruction	15,734,607	15,329,263	14,833,631	12,423,972
Support services	10,039,600	8,493,418	7,554,781	6,705,194
Noninstructional services	32,614	32,293	43,053	37,200
Facilities acquisition and construction	-	-	190,397	-
Debt service:				
Principal	519,165	-	-	-
Interest	-	-	-	-
Total Expenditures	26,325,986	23,854,974	22,621,862	19,166,366
Excess (Deficiency) of Revenues over (under) Expenditures	(1,999,242)	(263,577)	613,790	2,889,079
Other Financing Sources (Uses):				
Bonds and notes issued	152,885	500,000	225,000	-
Refunding bonds issued	2,615,000	-	-	-
Payment to bond escrow agent	(2,589,686)	-	-	-
Inception of capital leases	1,557,495	-	-	-
Insurance recovery	-	14,446	43,088	5,254
Sale of transportation equipment	560	4,985	-	-
Operating transfers in	626,018	36,823	37,863	49,571
Other financing uses	(539)	-	-	-
Operating transfers out	(2,111,019)	(837,156)	(754,711)	(742,766)
Total Other Financing Sources (Uses)	250,714	(280,902)	(448,760)	(687,941)
Net Change in Fund Balances	(1,748,528)	(544,479)	165,030	2,201,138
Fund Balances:				
Beginning of period, as originally reported	6,778,542	7,323,021	7,157,991	4,956,853
Prior period adjustment	(70,937)	-	-	-
Beginning of period, as restated	6,707,605	7,323,021	7,157,991	4,956,853
End of Period	$ 4,959,077	$ 6,778,542	$ 7,323,021	$ 7,157,991

*SOURCE - PRIOR YEAR AUDIT REPORTS

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

	2014	2013*	2012*	2011*
Revenues:				
Local sources	$ 6,269,565	$ 6,116,226	$ 5,565,109	$ 5,478,627
Intermediate sources	-	-	-	27,302
State sources	20,172,423	19,736,635	19,748,453	18,717,728
Federal sources	3,905,248	4,207,723	4,689,518	7,191,063
Sixteenth section sources	501,559	226,872	334,088	74,725
Total Revenues	30,848,795	30,287,456	30,337,168	31,489,445
Expenditures:				
Instruction	17,963,563	17,822,154	17,281,114	17,145,995
Support services	11,381,449	9,623,745	9,026,158	8,577,606
Noninstructional services	2,076,161	2,053,847	2,020,169	1,930,070
Sixteenth section	21,426	6,814	25,892	28,694
Facilities acquisition and construction	2,791,781	49,654	190,397	649,498
Debt service:				
Principal	1,203,165	887,000	1,344,255	1,075,809
Interest	82,620	129,087	173,243	213,143
Other	37,291	1,500	1,535	2,500
Total Expenditures	35,557,456	30,573,801	30,062,763	29,623,315
Excess (Deficiency) of Revenues over (under) Expenditures	(4,708,661)	(286,345)	274,405	1,866,130
Other Financing Sources (Uses):				
Bonds and notes issued	7,152,885	500,000	225,000	-
Premium on debt issues	19,650	-	-	-
Proceeds of refunding loans	2,615,000	-	-	-
Payment to refunded bond escrow agent	(2,589,686)	-	-	-
Inception of capital leases	1,557,495	-	-	-
Sale of transportation equipment	560	4,985	-	-
Insurance recovery	-	14,446	43,088	5,254
Operating transfers in	4,785,029	1,107,542	1,181,224	920,572
Other financing uses	(539)	-	-	-
Operating transfers out	(4,785,029)	(1,107,542)	(1,181,224)	(920,572)
Total Other Financing Sources (Uses)	8,755,365	519,431	268,088	5,254
Net Change in Fund Balances	4,046,704	233,086	542,493	1,871,384
Fund Balances:				
Beginning of period, as previously reported	13,173,828	12,981,983	12,427,922	10,587,259
Prior period adjustments	(130,920)	-	-	(9,117)
Beginning of period, as restated	13,042,908	12,981,983	12,427,922	10,578,142
Increase (Decrease) in reserve for inventory	13,982	(41,241)	11,568	(21,604)
End of Period	$ 17,103,594	$ 13,173,828	$ 12,981,983	$ 12,427,922

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
George County School District
Lucedale, Mississippi

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 George County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise George County School District's basic financial statements, and have issued our report thereon dated March 13, 2015.

Internal Control over Financial Reporting

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

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

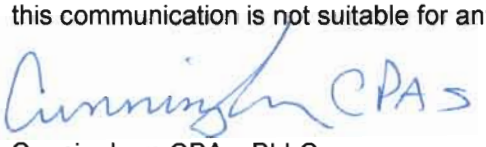
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Cunningham CPAs, PLLC

Belzoni, Mississippi

March 13, 2015

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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
George County School District
Lucedale, Mississippi

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Cunningham CPAs, PLLC

Belzoni, Mississippi

March 13, 2015

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

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

Superintendent and School Board
George County School District
Lucedale, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the George County School District as of and for the year ended June 30, 2014, which collectively comprise George County School District's basic financial statements and have issued our report thereon dated March 13, 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 reported no classroom supply funds carried over from previous years.

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

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

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

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

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

Cunningham CPAs, PLLC

Belzoni, Mississippi

March 13, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GEORGE COUNTY SCHOOL DISTRICT

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

Section I: Summary of Auditor's Results

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4.	Internal control over major programs:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified?	None reported
5.	Type of auditor's report issued on compliance for major programs:	Unmodified
6.	Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No
7.	Identification of major programs:	
	A. Child Nutrition Cluster:	
	School Breakfast Program for Children CFDA #	10.553
	National School Lunch Program CFDA #	10.555
	Summer Food Service Program CFDA #	10.559
8.	Dollar threshold used to distinguish between type A and type B programs:	$ 300,000
9.	Auditee qualified as a low-risk auditee?	Yes

GEORGE COUNTY SCHOOL DISTRICT

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

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.