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HAZLEHURST CITY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2014

HAZLEHURST CITY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
 Hazlehurst City School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hazlehurst City School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Hazlehurst City 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 opinion.

Opinion

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 Hazlehurst City 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 4-12 and 39-46 be presented to

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2015, on our consideration of the Hazlehurst City 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 Hazlehurst City School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC
Jackson, Mississippi
March 12, 2015

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2014 increased \$1,702,734, including a prior period adjustment of (\$19,014), which represents a 28% increase from fiscal year 2013. Total net position for 2013 increased \$645,641, including a prior period adjustment of (\$48,459), which represents a 12% increase from fiscal year 2012.
- General revenues amounted to \$10,709,985 and \$9,795,471, or 72% and 64% 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 \$4,228,204, or 28% of total revenues for 2014, and \$5,585,746, or 36% of total revenues for 2013.
- The District had \$13,216,441 and \$14,687,117 in expenses for fiscal years 2014 and 2013; only \$4,228,204 for 2014 and \$5,585,746 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$10,709,985 for 2014 and \$9,795,471 for 2013 were adequate to provide for these programs.
- Among major funds, the General Fund had \$10,085,238 in revenues and \$9,044,457 in expenditures for 2014, and \$9,039,076 in revenues and \$8,734,495 in expenditures in 2013. The General Fund's fund balance increased by \$1,069,182, including a prior period adjustment of (\$12,082), from 2013 to 2014, and increased by \$50,676, including a prior period adjustment of (\$45,523), from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$223,911 for 2014 and increased by \$1,426,892 for 2013. The decrease for 2014 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$284,156 for 2014 and increased by \$979,902 for 2013. The decrease for 2014 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$46,684 for 2014 and increased by \$63,224 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

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

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

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

two statements:

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$7,856,437 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.

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

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

Table 1
Condensed Statement of Net Position

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Current assets	\$ 5,114,589	\$ 3,659,692	39.75 %
Restricted assets	797,706	608,098	31.18 %
Capital assets, net	6,479,034	6,702,945	(3.34) %
Total assets	<u>12,391,329</u>	<u>10,970,735</u>	12.95 %
Current liabilities	167,791	165,775	1.22 %
Long-term debt outstanding	4,367,101	4,651,257	(6.11) %
Total liabilities	<u>4,534,892</u>	<u>4,817,032</u>	(5.86) %
Net position:			
Net investment in capital assets	2,224,010	2,236,946	(0.58) %
Restricted	1,443,990	1,589,919	(9.18) %
Unrestricted	4,188,437	2,326,838	80.01 %
Total net position	<u>\$ 7,856,437</u>	<u>\$ 6,153,703</u>	27.67 %

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

- Decrease in net capital assets in the amount of \$223,911.
- The principal retirement of \$237,472 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$14,938,189 and \$15,381,217, respectively. The total cost of all programs and services was \$13,216,441 for 2014 and \$14,687,117 for 2013.

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

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

**Table 2
Changes in Net Position**

	Year Ended June 30, 2014	Year Ended June 30, 2013	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 305,606	\$ 277,869	9.98 %
Operating grants and contributions	3,922,598	5,307,877	(26.10) %
General revenues:			
Property taxes	3,393,326	2,946,685	15.16 %
Grants and contributions not restricted	6,624,814	6,355,800	4.23 %
Investment earnings	4,241	4,109	3.21 %
Sixteenth section sources	473,459	419,369	12.90 %
Other	214,145	69,508	208.09 %
Total revenues	14,938,189	15,381,217	(2.88) %
Expenses:			
Instruction	6,177,853	7,096,396	(12.94) %
Support services	5,839,470	6,367,879	(8.30) %
Non-instructional	993,436	980,815	1.29 %
Sixteenth section	68,954	147,009	(53.10) %
Interest on long-term liabilities	136,728	95,018	43.90 %
Total expenses	13,216,441	14,687,117	(10.01) %
Increase in net position	1,721,748	694,100	148.05 %
Net Position, July 1, as previously reported	6,153,703	5,508,062	11.72 %
Prior Period Adjustment	(19,014)	(48,459)	(60.76) %
Net Position, July 1, as restated	6,134,689	5,459,603	12.37 %
Net Position, June 30	\$ 7,856,437	\$ 6,153,703	27.67 %

Governmental activities

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

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2014	2013	
Instruction	\$ 6,177,853	\$ 7,096,396	(12.94) %
Support services	5,839,470	6,367,879	(8.30) %
Non-instructional	993,436	980,815	1.29 %
Sixteenth section	68,954	147,009	(53.10) %
Interest on long-term liabilities	136,728	95,018	43.90 %
Total expenses	\$ 13,216,441	\$ 14,687,117	(10.01) %

	Net (Expense) Revenue		Percentage Change
	2014	2013	
Instruction	\$ (4,897,924)	\$ (5,163,352)	(5.14) %
Support services	(4,045,877)	(3,841,807)	5.31 %
Non-instructional	108,396	98,644	9.89 %
Sixteenth section	(16,104)	(99,838)	(83.87) %
Interest on long-term liabilities	(136,728)	(95,018)	43.90 %
Total net (expense) revenue	\$ (8,988,237)	\$ (9,101,371)	(1.24) %

- Net cost of governmental activities (\$8,988,237 for 2014 and \$9,101,371 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$3,393,326 for 2014 and \$2,946,685 for 2013) and state and federal revenues (\$6,624,814 for 2014 and \$6,355,800 for 2013). In addition, there was \$473,459 and \$419,369 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$4,241 for 2014 and \$4,109 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 \$5,809,845, an increase of \$1,667,817, which includes a prior period adjustment of (\$14,812) and an increase in inventory of \$262. \$3,263,831, or 56%, 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 \$2,546,014, or 44%, 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.

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

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,069,182, which includes a prior period adjustment of (\$12,082). The fund balance of Other Governmental Funds showed an increase in the amount of \$173,870, which includes a prior period adjustment of (\$2,730) and an increase in inventory of \$262. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no increase or decrease
Title I School Improvement Fund	no increase or decrease
Title II-A Fund	no increase or decrease
IDEA Part B Fund	no increase or decrease
Sixteenth Section Interest Fund	\$ 424,765

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions during the year were routine in nature and were insignificant when compared with total revenues and expenditures of the District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were \$11,371,530, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$146,649 from 2013. Total accumulated depreciation as of June 30, 2014, was \$4,892,496, and total depreciation expense for the year was \$366,358, resulting in total net capital assets of \$6,479,034.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 25,000	\$ 25,000	0.00 %
Buildings	1,873,689	1,929,453	(2.89) %
Building improvements	3,792,371	3,866,920	(1.93) %
Mobile equipment	677,216	775,405	(12.66) %
Furniture and equipment	110,758	106,167	4.32 %
Total	\$ 6,479,034	\$ 6,702,945	(3.34) %

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

Debt Administration. At June 30, 2014, the District had \$4,367,101 in outstanding long-term debt, of which \$249,078 is due within one year. During the fiscal year, the District made principal payments totaling \$237,472 on outstanding long-term debt. The liability for compensated absences decreased \$46,684 from the prior year.

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

Table 5
Outstanding Long-Term Debt

	June 30, 2014	June 30, 2013	Percentage Change
Three mill notes payable	\$ 29,024	\$ 56,999	(49.08) %
Transportation equipment loans payable	423,000	554,000	(23.65) %
Shortfall notes payable	55,144	81,641	(32.46) %
Qualified school construction bonds payable	3,803,000	3,855,000	(1.35) %
Compensated absences payable	56,933	103,617	(45.05) %
Total	\$ 4,367,101	\$ 4,651,257	(6.11) %

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

CURRENT ISSUES

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

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

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 Hazlehurst City School District, 119 Robert McDaniel Drive, Hazlehurst, MS 39083.

FINANCIAL STATEMENTS

HAZELHURST CITY SCHOOL DISTRICT

Statement of Net Position
June 30, 2014

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,510,279
Due from other governments	586,285
Other receivables, net	982
Inventories	17,043
Restricted assets	797,706
Capital assets, non-depreciable:	
Land	25,000
Capital assets, net of accumulated depreciation:	
Buildings	1,873,689
Building improvements	3,792,371
Mobile equipment	677,216
Furniture and equipment	110,758
Total Assets	12,391,329
Liabilities	
Accounts payable and accrued liabilities	102,205
Due to other governments	245
Interest payable on long-term liabilities	65,341
Long-term liabilities, due within one year:	
Capital related liabilities	219,024
Non-capital related liabilities	30,054
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,036,000
Non-capital related liabilities	82,023
Total Liabilities	4,534,892
Net Position	
Net investment in capital assets	2,224,010
Restricted for:	
Expendable:	
School-based activities	242,349
Debt service	703,630
Ad valorem	109,544
Forestry improvements	203,490
Unemployment benefits	53,453
Non-expendable:	
Sixteenth section	131,524
Unrestricted	4,188,437
Total Net Position	\$ 7,856,437

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

HAZLEHURST CITY SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2014

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 6,177,853	\$ 131,030	\$ 1,148,899	\$ -	\$ (4,897,924)	
Support services	5,839,470	44,566	1,749,027	-	(4,045,877)	
Non-instructional	993,436	77,160	1,024,672	-	108,396	
Sixteenth section	68,954	52,850	-	-	(16,104)	
Interest on long-term liabilities	136,728	-	-	-	(136,728)	
Total Governmental Activities	\$ 13,216,441	\$ 305,606	\$ 3,922,598	\$ -	\$ (8,988,237)	
General Revenues:						
Taxes:						
General purpose levies					3,227,585	
Debt purpose levies					165,741	
Unrestricted grants and contributions:						
State					6,492,284	
Federal					132,530	
Unrestricted investment earnings					4,241	
Sixteenth section sources					473,459	
Other					214,145	
Total General Revenues					10,709,985	
Change in Net Position					1,721,748	
Net Position - Beginning, as previously reported					6,153,703	
Prior Period Adjustments					(19,014)	
Net Position - Beginning, as restated					6,134,689	
Net Position - Ending					\$ 7,856,437	

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

HAZLEHURST CITY SCHOOL DISTRICT
Governmental Funds

Exhibit C

Balance Sheet
June 30, 2014

	Major Funds							Total Governmental Funds
	General Fund	Title I Fund	Title I School Improvement Fund	Title II-A Fund	IDEA Part B Fund	Sixteenth Section Interest Fund	Other Governmental Funds	
Assets								
Cash and cash equivalents	\$ 2,874,601	\$ -	\$ -	\$ -	\$ -	\$ 996,308	\$ 770,894	\$ 4,641,803
Cash with fiscal agents	51,175	-	-	-	-	-	615,007	666,182
Due from other governments	157,258	123,317	53,152	86,235	121,290	-	45,033	586,285
Other receivables, net	-	-	-	-	-	982	-	982
Due from other funds	417,603	-	-	-	-	-	-	417,603
Inventories	-	-	-	-	-	-	17,043	17,043
Total assets	\$ 3,500,637	\$ 123,317	\$ 53,152	\$ 86,235	\$ 121,290	\$ 997,290	\$ 1,447,977	\$ 6,329,898
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 62,624	\$ 657	\$ 3,180	\$ -	\$ 1,688	\$ 25,000	\$ 9,056	\$ 102,205
Due to other funds	245	122,660	49,972	86,235	119,602	-	39,134	417,848
Total Liabilities	62,869	123,317	53,152	86,235	121,290	25,000	48,190	520,053
Fund Balances:								
Nonspendable:								
Inventory	-	-	-	-	-	-	17,043	17,043
Permanent fund principal	-	-	-	-	-	-	131,524	131,524
Restricted:								
Debt service	-	-	-	-	-	-	768,971	768,971
Ad valorem	109,544	-	-	-	-	-	-	109,544
Forestry improvement purposes	-	-	-	-	-	-	203,490	203,490
Grant activities	-	-	-	-	-	-	29,177	29,177
Unemployment benefits	-	-	-	-	-	-	53,453	53,453
Food Service	-	-	-	-	-	-	196,129	196,129
Assigned:								
Activity funds	63,480	-	-	-	-	-	-	63,480
Sixteenth section	-	-	-	-	-	972,290	-	972,290
Other purposes	913	-	-	-	-	-	-	913
Unassigned								
	3,263,831	-	-	-	-	-	-	3,263,831
Total Fund Balances	3,437,768	-	-	-	-	972,290	1,399,787	5,809,845
Total Liabilities and Fund Balances	\$ 3,500,637	\$ 123,317	\$ 53,152	\$ 86,235	\$ 121,290	\$ 997,290	\$ 1,447,977	\$ 6,329,898

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

HAZLEHURST CITY SCHOOL DISTRICT
Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds \$ 5,809,845

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	\$	25,000	
Buildings		4,621,662	
Building improvements		4,384,975	
Mobile equipment		1,770,012	
Furniture and equipment		569,881	
Accumulated depreciation		<u>(4,892,496)</u>	6,479,034

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

Bonds payable		(3,803,000)	
Notes payable		(84,168)	
Loans payable		(423,000)	
Compensated absences		(56,933)	
Accrued interest payable		<u>(65,341)</u>	(4,432,442)

Net Position of governmental activities \$ 7,856,437

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

HAZLEHURST CITY SCHOOL DISTRICT
Governmental Funds

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

Exhibit D

	Major Funds							Total Governmental Funds
	General Fund	Title I Fund	Title I School Improvement Fund	Title II-A Fund	IDEA Part B Fund	Sixteenth Section Interest Fund	Other Governmental Funds	
Revenues:								
Local sources	\$ 3,618,206	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 245,118	\$ 3,863,324
State sources	6,275,704	-	-	-	-	-	555,019	6,830,723
Federal sources	191,328	908,966	67,267	233,575	473,784	-	1,841,769	3,716,689
Sixteenth section sources	-	-	-	-	-	467,278	60,175	527,453
Total Revenues	10,085,238	908,966	67,267	233,575	473,784	467,278	2,702,081	14,938,189
Expenditures:								
Instruction	4,906,969	299,758	57,352	43,807	123,727	-	720,589	6,152,202
Support services	3,882,939	436,111	9,915	179,602	326,683	-	744,762	5,580,012
Noninstructional services	-	47,766	-	-	-	-	941,182	988,948
Sixteenth section	-	-	-	-	-	43,040	25,914	68,954
Facilities acquisition and construction	-	-	-	-	-	-	105,052	105,052
Debt service:								
Principal	183,000	-	-	-	-	-	54,472	237,472
Interest	71,549	-	-	-	-	-	38,419	109,968
Other	-	-	-	-	-	-	1,432	1,432
Total Expenditures	9,044,457	783,635	67,267	223,409	450,410	43,040	2,631,822	13,244,040
Excess of Revenues over Expenditures	1,040,781	125,331	-	10,166	23,374	424,238	70,259	1,694,149
Other Financing Sources (Uses):								
Payments held by escrow agent	-	-	-	-	-	-	189,986	189,986
Payment to QSCB debt escrow agent	-	-	-	-	-	-	(189,986)	(189,986)
Operating transfers in	143,982	-	-	-	-	527	233,064	377,573
Operating transfers out	(103,499)	(125,331)	-	(10,166)	(12,232)	-	(126,345)	(377,573)
Other financing uses	-	-	-	-	(11,142)	-	(640)	(11,782)
Total Other Financing Sources (Uses)	40,483	(125,331)	-	(10,166)	(23,374)	527	106,079	(11,782)
Net Change in Fund Balances	1,081,264	-	-	-	-	424,765	176,338	1,682,367
Fund Balances:								
July 1, 2013, as previously reported	2,368,586	-	-	-	-	547,525	1,225,917	4,142,028
Prior period adjustments	(12,082)	-	-	-	-	-	(2,730)	(14,812)
July 1, 2013, as restated	2,356,504	-	-	-	-	547,525	1,223,187	4,127,216
Increase in inventory	-	-	-	-	-	-	262	262
June 30, 2014	\$ 3,437,768	\$ -	\$ -	\$ -	\$ -	\$ 972,290	\$ 1,399,787	\$ 5,809,845

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

HAZLEHURST CITY 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 \$ 1,682,367

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	\$ 146,649	
Depreciation expense	(366,358)	(219,709)

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

Payments of debt principal	237,472	
Accrued interest payable	(25,328)	212,144

3. Some items reported in the statement of activities do not provide or require the

Change in compensated absences	46,684	
Change in inventory	262	46,946

Change in Net Position of governmental activities	\$	1,721,748
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The notes to the financial statements are an integral part of this statement.

HAZLEHURST CITY SCHOOL DISTRICT
Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2014

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 29,110	\$ 421,626
Other receivables	-	2,026
Due from other funds	-	245
Total Assets	29,110	\$ 423,897
Liabilities		
Accounts payable and accrued liabilities	-	\$ 423,897
Total Liabilities	-	\$ 423,897
Net Position		
Reserved for endowments	29,110	
Total Net Position	\$ 29,110	

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

HAZLEHURST CITY SCHOOL DISTRICT
Fiduciary Funds

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2014

Exhibit F

		Private-Purpose Trust Funds
Additions		
Interest on investments	\$	-
Contributions and donations from private sources		-
Total Additions		-
Deductions		
Scholarships awarded		-
Total Deductions		-
Change in Net Position		-
Net Position		
July 1, 2013		29,110
June 30, 2014	\$	29,110

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

HAZLEHURST CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Hazlehurst since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Hazlehurst City 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. The effect of inter-fund activity has been eliminated from the government-wide 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

HAZLEHURST CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

Title I Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred related to the District's Title I Program.

Title I School Improvement Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred to improve the instruction and curriculum within the District.

Title II-A Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred related to the District's Title II-A Improving Teacher Quality Program.

IDEA Part B Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred to assist the District in providing a free appropriate public education to all children with disabilities.

Sixteenth Section Interest Fund - This special revenue fund accounts for expendable revenues derived from the use of sixteenth section lands held in trust by the school district and from investment of sixteenth section funds.

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

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

The District's fiduciary funds include the following:

Scholarship Fund - This is a fund used to report a trust arrangement, other than those properly reported elsewhere, in which the principal and income benefit students through the awarding of scholarships.

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified

HAZLEHURST CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

purposes other than debt service or capital projects.

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

Ad valorem property taxes are levied by the governing authority of the city on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district,

HAZLEHURST CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

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 2013 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.

HAZLEHURST CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

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.

HAZLEHURST CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based 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 non-spendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Non-spendable 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

HAZLEHURST CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board. Currently there is no committed fund balance for this school district.

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

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

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

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

Note 2 – Cash and Cash Equivalents and Cash with Fiscal Agents

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.

HAZLEHURST CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

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 \$4,641,803 and \$450,736, respectively. The carrying amount of deposits in the government-wide financial statements was reported as cash and cash equivalents of \$4,510,279 and a portion of restricted assets in the amount of \$131,524 (see Note 4). The bank balance was \$5,480,908.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2014, none of the district's bank balance of \$5,480,908 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$666,182.

HAZLEHURST CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 122,660
	Title I School Improvement Fund	49,972
	Title II-A Fund	86,235
	IDEA Part B Fund	119,602
	Other governmental funds	39,134
Fiduciary funds	General Fund	245
Total		<u>\$ 417,848</u>

The primary purpose of the inter-fund receivables and payables was to close out federal program funds as part of routine year-end closing procedures. All inter-fund receivables and payables are expected to be repaid within one year.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 103,499
	General Fund	23,584
Title I Fund	Other governmental funds	101,747
	General Fund	6,979
Title II-A Fund	Other governmental funds	3,187
	General Fund	12,232
IDEA Part B Fund	General Fund	101,187
Other governmental funds	General Fund	527
	Sixteenth Section Interest Fund	24,631
	Other governmental funds	<u>24,631</u>
Total		<u>\$ 377,573</u>

Operating transfers were primarily for the following: indirect cost transfers, unemployment compensation transfers, the transfer of General Funds to a capital projects fund, and other routine operating transfers.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$131,524 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 with fiscal agent balance totaling \$615,007 of the QSCB Debt Service Fund and the cash with fiscal agent balance totaling \$51,175 in the General Fund resulting from payments to a sinking fund for the repayment of the transportation equipment loan. Total restricted assets reported on the Statement of Net Position is \$797,706..

HAZLEHURST CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

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:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 25,000				\$ 25,000
Total non-depreciable capital assets	25,000	-	-	-	25,000
<u>Depreciable capital assets:</u>					
Buildings	4,621,662				4,621,662
Building improvements	4,279,923	105,052			4,384,975
Mobile equipment	1,762,390	7,622			1,770,012
Furniture and equipment	535,906	33,975			569,881
Total depreciable capital assets	11,199,881	146,649	-	-	11,346,530
<u>Less accumulated depreciation for:</u>					
Buildings	2,692,209	55,764			2,747,973
Building improvements	413,003	175,399		4,202	592,604
Mobile equipment	986,985	105,811			1,092,796
Furniture and equipment	429,739	29,384			459,123
Total accumulated depreciation	4,521,936	366,358	-	4,202	4,892,496
Total depreciable capital assets, net	6,677,945	(219,709)	-	(4,202)	6,454,034
Governmental activities capital assets, net	\$ 6,702,945	\$ (219,709)	\$ -	\$ (4,202)	\$ 6,479,034

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 69,198
Support services	290,076
Non-instructional	7,084
Total depreciation expense - Governmental activities	\$ 366,358

HAZLEHURST CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 6 – Long-term Liabilities

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

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. Three mill notes payable	\$ 56,999		\$ 27,975	\$ 29,024	\$ 29,024
B. Transportation equipment loans payable	554,000		131,000	423,000	136,000
C. Shortfall notes payable	81,641		26,497	55,144	27,207
D. Qualified school construction bonds payable	3,855,000		52,000	3,803,000	54,000
E. Compensated absences payable	103,617		46,684	56,933	2,847
Total	\$ 4,651,257	\$ -	\$ 284,156	\$ 4,367,101	\$ 249,078

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note	3.75%	8/31/2009	8/31/2014	\$ 135,000	\$ 29,024
Total				\$ 135,000	\$ 29,024

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 29,024	\$ 1,088	\$ 30,112
Total	\$ 29,024	\$ 1,088	\$ 30,112

This debt will be retired from the Educational Enhancement Building and Buses Fund (Special Revenue Fund).

The school District has pledged a portion of future Educational Enhancement Fund revenues to repay the three mill notes payable. Proceeds of the notes were used to improve various school facilities. **Annual principal and interest payments on the notes are expected to require approximately 50% of future Educational Enhancement Building and Buses Fund revenues until the final payment on the three mill notes payable on August 31, 2014.**

HAZLEHURST CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

B. Transportation equipment loans payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Transportation Note,					
Series 2011	3.98%	6/28/2011	3/31/2017	\$ 804,400	\$ 423,000
Total				<u>\$ 804,400</u>	<u>\$ 423,000</u>

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 136,000	\$ 16,835	\$ 152,835
2016	141,000	11,423	152,423
2017	146,000	5,811	151,811
Total	<u>\$ 423,000</u>	<u>\$ 34,069</u>	<u>\$ 457,069</u>

This debt will be retired from the District Maintenance Fund (General Fund).

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall Note,					
Series 2012	2.68%	8/2/2012	8/2/2015	\$ 81,641	\$ 55,144
Total				<u>\$ 81,641</u>	<u>\$ 55,144</u>

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 27,207	\$ 1,478	\$ 28,685
2016	27,937	748	28,685
Total	<u>\$ 55,144</u>	<u>\$ 2,226</u>	<u>\$ 57,370</u>

This debt will be retired from the Shortfall Note Fund (Debt Service Fund).

D. Qualified school construction bonds payable

As more fully explained in Note 13, debt has been issued by the school district that qualifies as

HAZLEHURST CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QSCB, Series 2009	1.19%	11/24/2009	9/15/2024	\$ 2,865,000	\$ 2,865,000
QSCB, Series 2012	5.00%	10/24/2012	10/24/2027	990,000	938,000
Total				<u>\$ 3,855,000</u>	<u>\$ 3,803,000</u>

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

1. QSCB, Series 2009 issued on November 24, 2009:

Year Ending June 30	Principal	Interest	Total
2015	\$ -	\$ 34,094	\$ 34,094
2016	-	34,094	34,094
2017	-	34,094	34,094
2018	-	34,094	34,094
2019	-	34,094	34,094
2020 – 2024	-	170,467	170,467
2025	2,865,000	34,094	2,899,094
Total	<u>\$ 2,865,000</u>	<u>\$ 375,031</u>	<u>\$ 3,240,031</u>

This debt will be retired from the Three Mill Note Fund (Debt Service Fund) and Educational Enhancement Building and Buses Fund (Special Revenue Fund).

The School District has pledged a portion of future Educational Enhancement Fund revenues to pay the annual sinking fund payments for the qualified school construction bonds payable. Proceeds of the bonds were used to improve various school facilities. The annual sinking fund Payments on the bonds are expected to require approximately 50% of future Educational Enhancement Building and Buses Fund revenues through 2015 and then are expected to require 100% of such revenues until the final sinking fund payment is made on September 15, 2024.

2. QSCB, Series 2012 issued on October 24, 2012:

Year Ending June 30	Principal	Interest	Total
2015	\$ 54,000	\$ 46,900	\$ 100,900
2016	56,000	44,200	100,200
2017	56,000	41,400	97,400
2018	59,000	38,600	97,600
2019	59,000	35,650	94,650
2020 – 2024	335,000	131,300	466,300
2025 – 2028	319,000	40,700	359,700
Total	<u>\$ 938,000</u>	<u>\$ 378,750</u>	<u>\$ 1,316,750</u>

HAZLEHURST CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

This debt will be retired from the QSCB Investment Fund 2 (Debt Service Fund).
Total QSCB payments for all issues:

Year Ending June 30	Principal	Interest	Total
2015	\$ 54,000	\$ 80,994	\$ 134,994
2016	56,000	78,294	134,294
2017	56,000	75,494	131,494
2018	59,000	72,694	131,694
2019	59,000	69,744	128,744
2020 – 2024	335,000	301,767	636,767
2025 – 2028	3,184,000	74,794	3,258,794
Total	\$ 3,803,000	\$ 753,781	\$ 4,556,781

E. 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

Operating leases:

The school district had an operating lease for fifteen copiers. Lease expenditures for the year ended June 30, 2014, amounted to \$67,878. The lease terminated in June, 2014, and the copiers were returned by the district.

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 \$1,002,361, \$1,043,901 and \$902,021, 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

HAZLEHURST CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

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	\$ 126,801
2016	126,360
2017	125,520
2018	79,264
2019	50,321
2020 – 2024	210,415
2025 – 2029	197,215
2030 – 2034	188,879
Thereafter	162,043
Total	<u>\$ 1,266,818</u>

Note 10 – Prior Period Adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. To record prior year revenues and expenditures at the governmental fund level	\$ (14,812)
2. To correct prior year accumulated depreciation of building improvements	(4,202)
Total	<u>\$ (19,014)</u>

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

Fund	Explanation	Amount
General Fund	To record prior year revenues and expenditures	\$ (12,082)
Other governmental funds	To record prior year expenditures	(2,730)
Total		<u>\$ (14,812)</u>

HAZLEHURST CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 11 – Contingencies

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any 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 12 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 94 school districts and covers risks of loss arising from injuries to the members' employees.

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

Note 13 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

HAZLEHURST CITY SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2014

For the QSCB, Series 2009 issued on November 24, 2009, 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 \$615,007. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2015	\$ 190,000
2016	206,000
2017	206,000
2018	206,000
2019	206,000
2020 – 2024	1,030,000
2025	206,000
Total	<u>\$ 2,250,000</u>

For the QSCB, Series 2012 issued on October 24, 2012, annual principal and interest payments are due on the anniversary of the date of issuance. The interest component consists of the annual interest that accrues at the per annum **interest** rate approved in the agreement. The district is, however, eligible for a direct cash subsidy to reimburse a portion of the interest paid on the QSCB.

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 Hazlehurst City School District evaluated the activity of the **district** through March 12, 2015, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

HAZLEHURST CITY SCHOOL DISTRICT
Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,398,376	\$ 3,618,206	\$ 3,618,206	\$ 219,830	\$ -
State sources	6,141,698	6,275,704	6,275,704	134,006	-
Federal sources	242,114	191,328	191,328	(50,786)	-
Total Revenues	9,782,188	10,085,238	10,085,238	303,050	-
Expenditures:					
Instruction	5,366,678	4,906,969	4,906,969	459,709	-
Support services	4,118,333	3,882,939	3,882,939	235,394	-
Debt service:					
Principal	183,000	183,000	183,000	-	-
Interest	71,549	71,549	71,549	-	-
Total Expenditures	9,739,560	9,044,457	9,044,457	695,103	-
Excess (Deficiency) of Revenues over (under) Expenditures	42,628	1,040,781	1,040,781	998,153	-
Other Financing Sources (Uses):					
Operating transfers in	124,178	171,118	143,982	46,940	(27,136)
Operating transfers out	(66,026)	(130,635)	(103,499)	(64,609)	27,136
Other financing uses	(132,778)	-	-	132,778	-
Total Other Financing Sources (Uses)	(74,626)	40,483	40,483	115,109	-
Net Change in Fund Balances	(31,998)	1,081,264	1,081,264	1,113,262	-
Fund Balances:					
July 1, 2013, as previously reported	2,353,498	2,368,586	2,368,586	15,088	-
Prior period adjustments	-	(12,082)	(12,082)	(12,082)	-
July 1, 2013, as restated	2,353,498	2,356,504	2,356,504	3,006	-
June 30, 2014	\$ 2,321,500	\$ 3,437,768	\$ 3,437,768	\$ 1,116,268	\$ -

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

HAZLEHURST CITY SCHOOL DISTRICT
Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,022,359	\$ 1,205,532	\$ 908,966	\$ 183,173	\$ (296,566)
Total Revenues	1,022,359	1,205,532	908,966	183,173	(296,566)
Expenditures:					
Instruction	270,713	360,423	299,758	(89,710)	60,665
Support services	549,504	604,986	436,111	(55,482)	168,875
Noninstructional services	56,331	72,599	47,766	(16,268)	24,833
Total Expenditures	876,548	1,038,008	783,635	(161,460)	254,373
Excess (Deficiency) of Revenues over (under) Expenditures	145,811	167,524	125,331	21,713	(42,193)
Other Financing Sources (Uses):					
Operating transfers out	(145,811)	(167,524)	(125,331)	(21,713)	42,193
Total Other Financing Sources (Uses)	(145,811)	(167,524)	(125,331)	(21,713)	42,193
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ -

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

HAZLEHURST CITY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title I School Improvement Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ -	\$ 89,191	\$ 67,267	\$ 89,191	\$ (21,924)
Total Revenues	-	89,191	67,267	89,191	(21,924)
Expenditures:					
Instruction	-	74,391	57,352	(74,391)	17,039
Support services	-	14,800	9,915	(14,800)	4,885
Total Expenditures	-	89,191	67,267	(89,191)	21,924
 Excess (Deficiency) of Revenues over (under) Expenditures	 -	 -	 -	 -	 -
Other Financing Sources (Uses):					
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
 Net Change in Fund Balances	 -	 -	 -	 -	 -
Fund Balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ -

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

HAZLEHURST CITY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title II-A Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 377,392	\$ 360,264	\$ 233,575	\$ (17,128)	\$ (126,689)
Total Revenues	377,392	360,264	233,575	(17,128)	(126,689)
Expenditures:					
Instruction	44,009	47,663	43,807	(3,654)	3,856
Support services	319,935	296,139	179,602	23,796	116,537
Total Expenditures	363,944	343,802	223,409	20,142	120,393
Excess (Deficiency) of Revenues over (under) Expenditures	13,448	16,462	10,166	3,014	(6,296)
Other Financing Sources (Uses):					
Operating transfers out	(13,448)	(16,462)	(10,166)	(3,014)	6,296
Total Other Financing Sources (Uses)	(13,448)	(16,462)	(10,166)	(3,014)	6,296
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ -

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

HAZLEHURST CITY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
IDEA Part B Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 600,462	\$ 687,514	\$ 473,784	\$ 87,052	\$ (213,730)
Total Revenues	600,462	687,514	473,784	87,052	(213,730)
Expenditures:					
Instruction	137,383	138,210	123,727	(827)	14,483
Support services	425,958	520,474	326,683	(94,516)	193,791
Noninstructional services	32	500	-	(468)	500
Total Expenditures	563,373	659,184	450,410	(95,811)	208,774
Excess (Deficiency) of Revenues over (under) Expenditures	37,089	28,330	23,374	(8,759)	(4,956)
Other Financing Sources (Uses):					
Operating transfers out	(37,089)	(17,188)	(12,232)	19,901	4,956
Other financing uses	-	(11,142)	(11,142)	(11,142)	-
Total Other Financing Sources (Uses)	(37,089)	(28,330)	(23,374)	8,759	4,956
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ -

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

HAZLEHURST CITY SCHOOL DISTRICT
Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 401,482	\$ 467,278	\$ 467,278	\$ 65,796	\$ -
Total Revenues	401,482	467,278	467,278	65,796	-
Expenditures:					
Sixteenth section	31,100	43,040	43,040	(11,940)	-
Total Expenditures	31,100	43,040	43,040	(11,940)	-
Excess (Deficiency) of Revenues over (under) Expenditures	370,382	424,238	424,238	53,856	-
Other Financing Sources (Uses):					
Operating transfers in	130	527	527	397	-
Operating transfers out	(310,000)	-	-	310,000	-
Total Other Financing Sources (Uses)	(309,870)	527	527	310,397	-
Net Change in Fund Balances	60,512	424,765	424,765	364,253	-
Fund Balances:					
July 1, 2013	798,657	547,525	547,525	(251,132)	-
June 30, 2014	\$ 859,169	\$ 972,290	\$ 972,290	\$ 113,121	\$ -

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

HAZLEHURST CITY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2014

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

HAZLEHURST CITY SCHOOL DISTRICT
Supplemental Information

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 227,609
National school lunch program	10.555	807,636
Summer food service program for children	10.559	20,153
Total child nutrition cluster		1,055,398
Total passed-through Mississippi Department of Education		1,055,398
Total U.S. Department of Agriculture		1,055,398
<u>U.S. Department of Defense</u>		
Direct Programs:		
Reserve Officers' Training Corps	12.xxx	58,798
Total U.S. Department of Defense		58,798
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	85,671
Total Federal Communications Commission		85,671
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,013,933
Career and technical education - basic grants to states	84.048	20,994
Rehabilitation services_vocational rehabilitation grants to states	84.126	882
Improving teacher quality state grants	84.367	233,575
ARRA- School Improvement Grants, Recovery Act	84.388	731,812
Subtotal		2,001,196
Special education cluster:		
Special education - grants to states	84.027	473,784
Special education - preschool grants	84.173	7,561
Total special education cluster		481,345
Total passed-through Mississippi Department of Education		2,482,541
Total U.S. Department of Education		2,482,541
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	4,984
Total passed-through Mississippi Department of Education		4,984
Total U.S. Department of Health and Human Services		4,984
Total for All Federal Awards		\$ 3,687,392

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.

HAZLEHURST CITY SCHOOL DISTRICT
Supplemental 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	\$ 9,016,889	6,277,540	608,018	718,424	1,412,907
Other	4,227,151	1,612,617	493,861	737	2,119,936
Total	\$ 13,244,040	7,890,157	1,101,879	719,161	3,532,843
Total number of students *	1,446				
Cost per student	\$ 9,159	5,457	762	497	2,443

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

HAZLEHURST CITY 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	\$ 3,618,206	\$ 3,020,893	\$ 2,892,376	\$ 2,526,761
State sources	6,275,704	5,981,924	5,932,000	5,621,487
Federal sources	191,328	36,259	70,403	610,472
Total Revenues	10,085,238	9,039,076	8,894,779	8,758,720
Expenditures:				
Instruction	4,906,969	4,952,482	4,834,573	3,862,401
Support services	3,882,939	3,626,869	3,807,091	4,644,252
Debt service:				
Principal	183,000	128,000	142,700	27,146
Interest	71,549	27,144	25,064	13,626
Total Expenditures	9,044,457	8,734,495	8,809,428	8,547,425
Excess (Deficiency) of Revenues over (under) Expenditures	1,040,781	304,581	85,351	211,295
Other Financing Sources (Uses):				
Bonds and notes issued		81,641		804,400
Insurance recovery			1,000	22,348
Sale of transportation equipment				7,827
Operating transfers in	143,982	262,505	576,660	631,170
Operating transfers out	(103,499)	(552,528)	(318,764)	(377,415)
Total Other Financing Sources (Uses)	40,483	(208,382)	258,896	1,088,330
Net Change in Fund Balances	1,081,264	96,199	344,247	1,299,625
Fund Balances:				
Beginning of period, as originally reported	2,368,586	2,317,910	2,082,826	699,597
Prior period adjustments	(12,082)	(45,523)	(109,163)	83,604
Beginning of period, as restated	2,356,504	2,272,387	1,973,663	783,201
End of Period	\$ 3,437,768	\$ 2,368,586	\$ 2,317,910	\$ 2,082,826

*SOURCE - PRIOR YEAR AUDIT REPORTS

HAZLEHURST CITY SCHOOL DISTRICT
Other Information

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

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 3,863,324	\$ 3,250,236	\$ 3,165,350	\$ 2,781,841
State sources	6,830,723	6,598,283	6,435,556	6,143,484
Federal sources	3,716,689	5,065,398	5,762,857	6,148,548
Sixteenth section sources	527,453	467,300	496,115	689,087
Total Revenues	14,938,189	15,381,217	15,859,878	15,762,960
Expenditures:				
Instruction	6,152,202	7,017,512	6,614,488	6,536,245
Support services	5,580,012	6,078,939	7,293,825	7,232,294
Noninstructional services	988,948	967,080	993,050	965,606
Sixteenth section	68,954	147,009	69,145	232,812
Facilities acquisition and construction	105,052	1,741,066		1,052,409
Debt service:				
Principal	237,472	154,963	168,689	79,049
Interest	109,968	64,386	63,281	46,247
Other	1,432			5,130
Total Expenditures	13,244,040	16,170,955	15,202,478	16,149,792
Excess (Deficiency) of Revenues over (under) Expenditures	1,694,149	(789,738)	657,400	(386,832)
Other Financing Sources (Uses):				
Bonds and notes issued		1,071,641		804,400
Proceeds of loans				
Insurance recovery			1,000	22,348
Payment held by escrow agent	189,986	161,990	128,993	134,000
Payment to escrow agent	(189,986)	(161,990)	(128,993)	(134,000)
Sale of transportation equipment				7,827
Sale of other property				
Operating transfers in	377,573	949,043	897,759	1,008,585
Operating transfers out	(377,573)	(949,043)	(897,759)	(1,008,585)
Other financing uses	(11,782)			
Total Other Financing Sources (Uses)	(11,782)	1,071,641	1,000	834,575
Net Change in Fund Balances	1,682,367	281,903	658,400	447,743
Fund Balances:				
Beginning of period, as originally reported	4,142,028	3,912,745	3,379,924	2,934,281
Prior period adjustments	(14,812)	(48,459)	(123,615)	(6,688)
Beginning of period, as restated	4,127,216	3,864,286	3,256,309	2,927,593
Increase (Decrease) in reserve for inventory	262	(4,161)	(1,964)	4,588
End of Period	\$ 5,809,845	\$ 4,142,028	\$ 3,912,745	\$ 3,379,924

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



WATKINS, WARD AND STAFFORD

Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
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Perry C. Rackley, Jr., CPA

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
Hazlehurst City School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hazlehurst City School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Hazlehurst City School District's basic financial statements, and have issued our report thereon dated March 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hazlehurst City 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 Hazlehurst City School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hazlehurst City 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 Hazlehurst City 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*.

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.

Watkins, Ward and Stafford, PLLC
Jackson, Mississippi
March 12, 2015

Watkins Ward and Stafford, P.C.



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 Certified Public Accountants

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

Superintendent and School Board
 Hazlehurst City School District

Report on Compliance for Each Major Federal Program

We have audited Hazlehurst City 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 Hazlehurst City School District's major federal programs for the year ended June 30, 2014. Hazlehurst City 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 Hazlehurst City 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 Hazlehurst City 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 Hazlehurst City School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Hazlehurst City 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 Hazlehurst City 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 Hazlehurst City 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 Hazlehurst City 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.

Watkins, Ward and Stafford, PLLC
Jackson, Mississippi
March 12, 2015

Watkins Ward and Stafford, PLLC

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



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 Certified Public Accountants

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

Superintendent and School Board
 Hazlehurst City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hazlehurst City School District as of and for the year ended June 30, 2014, which collectively comprise Hazlehurst City School District's basic financial statements and have issued our report thereon dated March 12, 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 a zero balance of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements 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 and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Watkins, Ward and Stafford, PLLC
 Jackson, Mississippi
 March 12, 2015

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HAZLEHURST CITY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | None reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

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

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.388	School Improvement Grant
84.027; 84.173	Special Education Cluster
84.010	Title I Cluster

- | | | |
|-----|---|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133. | No |

HAZLEHURST CITY 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.