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ITAWAMBA COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Itawamba County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8-17 and 50-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Tupelo, MS
March 12, 2015

A handwritten signature in cursive script that reads "J. E. Vance & Company". The signature is written in dark ink and is positioned to the right of the typed date.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

Total net position for 2014 increased \$313,502, including prior period adjustments of \$102,758, which represents a 1% increase from fiscal year 2013. Total net position for 2013 increased \$868,246, including a prior period adjustment of (203,107), which represents a 4% increase from fiscal year 2012.

General revenues amounted to \$23,729,207 and \$23,423,418, or 84% and 81% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,591,139, or 16% of total revenues for 2014, and \$5,475,693, or 19 % of total revenues for 2013.

The District had \$28,109,602 and \$27,827,758 in expenses for fiscal years 2014 and 2013; only \$4,591,139 for 2014 and \$5,475,693 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$23,729,207 for 2014 and \$23,423,418 for 2013 were adequate to provide for these programs.

Among major funds, the General Fund had \$22,692,695 in revenues and \$22,628,233 in expenditures for 2014, and \$22,421,722 in revenues and \$21,767,397 in expenditures in 2013. The General Fund's fund balance decreased by \$1,270,250 from 2013 to 2014, and increased by \$999,458 from 2012 to 2013.

Capital assets, net of accumulated depreciation, decreased by \$485,732 for 2014 and increased by \$104,830 for 2013. The decrease for 2014 was primarily due to the increase in accumulated depreciation.

Long-term debt decreased by \$1,824,863 for 2014 and decreased by \$1,597,666 for 2013. This decrease for 2014 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$4,614 for 2014 and decreased by \$10,942 for 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund (if applicable) 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 \$22,933,811 as of June 30, 2014.

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2014	June 30, 2013	Percentage Change
Current assets	\$ 7,199,881	\$ 6,789,838	6.04 %
Restricted assets	861,172	677,262	27.15 %
Capital assets, net	29,515,818	30,001,550	-1.62 %
Total assets	37,576,871	37,468,650	0.29 %
Current liabilities	1,974,707	355,125	456.06 %
Long-term debt outstanding	12,668,353	14,493,216	-12.59 %
Total liabilities	14,643,060	14,848,341	-1.38 %
Net position:			
Net investment in capital assets	17,583,818	16,620,550	5.80 %
Restricted	2,276,438	1,993,072	14.22 %
Unrestricted	3,073,555	4,006,687	-23.29 %
Total net position	\$ 22,933,811	\$ 22,620,309	1.39 %

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 \$485,732.
- Decrease in long-term debt outstanding in the amount of \$1,824,863.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$28,320,346 and \$28,899,111, respectively. The total cost of all programs and services was \$28,109,602 for 2014 and \$27,827,758 for 2013.

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

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2014</u>	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,092,666	\$ 1,116,748	(2.16) %
Operating grants and contributions	3,380,618	4,358,945	(22.44) %
Capital Grants and Contributions	117,855	-0-	N/A %
General revenues:			
Property taxes	6,588,996	6,241,013	5.58 %
Grants and contributions not restricted	17,058,966	17,026,890	0.19 %
Investment earnings	13,909	15,126	(8.05) %
Other	67,336	140,389	(52.04) %
Total revenues	<u>28,320,346</u>	<u>28,899,111</u>	(2.00) %
Expenses:			
Instruction	17,344,600	18,021,917	(3.76) %
Support services	8,206,314	7,670,431	6.99 %
Non-instructional	2,109,969	1,690,424	24.82 %
Sixteenth section	-0-	2,035	(100.00) %
Interest on long-term liabilities	448,719	442,951	1.30 %
Total expenses	<u>28,109,602</u>	<u>27,827,758</u>	1.01 %
Increase in net position	<u>210,744</u>	<u>1,071,353</u>	(80.33) %
Net Position, July 1, as previously reported	<u>22,620,309</u>	<u>21,752,063</u>	3.99 %
Prior Period Adjustments	<u>102,758</u>	<u>(203,107)</u>	150.59 %
Net Position, July 1, as restated	<u>22,723,067</u>	<u>21,548,956</u>	5.45 %
Net Position, June 30	<u><u>\$ 22,933,811</u></u>	<u><u>\$ 22,620,309</u></u>	1.39 %

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2014	2013	
Instruction	\$ 17,344,600	\$ 18,021,917	(3.76) %
Support services	8,206,314	7,670,431	6.99 %
Non-instructional	2,109,969	1,690,424	24.82 %
Sixteenth section	-0-	2,035	(100.00) %
Interest on long-term liabilities	448,719	442,951	1.30 %
Total expenses	\$ 28,109,602	\$ 27,827,758	1.01 %

	Net (Expense) Revenue		Percentage Change
	2014	2013	
Instruction	\$ (15,199,835)	\$ (15,076,520)	0.82 %
Support services	(7,642,080)	(7,070,938)	8.08 %
Non-instructional	(227,829)	240,379	(194.78) %
Sixteenth section	-0-	(2,035)	(100.00) %
Interest on long-term liabilities	(448,719)	(442,951)	1.30 %
Total net (expense) revenue	\$ (23,518,463)	\$ (22,352,065)	5.22 %

- Net cost of governmental activities (\$23,518,463 for 2014 and \$22,352,065 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$6,588,996 for 2014 and \$6,241,013 for 2013) and state and federal revenues (\$17,058,966 for 2014 and \$17,026,890 for 2013).
- Investment earnings amounted to \$13,909 for 2014 and \$15,126 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 \$6,283,911, a decrease of \$970,743, which includes a prior period adjustment of (\$18,768) and a decrease in inventory of \$15,129. \$3,809,908 or 61% 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 \$2,474,003 or 39% is either nonspendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was 1,270,250. The fund balance of Other Governmental Funds showed an increase in the amount of \$299,507, which includes a prior period adjustment of (\$18,768) and a decrease in reserve for inventory of \$15,129. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Bond issue retirement fund	\$	No change

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were \$46,095,931, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$304,655 from 2013. Total accumulated depreciation as of June 30, 2014, was \$16,580,113, and total depreciation expense for the year was \$992,167, resulting in total net capital assets of \$29,515,818.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 1,161,634	\$ 1,161,634	0.00 %
Buildings	25,168,155	25,719,747	(2.14) %
Building improvements	926,092	1,079,378	(14.20) %
Improvements other than buildings	1,026,669	1,070,568	(4.10) %
Mobile equipment	1,039,556	821,889	26.48 %
Furniture and equipment	193,712	148,334	30.59 %
Total	\$ <u>29,515,818</u>	\$ <u>30,001,550</u>	(1.62) %

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 \$12,668,353 in outstanding long-term debt, of which \$1,828,487 is due within one year. The liability for compensated absences increased \$4,614 from the prior year. During the fiscal year, the District received proceeds from the issuance of shortfall notes in the amount of \$25,758 and made principal payments on long-term debt in the amount of \$1,855,235.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 3,030,000	\$ 3,560,000	(14.89) %
Limited obligation refunding bonds payable	2,493,000	2,943,000	(15.29) %
Certificates of participation payable	925,000	1,175,000	(21.28) %
Three mill notes payable	2,484,000	2,703,000	(8.10) %
Shortfall notes payable	416,093	796,570	(47.76) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	<u>320,260</u>	<u>315,646</u>	1.46 %
Total	<u>\$ 12,668,353</u>	<u>\$ 14,493,216</u>	(12.59) %

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

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal financial controls 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 local, state and federal revenues.

Enrollment for the 2013- 2014 year decreased by 1% to 3,270 students.

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 Itawamba County School District, 605 S. Cummings Street, Fulton, MS 38843.

FINANCIAL STATEMENTS

**ITAWAMBA COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014**

Exhibit A

		Governmental Activities
Assets		
Cash and cash equivalents	\$	6,134,386
Due from other governments		980,286
Other receivables, net		42,015
Inventories		43,194
Restricted assets		861,172
Capital assets, non-depreciable:		
Land		1,161,634
Capital assets, net of accumulated depreciation:		
Buildings		25,168,155
Building improvements		926,092
Improvements other than buildings		1,026,669
Mobile equipment		1,039,556
Furniture and equipment		193,712
Total Assets		37,576,871
Liabilities		
Accounts payable and accrued liabilities		1,777,142
Interest payable on long-term liabilities		197,565
Long-term liabilities, due within one year:		
Capital related liabilities		1,508,000
Non-capital related liabilities		320,487
Long-term liabilities, due beyond one year:		
Capital related liabilities		10,424,000
Non-capital related liabilities		415,866
Total Liabilities		14,643,060
Net Position		
Net investment in capital assets		17,583,818
Restricted for:		
Expendable:		
School-based activities		135,997
Debt service		1,924,162
Capital improvements		125,227
Unemployment benefits		91,052
Unrestricted		3,073,555
Total Net Position	\$	22,933,811

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 17,344,600	627,485	1,517,280		\$ (15,199,835)
Support services	8,206,314		446,379	117,855	(7,642,080)
Non-instructional	2,109,969	465,181	1,416,959		(227,829)
Interest on long-term liabilities	448,719				(448,719)
Total Governmental Activities	\$ 28,109,602	1,092,666	3,380,618	117,855	\$ (23,518,463)

General Revenues:

Taxes:

General purpose levies	5,270,511
Debt purpose levies	1,318,485

Unrestricted grants and contributions:

State	16,883,999
Federal	174,967
Unrestricted investment earnings	13,909
Other	67,336
Total General Revenues	23,729,207

Change in Net Position 210,744

Net Position - Beginning, as previously reported 22,620,309
 Prior Period Adjustments 102,758

Net Position - Beginning, as restated 22,723,067

Net Position - Ending \$ 22,933,811

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2014**

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	Bond Issue Retirement Fund	Other Governmental Funds		
Assets					
Cash and cash equivalents	\$ 4,470,271	438,558	1,225,557	\$	6,134,386
Investments			861,172		861,172
Due from other governments	413,722	18,152	548,412		980,286
Other receivables	42,015				42,015
Due from other funds	542,349	3,371	109,057		654,777
Inventories			43,194		43,194
Total Assets	\$ 5,468,357	460,081	2,787,392	\$	8,715,830
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,546,021		231,121	\$	1,777,142
Due to other funds	112,428	301,000	241,349		654,777
Total Liabilities	1,658,449	301,000	472,470		2,431,919
Fund Balances:					
Nonspendable:					
Inventory			43,194		43,194
Restricted:					
Debt service		159,081	1,962,646		2,121,727
Capital projects			125,227		125,227
Unemployment benefits			91,052		91,052
Grant activities			92,803		92,803
Unassigned					
Total Fund Balances	3,809,908	159,081	2,314,922		6,283,911
Total Liabilities and Fund Balances	\$ 5,468,357	460,081	2,787,392	\$	8,715,830

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
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 \$ 6,283,911

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	\$	1,161,634	
Buildings		37,009,059	
Building improvements		1,061,295	
Improvements other than buildings		1,849,373	
Mobile equipment		4,061,763	
Furniture and equipment		952,807	
Accumulated depreciation		<u>(16,580,113)</u>	29,515,818

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

General obligation bonds		3,030,000	
Limited obligation bonds		2,493,000	
Certificates of participation		925,000	
Three mill notes payable		2,484,000	
Shortfall notes payable		416,093	
Qualified school construction bonds		3,000,000	
Compensated absences		320,260	
Accrued interest payable		<u>197,565</u>	<u>(12,865,918)</u>

Net position of governmental activities \$ 22,933,811

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
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	Bond Issue Retirement Fund	Other Governmental Funds	
Revenues:				
Local sources	\$ 5,973,147	659,571	1,130,191	\$ 7,762,909
State sources	16,545,279		1,252,130	17,797,409
Federal sources	174,269		2,585,760	2,760,029
Total Revenues	<u>22,692,695</u>	<u>659,571</u>	<u>4,968,081</u>	<u>28,320,347</u>
Expenditures:				
Instruction	14,816,544		1,869,429	16,685,973
Support services	7,481,464	1,284	738,553	8,221,301
Noninstructional services			2,087,864	2,087,864
Debt service:				
Principal	250,000	530,000	1,075,235	1,855,235
Interest	77,160	129,718	217,495	424,373
Other	3,065	1,940	3,200	8,205
Total Expenditures	<u>22,628,233</u>	<u>662,942</u>	<u>5,991,776</u>	<u>29,282,951</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>64,462</u>	<u>(3,371)</u>	<u>(1,023,695)</u>	<u>(962,604)</u>
Other Financing Sources (Uses):				
Proceeds of loans	25,758			25,758
Operating transfers in		3,371	1,371,867	1,375,238
Operating transfers out	(1,360,470)		(14,768)	(1,375,238)
Total Other Financing Sources (Uses)	<u>(1,334,712)</u>	<u>3,371</u>	<u>1,357,099</u>	<u>25,758</u>
Net Change in Fund Balances	<u>(1,270,250)</u>	<u>-0-</u>	<u>333,404</u>	<u>(936,846)</u>
Fund Balances:				
July 1, 2013, as originally reported	5,080,158	159,081	2,015,415	7,254,654
Prior period adjustments			(18,768)	(18,768)
July 1, 2013, as restated	<u>5,080,158</u>	<u>159,081</u>	<u>1,996,647</u>	<u>7,235,886</u>
Decrease in reserve for inventory			(15,129)	(15,129)
June 30, 2014	<u>\$ 3,809,908</u>	<u>159,081</u>	<u>2,314,922</u>	<u>\$ 6,283,911</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2014**

Exhibit D-1

Net change in fund balances - total governmental funds	\$	(936,846)
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	349,601	
Depreciation expense	<u>(992,167)</u>	(642,566)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.		
		(3,437)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of 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:		
Bonds and notes issued	(25,758)	
Payments of debt principal	1,855,235	
Accrued interest payable	<u>(16,141)</u>	1,813,336
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	(4,614)	
Change in inventory reserve	<u>(15,129)</u>	<u>(19,743)</u>
Change in net position of governmental activities	\$	<u><u>210,744</u></u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
 FIDUCIARY FUNDS STATEMENT OF
 FIDUCIARY ASSETS AND LIABILITIES
 FOR YEAR ENDED JUNE 30, 2014**

Exhibit E

		<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$	89,206
Due from other funds		<u>1,508,391</u>
Total Assets	\$	<u><u>1,597,597</u></u>
 Liabilities		
Accounts payable and accrued liabilities	\$	1,508,391
Due to student clubs		<u>89,206</u>
Total Liabilities	\$	<u><u>1,597,597</u></u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies

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

Basis of Presentation

In June 2011, the GASB issued GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is effective for periods beginning after December 15, 2011. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

In March 2012, the GASB issued GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for periods beginning after December 15, 2012, with earlier implementation encouraged. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

Implementation of the above GASB statements resulted in a prior period adjustment of (\$38,745) to remove previously deferred bond issue costs.

Financial Reporting Entity

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

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

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

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

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

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

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

The school district reports the following major governmental funds:

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

Bond Issue Retirement Fund – This debt service fund accounts for the accumulation of resources for, and the payment of principal, interest, and related costs of the District’s general obligation bond issue.

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

The District’s fiduciary funds include the following:

Payroll Clearing Fund – This fund is used to account for all payroll transactions including salaries and wages, withholding, employee benefits, and payroll taxes.

School Agency Account Fund – This fund is used to account for student club funds.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

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.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Encumbrances

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

Assets, liabilities, deferred outflows/inflows, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

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 School Construction Bond sinking funds.

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.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

8. Compensated Absences

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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.

10. Fund Balances

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

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

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

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are not restricted. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted. Assignments of fund balance are created by the Superintendent and Business Manager pursuant to authorization established by the policy adopted by the school district. There are currently no assigned fund balances reported by the District.

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of 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 Investments

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

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 2: Cash and Cash Equivalents and Investments (Continued)

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) and bond sinking funds (Debt Service 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 \$6,134,386 and \$89,206, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 2: Cash and Cash Equivalents and Investments (Continued)

Investments

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Hancock Horizon Treasury Securities Market Mutual Funds	AAAm		\$ 236,908
Trustmark Treasury Securities Market Mutual Funds	AAAm		624,264
Total			\$ <u>861,172</u>

This amount is also reflected as a restricted asset on Exhibit A (see Note 4).

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. The instruments in the Hancock Horizon Treasury Securities Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 3: Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Bond Issue Retirement Fund	\$ 301,000
General Fund	Other Governmental Funds	241,349
Bond Issue Retirement Fund	General Fund	3,371
Other Governmental Funds	General Fund	<u>109,057</u>
Total		<u>\$ 654,777</u>

The purpose of the Due from/To other funds balances was to cover deficit cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Bond Issue Retirement Fund	\$ 3,371
General Fund	Other Governmental Funds	1,357,099
Other Governmental Funds	Other Governmental Funds	<u>14,768</u>
Total		<u>\$ 1,375,238</u>

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

Note 4: Restricted Assets

The restricted assets represent the investment balance in the amount of \$624,264 of the QSCB Sinking Fund. In addition, the restricted assets represent the investment balance in the amount of \$236,908 of the MAEP Bonds Capitalized Interest Fund.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR 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	\$ 1,161,634				1,161,634
Total non-depreciable capital assets	<u>1,161,634</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,161,634</u>
<u>Depreciable capital assets:</u>					
Buildings	36,901,925			107,134	37,009,059
Building improvements	1,168,429			(107,134)	1,061,295
Improvements other than buildings	1,849,373				1,849,373
Mobile equipment	3,840,012	254,951	33,200		4,061,763
Furniture and equipment	869,903	94,650	11,746		952,807
Total depreciable capital assets	<u>44,629,642</u>	<u>349,601</u>	<u>44,946</u>	<u>-0-</u>	<u>44,934,297</u>
<u>Less accumulated depreciation for:</u>					
Buildings	11,182,178	702,898		(44,172)	11,840,904
Building improvements	89,051	42,452		3,700	135,203
Improvements other than buildings	778,805	43,899			822,704
Mobile equipment	3,018,123	156,431	29,880	(122,467)	3,022,207
Furniture and equipment	721,569	46,487	11,629	2,668	759,095
Total accumulated depreciation	<u>15,789,726</u>	<u>992,167</u>	<u>41,509</u>	<u>(160,271)</u>	<u>16,580,113</u>
Total depreciable capital assets, net	<u>28,839,916</u>	<u>(642,566)</u>	<u>3,437</u>	<u>160,271</u>	<u>28,354,184</u>
Governmental activities capital assets, net	<u>\$ 30,001,550</u>	<u>(642,566)</u>	<u>3,437</u>	<u>160,271</u>	<u>29,515,818</u>

Adjustments were made to reverse erroneous prior period calculations of accumulated depreciation and to re-categorize a building addition.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental activities:	
Instruction	\$ 666,513
Support services	247,353
Non-instructional	<u>78,301</u>
Total depreciation expense	<u>\$ 992,167</u>

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR 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. General obligation bonds payable	\$ 3,560,000	\$	\$ 530,000	\$ 3,030,000	\$ 555,000
B. Limited obligation refunding bonds payable	2,943,000		450,000	2,493,000	465,000
C. Certificates of participation	1,175,000		250,000	925,000	260,000
D. Three mill notes payable	2,703,000		219,000	2,484,000	228,000
E. Shortfall notes payable	796,570	25,758	406,235	416,093	320,487
F. Qualified school construction bonds payable	3,000,000			3,000,000	
G. Compensated absences payable	315,646	4,614		320,260	
Total	<u>\$ 14,493,216</u>	<u>\$ 30,372</u>	<u>\$ 1,855,235</u>	<u>\$ 12,668,353</u>	<u>\$ 1,828,487</u>

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 2003	3.5-4.0%	4/1/2003	4/1/2019	\$ 6,700,000	3,030,000
Total				<u>\$ 6,700,000</u>	<u>3,030,000</u>

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 555,000	\$ 111,698	\$ 666,698
2016	580,000	92,273	672,273
2017	605,000	71,393	676,393
2018	630,000	48,705	678,705
2019	660,000	25,080	685,080
Total	<u>\$ 3,030,000</u>	<u>\$ 349,149</u>	<u>\$ 3,379,149</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 6: Long-term Liabilities (Continued)

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2014, the amount of outstanding bonded indebtedness was equal to 2% of property assessments as of October 1, 2013.

B. Limited obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds, Series 2008	3.32%	4/15/2008	2/1/2018	\$ 4,282,000	2,493,000
Total				<u>\$ 4,282,000</u>	<u>2,493,000</u>

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 465,000	\$ 75,049	\$ 540,049
2016	480,000	59,362	539,362
2017	496,000	43,160	539,160
2018	1,052,000	26,410	1,078,410
Total	<u>\$ 2,493,000</u>	<u>\$ 203,981</u>	<u>\$ 2,696,981</u>

This debt will be retired from the MAEP Debt Fund.

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 6: Long-term Liabilities (Continued)

C. Certificates of participation payable

As more fully explained in Note 11, certificates of participation have been issued by the school district. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 1998	4.5-5.7%	6/1/1998	6/1/2018	\$ 1,300,000	370,000
Series 2001	3.1-4.8%	10/1/2001	10/1/2016	2,200,000	555,000
Total				<u>\$ 3,500,000</u>	<u>925,000</u>

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

1. Certificates of participation issue date of 6/1/1998:

Year Ending June 30	Principal	Interest	Total
2015	\$ 85,000	\$ 18,130	\$ 103,130
2016	90,000	13,965	103,965
2017	95,000	9,555	104,555
2018	100,000	4,900	104,900
Total	<u>\$ 370,000</u>	<u>\$ 46,550</u>	<u>\$ 416,550</u>

This debt will be retired from the District Maintenance Fund.

2. Certificates of participation issue date of 10/1/2001:

Year Ending June 30	Principal	Interest	Total
2015	\$ 175,000	\$ 22,080	\$ 197,080
2016	185,000	13,708	198,708
2017	195,000	4,680	199,680
Total	<u>\$ 555,000</u>	<u>\$ 40,468</u>	<u>\$ 595,468</u>

This debt will be retired from the District Maintenance Fund.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 6: Long-term Liabilities (Continued)

Total certificates of participation payments for all issues:

Year Ending June 30	Principal	Interest	Total
2015	\$ 260,000	\$ 40,210	\$ 300,210
2016	275,000	27,673	302,673
2017	290,000	14,235	304,235
2018	100,000	4,900	104,900
Total	<u>\$ 925,000</u>	<u>\$ 87,018</u>	<u>\$ 1,012,018</u>

D. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2009	3.97%	7/15/2008	7/15/2023	3,500,000	2,484,000
Total				<u>\$ 3,500,000</u>	<u>2,484,000</u>

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 228,000	\$ 98,615	\$ 326,615
2016	237,000	89,563	326,563
2017	200,000	80,154	280,154
2018	260,000	72,214	332,214
2019	330,000	61,892	391,892
2020-2024	1,229,000	136,806	1,365,806
Total	<u>\$ 2,484,000</u>	<u>\$ 539,244</u>	<u>\$ 3,023,244</u>

This debt will be retired from the Three Mill Debt Retirement Fund.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 6: Long-term Liabilities (Continued)

E Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2011	2.32%	8/1/2011	10/1/2014	692,292	236,076
Series 2012	2.67%	8/15/2012	8/15/2015	228,393	154,259
Series 2013	2.23%	10/15/2013	10/15/2016	25,758	25,758
Total				\$ 946,443	416,093

1. Shortfall notes payable issue of 8/1/2011:

Year Ending June 30	Principal	Interest	Total
2015	\$ 236,076	\$ 5,477	\$ 241,553
Total	\$ 236,076	\$ 5,477	\$ 241,553

This debt will be retired from the Shortfall Debt Retirement Fund.

2. Shortfall notes payable issue of 8/15/2012:

Year Ending June 30	Principal	Interest	Total
2015	\$ 76,114	\$ 4,119	\$ 80,233
2016	78,145	2,086	80,231
Total	\$ 154,259	\$ 6,205	\$ 160,464

This debt will be retired from the Shortfall Debt Retirement Fund.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 6: Long-term Liabilities (Continued)

3. Shortfall notes payable issue of 10/15/2013:

Year Ending June 30	Principal	Interest	Total
2015	\$ 8,297	\$ 674	\$ 8,971
2016	8,585	387	8,972
2017	8,876	96	8,972
Total	<u>\$ 25,758</u>	<u>\$ 1,157</u>	<u>\$ 26,915</u>

This debt will be retired from the Shortfall Debt Retirement Fund.

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2015	\$ 320,487	\$ 10,270	\$ 330,757
2016	86,730	2,473	89,203
2017	8,876	96	8,972
Total	<u>\$ 416,093</u>	<u>\$ 12,839</u>	<u>\$ 428,932</u>

F. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2010	0.84%	1/15/2010	9/15/2024	3,000,000	3,000,000

G. Compensated absences payable

As more fully explained in Note 1(E)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann.(1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 7: Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$2,476,783, \$2,237,964, and \$1,945,108, respectively, which equaled the required contributions for each year.

Note 8: Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. To restate net position due to implementation of GASB 65.	\$ (38,745)
2. To adjust accumulated depreciation to correct amounts.	160,271
3. To adjust FY13 Extended School Year receivable.	<u>(18,768)</u>
Total	<u>\$ 102,758</u>

Exhibit D - Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds – Extended School Year Fund

Explanation	Amount
<u>Other Governmental Funds - Extended School Year</u>	
1. To adjust FY13 Extended School Year receivable.	\$ <u>(18,768)</u>
Total	<u>\$ (18,768)</u>

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 9: 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 10: Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 94 school districts and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 11: Trust Certificates

A trust agreement date June 1, 1998, was executed by and between the school district and the Itawamba County School District Finance Corporation, with the People's Bank of Biloxi, Mississippi as trustee. The trust agreement authorized the issuance of trust certificates in the principal amount of \$1,300,000. The proceeds are to be used for capital improvements within the school district.

Another trust agreement dated October 1, 2001, was executed by and between the school district and the Itawamba County School District Finance Corporation, with the First National Bank of Clarksdale, Mississippi as trustee. The trust agreement authorized the issuance of trust certificates in the principal amount of \$2,200,000. The proceeds are to be used for capital improvements within the school district.

The above projects are leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-51, et seq., Miss. Code Ann. (1972). The leases represent capital leases under which ownership of the projects will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustees in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustees to pay the principal and interest payments due on the trust certificates.

It is not anticipated the projects will have sufficient value to satisfy the certificates in the event the school district defaults under the leases; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for the details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

Note 12: Qualified School Construction Bonds

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2014**

Note 12: Qualified School Construction Bonds (Continued)

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.

The school district makes equal annual payments into a sinking fund which is used to payoff 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 \$624,264. 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	\$ 175,000
2016	200,000
2017	200,000
2018	200,000
2019	200,000
2020 - 2024	1,000,000
2025 - 2029	310,976
Total	\$ <u>2,285,976</u>

Note 13: Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Itawamba County 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 no subsequent events have occurred requiring disclosure in the notes to the financial statements:

REQUIRED SUPPLEMENTARY INFORMATION

**ITAWAMBA COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 5,589,407	6,080,793	5,973,147	491,386	(107,646)
State sources	17,076,914	16,545,279	16,545,279	(531,635)	-0-
Federal sources	207,630	84,578	174,269	(123,052)	89,691
Total Revenues	<u>22,873,951</u>	<u>22,710,650</u>	<u>22,692,695</u>	<u>(163,301)</u>	<u>(17,955)</u>
Expenditures:					
Instruction	14,870,084	14,816,544	14,816,544	53,540	-0-
Support services	7,329,945	7,481,464	7,481,464	(151,519)	-0-
Debt service:					
Principal	425,000	250,000	250,000	175,000	-0-
Interest	51,960	77,160	77,160	(25,200)	-0-
Other	5,500	3,065	3,065	2,435	-0-
Total Expenditures	<u>22,682,489</u>	<u>22,628,233</u>	<u>22,628,233</u>	<u>54,256</u>	<u>-0-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>191,462</u>	<u>82,417</u>	<u>64,462</u>	<u>(109,045)</u>	<u>(17,955)</u>
Other Financing Sources (Uses):					
Proceeds of loans	-0-	-0-	25,758	-0-	25,758
Insurance loss recoveries	-0-	7,654	-0-	7,654	(7,654)
Indirect costs	10,000	-0-	-0-	(10,000)	-0-
Operating transfers in	2,745,504	2,825,481	-0-	79,977	(2,825,481)
Operating transfers out	(3,223,689)	(4,185,951)	(1,360,470)	(962,262)	2,825,481
Total Other Financing Sources (Uses)	<u>(468,185)</u>	<u>(1,352,816)</u>	<u>(1,334,712)</u>	<u>(884,631)</u>	<u>18,104</u>
Net Change in Fund Balance	(276,723)	(1,270,399)	(1,270,250)	(993,676)	149
Fund Balance					
July 1, 2013	<u>5,080,158</u>	<u>5,080,158</u>	<u>5,080,158</u>	<u>-0-</u>	<u>-0-</u>
June 30, 2014	\$ <u>4,803,435</u>	<u>3,809,759</u>	<u>3,809,908</u>	<u>(993,676)</u>	<u>149</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR YEAR ENDED JUNE 30, 2014**

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR 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	\$ 430,553
National school lunch program	10.555	1,191,412
Total child nutrition cluster		<u>1,621,965</u>
Total passed-through Mississippi Department of Education		<u>1,621,965</u>
Total U.S. Department of Agriculture		<u>1,621,965</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The School Libraries Program of the Universal Service Fund	32.XXX	90,390
Total Federal Communications Commission		<u>90,390</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	65,065
Rural education	84.358	37,438
Improving teacher quality-State Grants	84.367	178,132
Subtotal		<u>280,635</u>
Title I Part A cluster:		
Title I grants to local educational agencies	84.010	644,092
Total Title I Part A cluster		<u>644,092</u>
Special education cluster:		
Special education - grants to states	84.027	202,452
Special education - preschool grants	84.173	36,186
Total special education cluster		<u>238,638</u>
Total passed-through Mississippi Department of Education		<u>1,163,365</u>
Total U.S. Department of Education		<u>1,163,365</u>
Total for All Federal Awards		<u>\$ 2,875,720</u>

NOTES TO SCHEDULE

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND
OTHER EXPENDITURES – GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2014**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits \$	21,745,346	16,900,956	723,021	1,728,200	2,393,169
Other	<u>7,537,605</u>	<u>1,653,078</u>	<u>228,346</u>	<u>126,592</u>	<u>5,529,589</u>
Total	<u>\$ 29,282,951</u>	<u>18,554,034</u>	<u>951,367</u>	<u>1,854,792</u>	<u>7,922,758</u>
Total number of students *	<u>3,270</u>				
Cost per student	<u>\$ 8,955</u>	<u>5,674</u>	<u>291</u>	<u>567</u>	<u>2,423</u>

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type - (all the 1000, 2100, & 2200 functional codes.)

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s).

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s).

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GENERAL FUND
LAST FOUR YEARS**

	2014	UNAUDITED		
		2013*	2012*	2011*
Revenues:				
Local sources	\$ 5,973,147	\$ 5,768,986	\$ 5,915,724	\$ 5,121,793
State sources	16,545,279	16,531,955	16,584,842	15,306,219
Federal sources	174,269	120,781	108,259	170,643
Total Revenues	<u>22,692,695</u>	<u>22,421,722</u>	<u>22,608,825</u>	<u>20,598,655</u>
Expenditures:				
Instruction	14,816,544	14,592,681	13,808,948	11,139,437
Support services	7,481,464	7,018,096	6,580,470	6,013,618
Sixteenth section				2,397
Facilities acquisition and construction		43,767	36,969	107,185
Debt service:				
Principal	250,000	80,000	230,000	220,000
Interest	77,160	29,813	98,918	83,715
Other	3,065	3,040	3,390	3,040
Total Expenditures	<u>22,628,233</u>	<u>21,767,397</u>	<u>20,758,695</u>	<u>17,569,392</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>64,462</u>	<u>654,325</u>	<u>1,850,130</u>	<u>3,029,263</u>
Other Financing Sources (Uses):				
Bonds and notes issued	25,758	228,393	692,292	295,416
Insurance recoveries				41,155
Sale of transportation equipment			326	
Operating transfers in		800,250	2,879	2,878
Operating transfers out	(1,360,470)	(683,510)	(1,502,154)	(985,575)
Total Other Financing Sources (Uses)	<u>(1,334,712)</u>	<u>345,133</u>	<u>(806,657)</u>	<u>(646,126)</u>
Net Change in Fund Balances	<u>(1,270,250)</u>	<u>999,458</u>	<u>1,043,473</u>	<u>2,383,137</u>
Fund Balances:				
Beginning of period, as originally reported	5,080,158	4,080,700	3,037,227	705,536
Prior period adjustments				(51,446)
Beginning of period, as restated	<u>5,080,158</u>	<u>4,080,700</u>	<u>3,037,227</u>	<u>654,090</u>
End of Period	\$ <u>3,809,908</u>	\$ <u>5,080,158</u>	\$ <u>4,080,700</u>	\$ <u>3,037,227</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

**ITAWAMBA COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUNDS
LAST FOUR YEARS**

	2014	UNAUDITED		
		2013*	2012*	2011*
Revenues:				
Local sources	\$ 7,762,909	\$ 7,561,749	\$ 7,800,177	\$ 6,859,871
State sources	17,797,409	17,821,036	17,747,433	16,499,210
Federal sources	2,760,029	3,516,326	3,656,308	5,660,665
Total Revenues	<u>28,320,347</u>	<u>28,899,111</u>	<u>29,203,918</u>	<u>29,019,746</u>
Expenditures:				
Instruction	16,685,973	17,327,874	16,523,298	15,527,393
Support services	8,221,301	7,725,714	7,902,596	7,365,943
Noninstructional services	2,087,864	1,603,703	2,015,818	1,937,465
Sixteenth section		2,035		2,397
Facilities acquisition and construction		1,029,905	421,900	579,756
Debt service:				
Principal	1,855,235	1,826,059	1,536,534	1,390,913
Interest	424,373	481,745	611,118	553,932
Other	8,205	7,930	8,315	5,980
Total Expenditures	<u>29,282,951</u>	<u>30,004,965</u>	<u>29,019,579</u>	<u>27,363,779</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(962,604)</u>	<u>(1,105,854)</u>	<u>184,339</u>	<u>1,655,967</u>
Other Financing Sources (Uses):				
Bonds and notes issued	25,758	228,393	692,292	295,416
Insurance recoveries				41,155
Payment held by escrow agent		175,000		
Payment to QSCB debt escrow agent		(175,000)		
Sale of transportation equipment			326	
Operating transfers in	1,375,238	1,483,760	1,505,033	999,842
Operating transfers out	(1,375,238)	(1,483,760)	(1,505,033)	(999,842)
Total Other Financing Sources (Uses)	<u>25,758</u>	<u>228,393</u>	<u>692,618</u>	<u>336,571</u>
Net Change in Fund Balances	<u>(936,846)</u>	<u>(877,461)</u>	<u>876,957</u>	<u>1,992,538</u>
Fund Balances:				
Beginning of period, as originally reported	7,254,654	8,140,111	7,270,549	5,270,139
Prior period adjustments	(18,768)	(21,987)		2
Beginning of period, as restated	<u>7,235,886</u>	<u>8,118,124</u>	<u>7,270,549</u>	<u>5,270,141</u>
Increase (Decrease) in reserve for inventory	<u>(15,129)</u>	<u>13,991</u>	<u>(7,395)</u>	<u>7,870</u>
End of Period	<u>\$ 6,283,911</u>	<u>\$ 7,254,654</u>	<u>\$ 8,140,111</u>	<u>\$ 7,270,549</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
Itawamba County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Itawamba County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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 the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Tupelo, MS
March 12, 2015

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

J.E. VANCE & COMPANY, P.A.

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

Superintendent and School Board
Itawamba County School District

Report on Compliance for Each Major Federal Program

We have audited Itawamba County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The 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 the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

Tupelo, MS
March 12, 2015



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

Superintendent and School Board
Itawamba County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Itawamba County School District as of and for the year ended June 30, 2014, which collectively comprise the 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 \$4,706 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, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Tupelo, MS
March 12, 2015

J. E. Vance & Company

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED JUNE 30, 2014**

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|---|---|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |
| 7. Identification of major programs: | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| 10.553, 10.555 | Child Nutrition Cluster |
| 84.010 | Title I Part A |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | No |

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR 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.