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MARSHALL 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
Marshall 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 Marshall 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 Marshall 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 Marshall 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 8-18 and 48-51 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 Marshall 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 December 15, 2014, on our consideration of the Marshall 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 Marshall County School District's internal control over financial reporting and compliance.

Tupelo, MS
December 15, 2014

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

Total net position for 2014 decreased \$929,356, including a prior period adjustment of 37,266, which represents a 5% decrease from fiscal year 2013. Total net position for 2013 decreased \$861,706, including prior period adjustments of \$(102,140), which represents a 4% decrease from fiscal year 2012.

General revenues amounted to \$20,482,074 and \$19,675,246, or 78% and 77% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,784,391, or 22% of total revenues for 2014, and \$5,768,468, or 23% of total revenues for 2013.

The District had \$27,233,087 and \$26,203,280 in expenses for fiscal years 2014 and 2013; only \$5,784,391 for 2014 and \$5,768,468 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,482,074 for 2014 and \$19,675,246 for 2013 were not adequate to provide for these programs.

Among major funds, the General Fund had \$19,530,164 in revenues and \$21,086,743 in expenditures for 2014, and \$18,769,675 in revenues and \$20,213,537 in expenditures in 2013. The General Fund's fund balance increased by \$460,473, including a prior period adjustment of \$37,266, from 2013 to 2014, and decreased by \$995,680 from 2012 to 2013.

Among major funds, the School Food Service Fund had \$2,323,803 in revenues and \$2,096,683 in expenditures for 2014, and \$2,312,579 in revenues and \$2,009,059 in expenditures in 2013. The School Food Service Fund's fund balance increased by \$164,284 from 2013 to 2014, and increased by \$303,679 from 2012 to 2013.

Among major funds, the Title I-A Fund had \$1,129,430 in revenues and \$1,115,098 in expenditures for 2014, and \$989,483 in revenues and \$1,237,032 in expenditures in 2013. There were no changes in the Title I-A Fund's fund balance from 2013 to 2014, or from 2012 to 2013.

Among major funds, the \$8,000,000 Debt Retirement Fund had \$588,317 in revenues and \$597,103 in expenditures for 2014, and \$519,701 in revenues and \$592,053 in expenditures in 2013. The \$8,000,000 Debt Retirement Fund's fund balance decreased by \$8,786 from 2013 to 2014, and decreased by \$72,352 from 2012 to 2013.

Capital assets, net of accumulated depreciation, decreased by \$529,140 for 2014 and decreased by \$86,027 for 2013. The decrease for 2014 was primarily due to the increase in accumulated depreciation.

Long-term debt decreased by \$854,795 for 2014 and decreased by \$795,159 for 2013. This decrease for 2014 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$3,462 for 2014 and decreased by \$8,529 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 non-fiduciary 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 and deferred outflows of resources exceeded liabilities by \$19,439,903 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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage</u>
Current assets	\$ 6,315,461	\$ 7,769,623	(18.72) %
Restricted assets	993,795	798,552	24.45 %
Capital assets, net	20,218,748	20,747,888	(2.55) %
Total assets	<u>27,528,004</u>	<u>29,316,063</u>	(6.10) %
Deferred outflows of resources	<u>55,505</u>	<u>69,311</u>	(19.92) %
Current liabilities	490,510	508,224	(3.49) %
Long-term debt outstanding	7,653,096	8,507,891	(10.05) %
Total liabilities	<u>8,143,606</u>	<u>9,016,115</u>	(9.68) %
Net position:			
Net investment in capital assets	12,775,292	12,459,981	2.53 %
Restricted	2,970,584	4,672,261	(36.42) %
Unrestricted	3,694,027	3,237,017	14.12 %
Total net position	<u>\$ 19,439,903</u>	<u>\$ 20,369,259</u>	(4.56) %

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

- Decrease in current assets in the amount of \$1,454,162.
- Decrease in net capital assets in the amount of \$529,140.
- Decrease in long-term debt outstanding in the amount of \$854,795.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$26,266,465 and \$25,443,714, respectively. The total cost of all programs and services was \$27,233,087 for 2014 and \$26,203,280 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	\$ 793,593	\$ 796,578	(0.37) %
Operating grants and contributions	4,886,868	4,871,856	0.31 %
Capital Grants and Contributions	103,930	100,034	3.89 %
General revenues:			
Property taxes	5,043,934	4,807,158	4.93 %
Grants and contributions not restricted	15,345,903	14,629,819	4.89 %
Investment earnings	82,621	212,754	(61.17) %
Other	9,616	25,515	(62.31) %
Total revenues	<u>26,266,465</u>	<u>25,443,714</u>	3.23 %
Expenses:			
Instruction	14,273,929	14,068,009	1.46 %
Support services	10,674,728	9,919,361	7.62 %
Non-instructional	2,089,926	2,005,039	4.23 %
Interest on long-term liabilities	194,504	210,871	(7.76) %
Total expenses	<u>27,233,087</u>	<u>26,203,280</u>	3.93 %
Decrease in net position	<u>(966,622)</u>	<u>(759,566)</u>	27.26 %
Net Position, July 1, as previously reported	<u>20,369,259</u>	<u>21,230,965</u>	(4.06) %
Prior Period Adjustments	<u>37,266</u>	<u>(102,140)</u>	(136.49) %
Net Position, July 1, as restated	<u>20,406,525</u>	<u>21,128,825</u>	(3.42) %
Net Position, June 30	<u>\$ 19,439,903</u>	<u>\$ 20,369,259</u>	(4.56) %

Figure 1
Sources of Revenues for Fiscal Year 2014

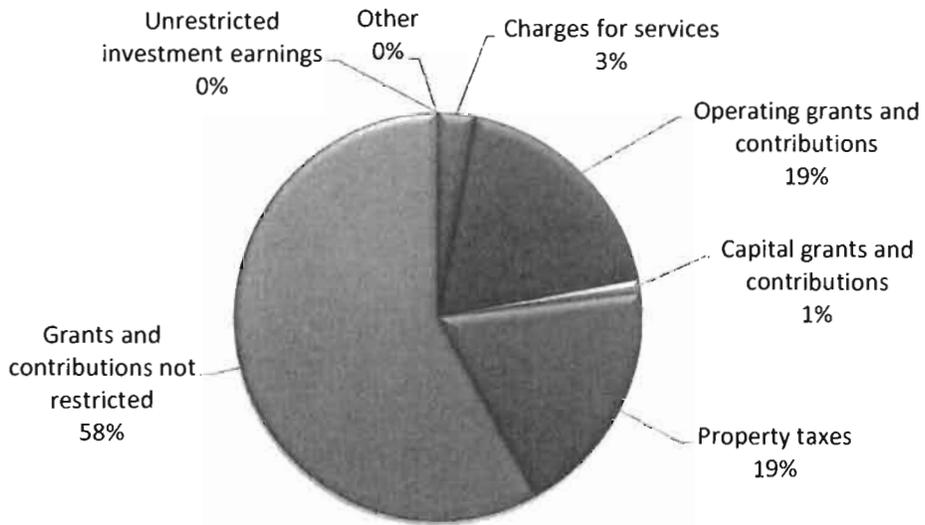
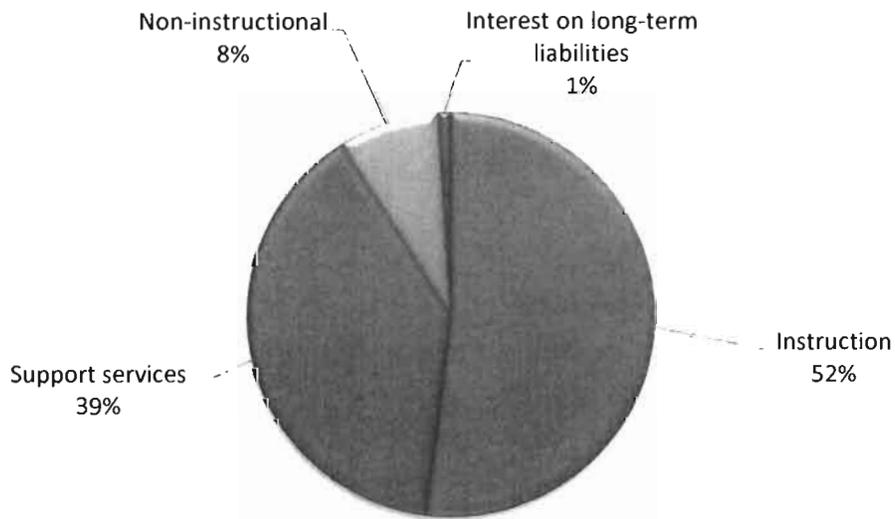


Figure 2
Expenses for Fiscal Year 2014



Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2014	2013	
Instruction	\$ 14,273,929	\$ 14,068,009	1.46 %
Support services	10,674,728	9,919,361	7.62 %
Non-instructional	2,089,926	2,005,039	4.23 %
Interest on long-term liabilities	194,504	210,871	(7.76) %
Total expenses	\$ 27,233,087	\$ 26,203,280	3.93 %

	Net (Expense) Revenue		Percentage Change
	2014	2013	
Instruction	\$ (12,661,128)	\$ (12,400,185)	2.10 %
Support services	(8,857,846)	(8,127,335)	8.99 %
Non-instructional	264,782	303,579	(12.78) %
Interest on long-term liabilities	(194,504)	(210,871)	(7.76) %
Total net (expense) revenue	\$ (21,448,696)	\$ (20,434,812)	4.96 %

- Net cost of governmental activities (\$21,448,696 for 2014 and \$20,434,812 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$5,043,934 for 2014 and \$4,807,158 for 2013) and state and federal revenues (\$15,345,903 for 2014 and \$14,629,819 for 2013).
- Investment earnings amounted to \$82,621 for 2014 and 212,754 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 \$6,877,814, a decrease of \$1,246,289, which includes a prior period adjustment of \$37,266 and a decrease in inventory of \$2,836. \$3,748,554 or 55% 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 \$3,129,260 or 45% 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 increase in fund balance in the General Fund for the fiscal year was \$460,473, including a prior period adjustment of \$37,266. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,862,260. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
School Food Service Fund	\$ 164,284
Title I-A Fund	\$ -0-
\$8,000,000 Debt Retirement Fund	\$ (8,786)

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 \$32,216,489, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$199,034 from 2013. Total accumulated depreciation as of June 30, 2014, was \$11,997,741, and total depreciation expense for the year was \$996,126, resulting in total net capital assets of \$20,218,748.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 526,160	\$ 526,160	0.00 %
Construction in Progress	46,674	291,106	(83.97) %
Buildings	12,501,773	12,707,613	(1.62) %
Building improvements	3,174,426	3,337,926	(4.90) %
Improvements other than buildings	2,366,188	2,148,982	10.11 %
Mobile equipment	1,215,109	1,298,016	(6.39) %
Furniture and equipment	388,418	438,085	(11.34) %
Total	\$ 20,218,748	\$ 20,747,888	(2.55) %

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 \$7,653,096 in outstanding long-term debt, of which \$926,430 is due within one year. The liability for compensated absences increased \$3,462 from the prior year.

The District maintains a AA bond rating.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 2,775,000	\$ 3,280,000	(15.40) %
Limited obligation refunding bonds payable	1,665,000	2,055,000	(18.98) %
Unamortized premium	17,470	22,218	(21.37) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Obligations under capital lease	41,491	-0-	N/A
Compensated absences payable	154,135	150,673	2.30 %
Total	<u>\$ 7,653,096</u>	<u>\$ 8,507,891</u>	(10.05) %

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

CURRENT ISSUES

The Marshall 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 increased by 1% to 3,285 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 Marshall County School District, 122 South Spring Street, Holly Springs, MS 38635.

FINANCIAL STATEMENTS

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

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,302,945
Due from other governments	930,996
Other receivables, net	1,158
Inventories	31,960
Prepaid items	48,402
Restricted assets	993,795
Capital assets, non-depreciable:	
Land	526,160
Construction in progress	46,674
Capital assets, net of accumulated depreciation:	
Buildings	12,501,773
Building improvements	3,174,426
Improvements other than buildings	2,366,188
Mobile equipment	1,215,109
Furniture and equipment	388,418
Total Assets	27,528,004
Deferred Outflows of Resources	
Current:	
Deferred amount on refunding	13,806
Noncurrent:	
Deferred amount on refunding	41,699
Total deferred outflows of resources	55,505
Liabilities	
Accounts payable and accrued liabilities	400,021
Unearned revenue	31,421
Interest payable on long-term liabilities	59,068
Long-term liabilities, due within one year:	
Capital related liabilities	926,430
Long-term liabilities, due beyond one year:	
Capital related liabilities	6,572,531
Non-capital related liabilities	154,135
Total Liabilities	8,143,606
Net Position	
Net investment in capital assets	12,775,292
Restricted for:	
Expendable:	
School-based activities	1,138,784
Debt service	1,234,118
Capital improvements	546,636
Unemployment benefits	51,046
Unrestricted	3,694,027
Total Net Position	\$ 19,439,903

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

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

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities:					
Instruction	\$ 14,273,929	496,021	1,116,780		\$ (12,661,128)
Support services	10,674,728		1,712,952	103,930	(8,857,846)
Non-instructional	2,089,926	297,572	2,057,136		264,782
Interest on long-term liabilities	194,504				(194,504)
Total Governmental Activities	\$ 27,233,087	793,593	4,886,868	103,930	\$ (21,448,696)

General Revenues:

Taxes:

General purpose levies 4,211,409

Debt purpose levies 832,525

Unrestricted grants and contributions:

State 15,153,446

Federal 192,457

Unrestricted investment earnings 82,621

Other 9,616

Total General Revenues 20,482,074

Change in Net Position (966,622)

Net Position - Beginning, as previously reported 20,369,259

Prior Period Adjustments 37,266

Net Position - Beginning, as restated 20,406,525

Net Position - Ending \$ 19,439,903

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

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

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	School Food Service Fund	Title I-A Fund	\$8,000,000 Debt Retirement Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 3,487,438	986,448		851	1,581,942	\$ 6,056,679
Investments					240,061	240,061
Due from other governments	247,629		95,217	310,705	277,445	930,996
Due from other funds	349,474					349,474
Inventories		31,960				31,960
Prepaid items	48,402					48,402
Total Assets	<u>\$ 4,132,943</u>	<u>1,018,408</u>	<u>95,217</u>	<u>311,556</u>	<u>2,099,448</u>	<u>\$ 7,657,572</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 284,781	17,254	29,186	42,556	26,244	\$ 400,021
Due to other funds			66,031	269,000	13,285	348,316
Unearned revenue					31,421	31,421
Total Liabilities	<u>284,781</u>	<u>17,254</u>	<u>95,217</u>	<u>311,556</u>	<u>70,950</u>	<u>779,758</u>
Fund Balances:						
Nonspendable:						
Inventory		31,960				31,960
Restricted:						
Debt service					1,293,186	1,293,186
Capital projects					546,636	546,636
Unemployment benefits					51,046	51,046
Child nutrition		969,194				969,194
Grant activities					137,630	137,630
Assigned:						
Student activities	99,608					99,608
Unassigned	<u>3,748,554</u>					<u>3,748,554</u>
Total Fund Balances	<u>3,848,162</u>	<u>1,001,154</u>	<u>-0-</u>	<u>-0-</u>	<u>2,028,498</u>	<u>6,877,814</u>
Total Liabilities and Fund Balances	<u>\$ 4,132,943</u>	<u>1,018,408</u>	<u>95,217</u>	<u>311,556</u>	<u>2,099,448</u>	<u>\$ 7,657,572</u>

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

**MARSHALL 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 \$ 6,877,814

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

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

Land	\$	526,160	
Construction in progress		46,674	
Buildings		19,375,673	
Building improvements		4,087,509	
Improvements other than buildings		3,008,313	
Mobile equipment		3,857,758	
Furniture and equipment		1,314,402	
Accumulated depreciation		<u>(11,997,741)</u>	20,218,748

2. In a transaction involving refunding of a bond issue, any difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized to interest expense over the life of the new debt.

Deferred amount on refunding			55,505
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3. 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		2,775,000	
Limited obligation bonds		1,665,000	
Qualified school construction bonds		3,000,000	
Obligations under capital lease		41,491	
Compensated absences		154,135	
Unamortized premiums		17,470	
Accrued interest payable		<u>59,068</u>	<u>(7,712,164)</u>

Net position of governmental activities \$ 19,439,903

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

**MARSHALL 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	School Food Service Fund	Title I-A Fund	\$8,000,000 Debt Retirement Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 4,923,321	145,585		588,317	272,542	\$ 5,929,765
State sources	14,414,386	20,589			1,231,835	15,666,810
Federal sources	192,457	2,157,629	1,129,430		1,190,375	4,669,891
Total Revenues	<u>19,530,164</u>	<u>2,323,803</u>	<u>1,129,430</u>	<u>588,317</u>	<u>2,694,752</u>	<u>26,266,466</u>
Expenditures:						
Instruction	12,789,152		486,616		971,504	14,247,272
Support services	8,210,670	181,402	603,121		892,204	9,887,397
Noninstructional services	74,085	1,915,281	25,361		41,244	2,055,971
Facilities acquisition and construction					267,930	267,930
Debt service:						
Principal	8,408			505,000	390,000	903,408
Interest	4,428			90,163	93,000	187,591
Other				1,940	999	2,939
Total Expenditures	<u>21,086,743</u>	<u>2,096,683</u>	<u>1,115,098</u>	<u>597,103</u>	<u>2,656,881</u>	<u>27,552,508</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,556,579)</u>	<u>227,120</u>	<u>14,332</u>	<u>(8,786)</u>	<u>37,871</u>	<u>(1,286,042)</u>
Other Financing Sources (Uses):						
Sale of transportation equipment	5,323					5,323
Operating transfers in	1,989,974				199,145	2,189,119
Operating transfers out	(15,511)	(60,000)	(14,332)		(2,099,276)	(2,189,119)
Total Other Financing Sources (Uses)	<u>1,979,786</u>	<u>(60,000)</u>	<u>(14,332)</u>	<u>-0-</u>	<u>(1,900,131)</u>	<u>5,323</u>
Net Change in Fund Balances	<u>423,207</u>	<u>167,120</u>	<u>-0-</u>	<u>(8,786)</u>	<u>(1,862,260)</u>	<u>(1,280,719)</u>
Fund Balances:						
July 1, 2013, as originally reported	3,387,689	836,870		8,786	3,890,758	8,124,103
Prior period adjustments	37,266					37,266
July 1, 2013, as restated	<u>3,424,955</u>	<u>836,870</u>	<u>-0-</u>	<u>8,786</u>	<u>3,890,758</u>	<u>8,161,369</u>
Decrease in reserve for inventory		(2,836)				(2,836)
June 30, 2014	<u>\$ 3,848,162</u>	<u>1,001,154</u>	<u>-0-</u>	<u>-0-</u>	<u>2,028,498</u>	<u>\$ 6,877,814</u>

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

**MARSHALL 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 \$ (1,280,719)

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	493,595	
Depreciation expense	<u>(996,126)</u>	(502,531)

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.

(26,609)

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:

Capital leases issued	(49,899)	
Payments of debt principal	903,408	
Accrued interest payable	<u>5,084</u>	858,593

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	(3,462)	
Change in inventory reserve	(2,836)	
Amortization of deferred charges	(13,806)	
Amortization of premiums	<u>4,748</u>	(15,356)

Change in net position of governmental activities \$ (966,622)

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

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

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 1,009,135
Total Assets	\$ <u>1,009,135</u>
 Liabilities	
Accounts payable and accrued liabilities	\$ 967,411
Due to other funds	1,158
Due to student clubs	<u>40,566</u>
Total Liabilities	\$ <u>1,009,135</u>

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

**MARSHALL 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.

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, Marshall 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.

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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

The school district reports the following major governmental funds:

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

School Food Service Fund – This special revenue fund is used to account for expenditures associated with food service provided to children.

Title I-A Fund – This special revenue fund is federally funded and is used to account for expenditures associated with educationally deprived children.

\$8,000,000 Debt 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 \$8,000,000 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.

Accounts Payable Clearing Fund – This fund is used to account for the payment of all claims against the school district.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

Encumbrances

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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."

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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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.

**MARSHALL 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:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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.

See Note 13 for further details.

8. Compensated Absences

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

**MARSHALL 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.

**MARSHALL 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.

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.

**MARSHALL 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 \$6,056,679 and \$1,009,135, 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.

**MARSHALL 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>
U.S. Treasury Bill	AA	less than one year	\$ <u>240,061</u>
Total			\$ <u><u>240,061</u></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. Of the district's investments \$240,061 of underlying securities are held by the investment's counterparty, not in the name of the district.

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.

**MARSHALL 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	Title I-A Fund	\$ 66,031
General Fund	\$8,000,000 Debt Retirement Fund	269,000
General Fund	Other governmental funds	13,285
General Fund	Fiduciary funds	1,158
Total		<u>\$ 349,474</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	Other governmental funds	\$ 15,511
School Food Service Fund	General Fund	60,000
Title I-A Fund	General Fund	14,332
Other governmental funds	General Fund	1,915,642
Other governmental funds	Other governmental funds	183,634
Total		<u>\$ 2,189,119</u>

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

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

Note 4: Restricted Assets

Restricted assets represent investment balances totaling \$240,061 of the MAEP Limited Obligation Bond/Note Fund.

In addition, the restricted assets represent the cash balance totaling \$753,734 of the QSCB Bond Retirement Fund.

Note 5: Capital Assets

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

	<u>Balance 7/1/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Completed Construction</u>	<u>Balance 6/30/2014</u>
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 526,160				\$ 526,160
Construction-in-progress	291,106	267,930		(512,362)	46,674
Total non-depreciable capital assets	<u>817,266</u>	<u>267,930</u>	<u>-0-</u>	<u>(512,362)</u>	<u>572,834</u>
<u>Depreciable capital assets:</u>					
Buildings	19,200,849			174,824	19,375,673
Building improvements	4,087,509				4,087,509
Improvements other than buildings	2,670,775			337,538	3,008,313
Mobile equipment	3,956,438	164,250	262,930		3,857,758
Furniture and equipment	1,284,618	61,415	31,631		1,314,402
Total depreciable capital assets	<u>31,200,189</u>	<u>225,665</u>	<u>294,561</u>	<u>512,362</u>	<u>31,643,655</u>
<u>Less accumulated depreciation for:</u>					
Buildings	6,493,236	380,664			6,873,900
Building improvements	749,583	163,500			913,083
Improvements other than buildings	521,793	120,332			642,125
Mobile equipment	2,658,422	220,864	236,637		2,642,649
Furniture and equipment	846,533	110,766	31,315		925,984
Total accumulated depreciation	<u>11,269,567</u>	<u>996,126</u>	<u>267,952</u>	<u>-0-</u>	<u>11,997,741</u>
Total depreciable capital assets, net	<u>19,930,622</u>	<u>(770,461)</u>	<u>26,609</u>	<u>512,362</u>	<u>19,645,914</u>
Governmental activities capital assets, net	<u>\$ 20,747,888</u>	<u>(502,531)</u>	<u>26,609</u>	<u>-0-</u>	<u>\$ 20,218,748</u>

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

Note 5: Capital Assets (Continued)

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental activities:	
Instruction	\$ 40,702
Support services	919,729
Non-instructional	35,695
Total depreciation expense	\$ 996,126

Construction in progress is composed of:

	<u>Spent to June 30, 2014</u>	<u>Estimated Remaining Commitment</u>
Governmental Activities:		
HW Byers Sportsplex	\$ 46,674	\$ 700,000
Total construction in progress	\$ 46,674	\$ 700,000

Construction projects included in governmental activities are funded with Construction and Transportation Fund and Other Capital Projects Fund.

Note 6: Long-term Liabilities

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

	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2014</u>	<u>Amounts due within one year</u>
A. General obligation bonds payable	\$ 3,280,000	\$	\$ 505,000	\$ 2,775,000	\$ 515,000
B. Limited obligation refunding bonds payable	2,055,000		390,000	1,665,000	395,000
Unamortized premium	22,218		4,748	17,470	4,748
C. Qualified school construction bonds payable	3,000,000			3,000,000	
D. Obligations under capital lease	-0-	49,899	8,408	41,491	11,682
E. Compensated absences payable	150,673	3,462		154,135	
Total	\$ 8,507,891	\$ 53,361	\$ 908,156	\$ 7,653,096	\$ 926,430

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

Note 6: Long-term Liabilities (Continued)

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 2010	2.0-3.5%	12/1/2010	2/1/2019	\$ 4,310,000	2,775,000
Total				\$ <u>4,310,000</u>	<u>2,775,000</u>

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 515,000	85,113	600,113
2016	530,000	72,238	602,238
2017	555,000	56,337	611,337
2018	575,000	39,687	614,687
2019	600,000	21,000	621,000
Total	\$ <u>2,775,000</u>	\$ <u>274,375</u>	\$ <u>3,049,375</u>

This debt will be retired from the \$8,000,000 Debt Retirement Fund and the School Bond Debt Fund.

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

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

Note 6: Long-term Liabilities (Continued)

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	2.0-3.0%	6/2/2009	12/1/2017	\$ 3,480,000	1,665,000
Total				<u>\$ 3,480,000</u>	<u>1,665,000</u>

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 395,000	44,025	439,025
2016	410,000	31,950	441,950
2017	425,000	19,425	444,425
2018	435,000	6,525	441,525
Total	<u>\$ 1,665,000</u>	<u>\$ 101,925</u>	<u>\$ 1,766,925</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.

C. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bond, series 2010	1.24%	12/15/2009	12/15/2025	\$ 3,000,000	3,000,000
Total				<u>\$ 3,000,000</u>	<u>3,000,000</u>

This debt will be retired from the Other Capital Projects Fund.

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

Note 6: Long-term Liabilities (Continued)

D. Obligations under capital lease

The school district has entered into a lease agreement as lessee for financing the acquisition of surveillance cameras for buses at a cost of \$49,899. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Obligations under capital lease	10.27%	7/29/2013	8/31/2017	\$ 49,899	41,491
Total				\$ 49,899	41,491

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 11,682	3,721	15,403
2016	12,940	2,464	15,404
2017	14,334	1,070	15,404
2018	2,535	32	2,567
Total	\$ 41,491	\$ 7,287	\$ 48,778

This debt will be retired from the District Maintenance Fund.

E. Compensated absences payable

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

Note 7: Other Commitments

Commitments under construction contracts are described in Note 5.

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

Note 8: Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013, and 2012 were \$2,247,888, \$1,967,452, and \$1,680,711, respectively, which equaled the required contributions for each year.

Note 9: Prior Period Adjustments

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

Exhibit B - Statement of Activities

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

Explanation	Amount
Governmental Activities/General Fund	
1. To record amounts prepaid under insurance contracts	\$ 37,266
Total	<u>\$ 37,266</u>

Note 10: Contingencies

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

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

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

Note 11: Risk Management

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

Note 12: Qualified School Construction Bonds

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

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

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 \$753,734. 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		Amount
June 30	_____	_____
2015	\$	187,500
2016		187,500
2017		187,500
2018		187,500
2019		187,500
2020 – 2024		937,500
2025 – 2029		375,000
Total	\$	<u>2,250,000</u>

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

Note 13: Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$3,694,027 includes the effect of deferring the recognition of deferred refunding charges due to the issuance of limited obligation refunding bonds. The \$55,505 balance of the deferred outflow of resources at June 30, 2014 will be recognized as expense and decrease unrestricted net position over the remaining 5 year life of the related bond.

Note 14: Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Marshall County School District evaluated the activity of the district through December 15, 2014, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred which requires disclosure in the notes to the financial statements:

On November 11, 2014, Marshall County School District authorized the issue of an energy efficiency lease in the amount of \$2,405,589 through a Comprehensive Facility Upgrade Partnership with Schneider Electric Corporation. Renovations will be performed at all eight schools within the District. The project is expected to reduce energy consumption by twenty-seven percent (27%) and result in energy savings of \$147,571 per year. The lease principal balance will be repaid with excess funds generated by energy savings.

REQUIRED SUPPLEMENTARY INFORMATION

**MARSHALL 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	\$ 5,021,794	\$ 5,304,564	\$ 4,923,321	\$ 282,770	\$ (381,243)
State sources	14,412,907	14,399,996	14,414,386	(12,911)	14,390
Federal sources	269,000	210,168	192,457	(58,832)	(17,711)
Total Revenues	<u>19,703,701</u>	<u>19,914,728</u>	<u>19,530,164</u>	<u>211,027</u>	<u>(384,564)</u>
Expenditures:					
Instruction	12,831,175	12,783,866	12,789,152	47,309	(5,286)
Support services	7,669,212	8,156,127	8,210,670	(486,915)	(54,543)
Noninstructional services	83,062	74,085	74,085	8,977	-0-
Facilities acquisition and construction	-0-	78,516	-0-	(78,516)	78,516
Debt service:					
Principal	-0-	-0-	8,408	-0-	(8,408)
Interest	-0-	-0-	4,428	-0-	(4,428)
Total Expenditures	<u>20,583,449</u>	<u>21,092,594</u>	<u>21,086,743</u>	<u>(509,145)</u>	<u>5,851</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(879,748)</u>	<u>(1,177,866)</u>	<u>(1,556,579)</u>	<u>(298,118)</u>	<u>(378,713)</u>
Other Financing Sources (Uses):					
Sale of transportation equipment	-0-	9,119	5,323	9,119	(3,796)
Operating transfers in	300,073	1,989,974	1,989,974	1,689,901	-0-
Operating transfers out	(17,548)	(15,511)	(15,511)	2,037	-0-
Other financing uses	-0-	(5,286)	-0-	(5,286)	5,286
Total Other Financing Sources (Uses)	<u>282,525</u>	<u>1,978,296</u>	<u>1,979,786</u>	<u>1,695,771</u>	<u>1,490</u>
Net Change in Fund Balances	<u>(597,223)</u>	<u>800,430</u>	<u>423,207</u>	<u>1,397,653</u>	<u>(377,223)</u>
Fund Balances:					
July 1, 2013, as previously reported	3,387,689	3,387,689	3,387,689	-0-	-0-
Prior period adjustments	-0-	-0-	37,266	-0-	37,266
July 1, 2013, as restated	<u>3,387,689</u>	<u>3,387,689</u>	<u>3,424,955</u>	<u>-0-</u>	<u>37,266</u>
June 30, 2014	<u>\$ 2,790,466</u>	<u>\$ 4,188,119</u>	<u>\$ 3,848,162</u>	<u>\$ 1,397,653</u>	<u>\$ (339,957)</u>

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

**MARSHALL COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – SCHOOL FOOD SERVICE 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	\$ 291,000	\$ 145,585	\$ 145,585	\$ (145,415)	\$ -0-
State sources	27,000	20,589	20,589	(6,411)	-0-
Federal sources	1,799,050	2,157,629	2,157,629	358,579	-0-
Total Revenues	<u>2,117,050</u>	<u>2,323,803</u>	<u>2,323,803</u>	<u>206,753</u>	<u>-0-</u>
Expenditures:					
Support services	210,850	181,402	181,402	29,448	-0-
Noninstructional services	1,849,200	1,912,479	1,915,281	(63,279)	(2,802)
Total Expenditures	<u>2,060,050</u>	<u>2,093,881</u>	<u>2,096,683</u>	<u>(33,831)</u>	<u>(2,802)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>57,000</u>	<u>229,922</u>	<u>227,120</u>	<u>172,922</u>	<u>(2,802)</u>
Other Financing Sources (Uses):					
Operating transfers in	3,000	-0-	-0-	(3,000)	-0-
Operating transfers out	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-0-</u>	<u>-0-</u>
Total Other Financing Sources (Uses)	<u>(57,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>(3,000)</u>	<u>-0-</u>
Net Change in Fund Balances	<u>-0-</u>	<u>169,922</u>	<u>167,120</u>	<u>169,922</u>	<u>(2,802)</u>
Fund Balances:					
July 1, 2013	<u>836,870</u>	<u>836,870</u>	<u>836,870</u>	<u>-0-</u>	<u>-0-</u>
Decrease in reserve for inventory	-0-	(2,836)	(2,836)	(2,836)	-0-
June 30, 2014	<u>\$ 836,870</u>	<u>\$ 1,003,956</u>	<u>\$ 1,001,154</u>	<u>\$ 167,086</u>	<u>\$ (2,802)</u>

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

**MARSHALL COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – TITLE I-A FUND
FOR YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,238,270	\$ 1,129,430	\$ 1,129,430	\$ (108,840)	\$ -0-
Total Revenues	<u>1,238,270</u>	<u>1,129,430</u>	<u>1,129,430</u>	<u>(108,840)</u>	<u>-0-</u>
Expenditures:					
Instruction	396,890	486,616	486,616	(89,726)	-0-
Support services	644,642	603,121	603,121	41,521	-0-
Noninstructional services	9,459	25,361	25,361	(15,902)	-0-
Total Expenditures	<u>1,050,991</u>	<u>1,115,098</u>	<u>1,115,098</u>	<u>(64,107)</u>	<u>-0-</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>187,279</u>	<u>14,332</u>	<u>14,332</u>	<u>(172,947)</u>	<u>-0-</u>
Other Financing Sources (Uses):					
Operating transfers in	100,000			(100,000)	-0-
Operating transfers out		(14,332)	(14,332)	(14,332)	-0-
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>(14,332)</u>	<u>(14,332)</u>	<u>(114,332)</u>	<u>-0-</u>
Net Change in Fund Balances	<u>287,279</u>	<u>-0-</u>	<u>-0-</u>	<u>(287,279)</u>	<u>-0-</u>
Fund Balances:					
July 1, 2013	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
June 30, 2014	<u>\$ 287,279</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (287,279)</u>	<u>\$ -0-</u>

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

MARSHALL 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 and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

**MARSHALL 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 \$	568,032
National school lunch program	10.555	1,434,428
Total child nutrition cluster		<u>2,002,460</u>
Fresh fruit and vegetable program	10.582	39,744
Subtotal		<u>39,744</u>
Total passed-through Mississippi Department of Education		<u>2,042,204</u>
Total U.S. Department of Agriculture		<u>2,042,204</u>
<u>Appalachian Regional Commission</u>		
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	37,243
Total Appalachian Regional Commission		<u>37,243</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The School Libraries Program of the Universal Service Fund	32.XXX	71,153
Total Federal Communications Commission		<u>71,153</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	41,760
Rural education	84.358	9,822
English language acquisition grants	84.365	43,592
Improving teacher quality-State Grants	84.367	295,118
Subtotal		<u>390,292</u>
Title I Part A cluster:		
Title I grants to local educational agencies	84.010	1,129,430
Total Title I Part A cluster		<u>1,129,430</u>
Special education cluster:		
Special education - grants to states	84.027	710,475
Special education - preschool grants	84.173	14,056
Total special education cluster		<u>724,531</u>
School Improvement Grants Cluster		
School Improvement Grants (Section 1003(g) of the ESEA)	84.377	35,443
Total School Improvement Grants Cluster		<u>35,443</u>
Total passed-through Mississippi Department of Education		<u>2,279,696</u>
Total U.S. Department of Education		<u>2,279,696</u>

(Continued)

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
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 Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medicaid cluster:		
Medical assistance program	93.778	<u>2,978</u>
Total Medicaid cluster		<u>2,978</u>
Total passed-through Mississippi Department of Education		<u>2,978</u>
Total U.S. Department of Health and Human Services		<u>2,978</u>
Total for All Federal Awards		<u>\$ 4,433,274</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.

**MARSHALL 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	\$ 19,578,794	14,270,783	967,008	1,733,012	2,607,991
Other	<u>7,973,714</u>	<u>2,446,824</u>	<u>520,907</u>	<u>72,677</u>	<u>4,933,306</u>
Total	<u>\$ 27,552,508</u>	<u>16,717,607</u>	<u>1,487,915</u>	<u>1,805,689</u>	<u>7,541,297</u>
Total number of students	<u>3,285</u>				
Cost per student	<u>\$ 8,387</u>	<u>5,089</u>	<u>453</u>	<u>550</u>	<u>2,296</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

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

	UNAUDITED			
	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 4,923,321	\$ 4,883,559	\$ 4,346,035	\$ 4,389,265
State sources	14,414,386	13,690,386	13,308,281	12,464,308
Federal sources	192,457	195,730	278,578	185,430
Total Revenues	<u>19,530,164</u>	<u>18,769,675</u>	<u>17,932,894</u>	<u>17,039,003</u>
Expenditures:				
Instruction	12,789,152	12,524,095	11,971,928	9,882,694
Support services	8,210,670	7,575,339	6,748,738	6,180,681
Noninstructional services	74,085	87,419	98,981	57,098
Facilities acquisition and construction	-0-	26,684	204,002	-0-
Debt service:				
Principal	8,408	-0-	-0-	-0-
Interest	4,428	-0-	-0-	-0-
Total Expenditures	<u>21,086,743</u>	<u>20,213,537</u>	<u>19,023,649</u>	<u>16,120,473</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,556,579)</u>	<u>(1,443,862)</u>	<u>(1,090,755)</u>	<u>918,530</u>
Other Financing Sources (Uses):				
Sale of transportation equipment	5,323	-0-	4,800	30,989
Sale of other property	-0-	-0-	200	-0-
Operating transfers in	1,989,974	448,182	1,305,055	86,939
Operating transfers out	(15,511)	-0-	(4,033,352)	(20,600)
Other financing uses	-0-	-0-	(9,725)	(6,252)
Total Other Financing Sources (Uses)	<u>1,979,786</u>	<u>448,182</u>	<u>(2,733,022)</u>	<u>91,076</u>
Net Change in Fund Balances	<u>423,207</u>	<u>(995,680)</u>	<u>(3,823,777)</u>	<u>1,009,606</u>
Fund Balances:				
Beginning of period, as originally reported	3,387,689	4,383,369	8,207,146	7,197,540
Prior period adjustments	37,266	-0-	-0-	-0-
Beginning of period, as restated	<u>3,424,955</u>	<u>4,383,369</u>	<u>8,207,146</u>	<u>7,197,540</u>
End of Period	<u>\$ 3,848,162</u>	<u>\$ 3,387,689</u>	<u>\$ 4,383,369</u>	<u>\$ 8,207,146</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

**MARSHALL 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	\$ 5,929,765	\$ 5,842,005	\$ 5,228,637	\$ 5,298,816
State sources	15,666,810	14,903,314	14,515,797	13,742,334
Federal sources	4,669,891	4,698,395	5,123,476	7,115,615
Total Revenues	<u>26,266,466</u>	<u>25,443,714</u>	<u>24,867,910</u>	<u>26,156,765</u>
Expenditures:				
Instruction	14,247,272	14,071,120	13,838,547	13,650,715
Support services	9,887,397	9,186,793	8,493,950	8,425,495
Noninstructional services	2,055,971	1,972,959	2,151,422	1,749,005
Facilities acquisition and construction	267,930	690,776	1,706,930	2,334,710
Debt service:				
Principal	903,408	865,000	926,085	492,289
Interest	187,591	203,649	246,986	333,047
Other	2,939	2,940	38,452	49,948
Total Expenditures	<u>27,552,508</u>	<u>26,993,237</u>	<u>27,402,372</u>	<u>27,035,209</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,286,042)</u>	<u>(1,549,523)</u>	<u>(2,534,462)</u>	<u>(878,444)</u>
Other Financing Sources (Uses):				
Refunding bonds issued	-0-	-0-	-0-	4,272,014
Sale of transportation equipment	5,323	-0-	4,800	30,989
Sale of other property	-0-	-0-	3,204	-0-
Operating transfers in	2,189,119	957,275	5,524,593	395,039
Operating transfers out	(2,189,119)	(957,275)	(5,524,593)	(395,039)
Other financing uses	-0-	-0-	(9,725)	(4,561,252)
Total Other Financing Sources (Uses)	<u>5,323</u>	<u>-0-</u>	<u>(1,721)</u>	<u>(258,249)</u>
Net Change in Fund Balances	<u>(1,280,719)</u>	<u>(1,549,523)</u>	<u>(2,536,183)</u>	<u>(1,136,693)</u>
Fund Balances:				
Beginning of period, as originally reported	8,124,103	9,666,890	12,204,285	13,352,038
Prior period adjustments	37,266	-0-	-0-	-0-
Beginning of period, as restated	<u>8,161,369</u>	<u>9,666,890</u>	<u>12,204,285</u>	<u>13,352,038</u>
Increase (Decrease) in reserve for inventory	<u>(2,836)</u>	<u>6,736</u>	<u>(1,212)</u>	<u>(11,060)</u>
End of Period	<u>\$ 6,877,814</u>	<u>\$ 8,124,103</u>	<u>\$ 9,666,890</u>	<u>\$ 12,204,285</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

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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
Marshall 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 Marshall 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 December 15, 2014.

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
December 15, 2014

J E Vance & Company

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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
Marshall County School District

Report on Compliance for Each Major Federal Program

We have audited Marshall 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
December 15, 2014



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

Superintendent and School Board
Marshall County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall 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 December 15, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to 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 \$0 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to 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
December 15, 2014

J & Vance + Company

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**MARSHALL 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>
84.010	Title I Part A
84.027, 84.173	Special Education Cluster
84.367	Improving Teacher Quality

- | | | |
|----|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | Yes |

**MARSHALL 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.