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NATCHEZ-ADAMS SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2014**

WITH INDEPENDENT AUDITOR'S REPORT



SILAS SIMMONS LLP
CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS



NATCHEZ-ADAMS SCHOOL DISTRICT
 Annual Financial Statements
 As of and for the Year Ended June 30, 2014

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NATCHEZ-ADAMS SCHOOL DISTRICT

Annual Financial Statements
As of and for the Year Ended June 30, 2014

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NATCHEZ-ADAMS SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Natchez-Adams 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 Natchez-Adams 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 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 Natchez-Adams 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 3 through 10 and 35 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Natchez-Adams School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the schedule of instructional, administrative, and other expenditures for governmental funds, and the other information section, which includes the statements of revenues, expenditures and changes in fund balances – general fund, last four years, and the statements of revenues, expenditures, and changes in fund balances – all governmental funds, last four years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The other information section, which includes the statements of revenues, expenditures, and changes in fund balances – general fund, last four years and the statements 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 10, 2014, on our consideration of the Natchez-Adams 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 the 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 Natchez-Adams School District's internal control over financial reporting and compliance.

Silas Simmons, LLP

Natchez, Mississippi
December 10, 2014

NATCHEZ-ADAMS SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

NATCHEZ-ADAMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

The following discussion and analysis of Natchez-Adams School District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the 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 District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2014 increased \$3,343,886, which represents a 10% increase from fiscal year 2013. Total net position for 2013 increased \$1,148,074, including a prior period adjustment of (\$1,963), which represents a 3.6% increase from fiscal year 2012.
- General revenues amounted to \$29,475,404 and \$28,836,622, or 78% and 76% 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 \$8,259,619, or 22% of total revenues for 2014, and \$9,191,183, or 24% of total revenues for 2013.
- The District had \$34,391,137 and \$36,877,768 in expenses for fiscal years 2014 and 2013; only \$8,259,619 for 2014 and \$9,191,183 for 2013 of these expenses was offset by program specific charges for services, grants, and contributions. General revenues of \$29,475,404 for 2014 and \$28,836,622 for 2013 were adequate to provide for these programs.
- Among major funds, the general fund had \$27,489,437 in revenues and \$25,330,166 in expenditures for 2014, and \$27,013,421 in revenues and \$25,893,137 in expenditures in 2013. The general fund's fund balance increased by \$1,827,691 from 2013 to 2014, and increased by \$602,963 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$546,245 for 2014 and decreased by \$571,347 for 2013. The decrease for 2014 was due to the disposal of child nutrition and mobile equipment coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$1,026,771 for 2014 and decreased by \$861,208 for 2013. This decrease for 2014 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$79,533 for 2014 and increased by \$70,792 for 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

NATCHEZ-ADAMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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, noninstructional, sixteenth section, and interest on long-term liabilities.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds balance sheet is reconciled to the statement of net position, and the governmental funds statement of revenues, expenditures, and changes in fund balances is reconciled to the statement of activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for all major funds. All nonmajor 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 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:

NATCHEZ-ADAMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Supplementary Information

Additionally, a schedule of expenditures of federal awards as required by OMB Circular A-133 and a schedule of instructional, administrative, and other expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the statement of revenues, expenditures, and changes in fund balances – general fund, last four years and the statement of revenues, expenditures and changes in fund balances – all governmental funds, last four years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$36,775,967 as of June 30, 2014.

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

NATCHEZ-ADAMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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

Table 1
Condensed Statement of Net Position

	June 30, 2014	June 30, 2013	Percentage Change
Current assets	\$ 11,482,892	\$ 9,232,988	24.37 %
Restricted assets	18,786,638	18,233,884	3.03 %
Capital assets, net	13,770,777	14,317,022	(3.82) %
Total assets	44,040,307	41,783,894	5.40 %
Current liabilities	3,405,422	3,435,569	(0.88) %
Long-term debt outstanding	3,858,918	4,916,244	(21.51) %
Total liabilities	7,264,340	8,351,813	(13.02) %
Net position:			
Net investment in capital assets	9,203,015	8,802,022	4.56 %
Restricted	20,295,194	19,594,622	3.58 %
Unrestricted	7,277,758	5,035,437	44.53 %
Total net position	\$ 36,775,967	\$ 33,432,081	10.00 %

The following are significant current year transactions that have had an impact on the statement of net position.

- Decrease in net capital assets in the amount of \$546,245.
- The principal retirement of \$976,918 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$37,735,023 and \$38,027,805, respectively. The total cost of all programs and services was \$34,391,137 for 2014 and \$36,877,768 for 2013.

NATCHEZ-ADAMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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

Table 2
Changes in Net Position

	Year Ended June 30, 2014	Year Ended June 30, 2013	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 503,714	\$ 417,407	20.68 %
Operating grants and contributions	7,755,905	8,738,476	(11.24) %
Capital grants and contributions	-	35,300	(100.00) %
General revenues:			
Property taxes	12,008,043	11,311,620	6.16 %
Grants and contributions not restricted	16,053,511	16,456,021	(2.45) %
Investment earnings	351,391	290,738	20.86 %
Sixteenth section sources	993,209	702,492	41.38 %
Other	69,250	75,751	(8.58) %
Total revenues	37,735,023	38,027,805	(0.77) %
Expenses:			
Instruction	17,733,517	18,972,474	(6.53) %
Support services	14,127,656	15,001,060	(5.82) %
Noninstructional	2,398,263	2,528,144	(5.14) %
Sixteenth section	9,482	241,564	(96.07) %
Interest on long-term liabilities	122,219	134,526	(9.15) %
Total expenses	34,391,137	36,877,768	(6.74) %
Increase in net position	3,343,886	1,150,037	190.76 %
Net position, July 1, as previously reported *	33,432,081	32,284,007	3.56 %
Prior period adjustment	-	(1,963)	100.00 %
Net position, July 1, as restated *	33,432,081	32,282,044	3.56 %
Net position, June 30	\$ 36,775,967	\$ 33,432,081	10.00 %

Governmental activities

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

NATCHEZ-ADAMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ 17,733,517	\$ 18,972,474	(6.53) %
Support services	14,127,656	15,001,060	(5.82) %
Noninstructional	2,398,263	2,528,144	(5.14) %
Sixteenth section	9,482	241,564	(96.07) %
Interest on long-term liabilities	122,219	134,526	(9.15) %
Total expenses	\$ 34,391,137	\$ 36,877,768	(6.74) %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ (14,361,923)	\$ (14,844,716)	(3.25) %
Support services	(12,025,534)	(12,648,414)	(4.92) %
Noninstructional	387,640	182,635	112.25 %
Sixteenth section	(9,482)	(241,564)	(96.07) %
Interest on long-term liabilities	(122,219)	(134,526)	(9.15) %
Total net (expense) revenue	\$ (26,131,518)	\$ (27,686,585)	(5.62) %

- Net cost of activities (\$26,131,518 for 2014 and \$27,686,585 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$12,008,043 for 2014 and \$11,311,620 for 2013) and state and federal revenues (\$16,053,511 for 2014 and \$16,456,021 for 2013). In addition, there was \$993,209 and \$702,492 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$351,391 for 2014 and \$290,738 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 \$27,927,621, an increase of \$2,854,670, which includes an increase in inventory of \$3,636. \$4,031,575 or 14.4% 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 \$23,896,046 or 85.6% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

NATCHEZ-ADAMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

The general fund is the principal operating fund of the District. The increase in fund balance in the general fund for the fiscal year was \$1,827,691. The fund balance of other governmental funds showed an increase in the amount of \$505,030, which includes an increase in reserve for inventory of \$3,629, due primarily to an increase in federal revenue and sixteenth section leases. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Title I Funds	\$	no increase or decrease
Sixteenth Section Principal Fund	\$	521,949

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue fund(s) 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 \$29,350,299, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents a decrease of \$65,912 from 2013. Total accumulated depreciation as of June 30, 2014, was \$15,579,522, and total depreciation expense for the year was \$580,357, resulting in total net capital assets of \$13,770,777.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 2,003,222	\$ 2,003,222	0.00 %
Buildings	9,155,230	9,421,033	(2.82) %
Building improvements	2,146,674	2,353,086	(8.77) %
Improvements other than buildings	235,700	247,921	(4.93) %
Mobile equipment	46,667	62,640	(25.50) %
Furniture and equipment	158,946	229,120	(30.63) %
Leased property under capital leases	24,338	-	N/A %
Total	\$ 13,770,777	\$ 14,317,022	(3.82) %

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

NATCHEZ-ADAMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Debt Administration. At June 30, 2014, the District had \$4,874,473 in outstanding long-term debt, of which \$1,015,555 is due within one year. The liability for compensated absences decreased \$79,533 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 refunding bonds payable	\$ 1,805,000	\$ 2,225,000	(18.88) %
Limited obligation bonds payable	2,745,000	3,290,000	(16.57) %
Obligations under capital lease	17,762	-	N/A %
Compensated absences payable	306,711	386,244	(20.59) %
Total	<u>\$ 4,874,473</u>	<u>\$ 5,901,244</u>	(17.40) %

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

CURRENT ISSUES

The Natchez-Adams School District is financially stable. The District is proud of its community support of the public schools.

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Natchez-Adams School District, 10 Homochitto Street, Natchez, Mississippi 39120.

NATCHEZ-ADAMS SCHOOL DISTRICT

GOVERNMENT-WIDE FINANCIAL STATEMENTS

NATCHEZ-ADAMS SCHOOL DISTRICT

**Statement of Net Position
June 30, 2014**

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 9,033,233
Cash with fiscal agents	293,881
Due from other governments	1,857,803
Accrued interest receivable	101,688
Lease receivable	28,545
Other receivables, net	47,371
Inventories	120,371
Restricted assets	18,786,638
Capital assets, nondepreciable:	
Land	2,003,222
Capital assets, net of accumulated depreciation:	
Buildings	9,155,230
Building improvements	2,146,674
Improvements other than buildings	235,700
Mobile equipment	46,667
Furniture and equipment	158,946
Leased property under capital leases	24,338
	<u>44,040,307</u>
Total assets	<u>\$ 44,040,307</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 2,341,909
Interest payable on long-term liabilities	47,958
Long-term liabilities, due within one year:	
Capital related liabilities	995,555
Noncapital related liabilities	20,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,572,207
Noncapital related liabilities	286,711
	<u>7,264,340</u>
Total liabilities	<u>\$ 7,264,340</u>
Net Position	
Net investment in capital assets	\$ 9,203,015
Restricted for:	
Expendable:	
School-based activities	808,724
Debt service	576,541
Forestry improvements	71,023
Unemployment benefits	80,796
Nonexpendable:	
Sixteenth Section	18,758,110
Unrestricted	7,277,758
	<u>36,775,967</u>
Total net position	<u>\$ 36,775,967</u>

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2014

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental Activities:					
Instruction	\$ 17,733,517	\$ 236,964	\$ 3,134,630	\$ -	\$ (14,361,923)
Support services	14,127,656	-	2,102,122	-	(12,025,534)
Noninstructional	2,398,263	266,750	2,519,153	-	387,640
Sixteenth Section	9,482	-	-	-	(9,482)
Interest on long-term liabilities	122,219	-	-	-	(122,219)
Total governmental activities	\$ 34,391,137	\$ 503,714	\$ 7,755,905	\$ -	\$ (26,131,518)
General Revenues:					
Taxes:					
General purpose levies				\$ 12,008,010	
Debt purpose levies				33	
Unrestricted grants and contributions:					
State				15,656,045	
Federal				220,407	
Other				177,059	
Unrestricted investment earnings				351,391	
Sixteenth Section sources				993,209	
Other				69,250	
Total general revenues				\$ 29,475,404	
Change in net position				\$ 3,343,886	
Net position - beginning				33,432,081	
Net position - ending				\$ 36,775,967	

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

NATCHEZ-ADAMS SCHOOL DISTRICT

FUND FINANCIAL STATEMENTS

NATCHEZ-ADAMS SCHOOL DISTRICT
GOVERNMENTAL FUNDS

Balance Sheet
June 30, 2014

Exhibit C

	Major Funds			Other Govern- mental Funds	Total Governmental Funds
	General Fund	Title 1 Funds	16th Section Principal Fund		
ASSETS					
Cash and cash equivalents	\$ 7,049,090	\$ -	\$ 338,971	\$ 1,984,143	\$ 9,372,204
Cash with fiscal agents	-	-	-	293,881	293,881
Investments	-	-	18,447,667	-	18,447,667
Due from other governments	459,474	562,033	-	836,296	1,857,803
Accrued interest receivable	26,594	-	75,094	-	101,688
Lease receivables	-	-	-	28,545	28,545
Other receivables, net	6,136	1,985	16,721	22,529	47,371
Due from other funds	593,726	-	-	2,373,880	2,967,606
Advance to other funds	-	-	137,678	-	137,678
Inventories	79,080	-	-	41,291	120,371
Total assets	<u>\$ 8,214,100</u>	<u>\$ 564,018</u>	<u>\$ 19,016,131</u>	<u>\$ 5,580,565</u>	<u>\$ 33,374,814</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,678,775	\$ 306,800	\$ -	\$ 356,334	\$ 2,341,909
Due to other funds	2,179,401	257,218	258,021	272,966	2,967,606
Advances from other funds	137,678	-	-	-	137,678
Total liabilities	<u>\$ 3,995,854</u>	<u>\$ 564,018</u>	<u>\$ 258,021</u>	<u>\$ 629,300</u>	<u>\$ 5,447,193</u>
Fund balances:					
Nonspendable:					
Inventory	\$ 79,080	\$ -	\$ -	\$ 41,291	\$ 120,371
Permanent fund principal	-	-	18,758,110	-	18,758,110
Restricted:					
Debt service	-	-	-	624,499	624,499
Forestry improvement	-	-	-	71,023	71,023
Unemployment benefits	-	-	-	80,796	80,796
Child nutrition	-	-	-	450,769	450,769
Building repairs	-	-	-	758	758
Grant activities	-	-	-	2,083	2,083
Assigned:					
Student activities	100,287	-	-	-	100,287
Donations(homeless uniforms, teacher relocation,- library supplies, student support & instruction activities)	2,469	-	-	313,823	316,292
16th Section interest - school-based activities	-	-	-	3,366,223	3,366,223
Background checks	4,835	-	-	-	4,835
Unassigned:					
	4,031,575	-	-	-	4,031,575
Total fund balances	<u>\$ 4,218,246</u>	<u>\$ -</u>	<u>\$ 18,758,110</u>	<u>\$ 4,951,265</u>	<u>\$ 27,927,621</u>
Total liabilities and fund balances	<u>\$ 8,214,100</u>	<u>\$ 564,018</u>	<u>\$ 19,016,131</u>	<u>\$ 5,580,565</u>	<u>\$ 33,374,814</u>

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

NATCHEZ-ADAMS SCHOOL DISTRICT
GOVERNMENTAL FUNDS

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

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 27,927,621
Amounts reported for governmental activities in the statement of net position are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Land	2,003,222
Buildings	18,903,734
Building improvements	5,160,541
Improvements other than buildings	305,533
Mobile equipment	247,335
Furniture and equipment	2,700,254
Leased property under capital leases	29,680
Accumulated depreciation	<u>(15,579,522)</u>
	13,770,777
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds	(1,805,000)
Limited obligation bonds	(2,745,000)
Compensated absences	(306,711)
Accrued interest payable	(47,958)
Capital lease obligation	<u>(17,762)</u>
	<u>(4,922,431)</u>
Net Position of Governmental Activities	<u>\$ 36,775,967</u>

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

NATCHEZ-ADAMS SCHOOL DISTRICT

GOVERNMENTAL FUNDS

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

Exhibit D

	<u>Major Funds</u>				<u>Total Govern- mental Funds</u>
	<u>General Fund</u>	<u>Title 1 Funds</u>	<u>Sixteenth Section Principal Fund</u>	<u>Other Govern- mental Funds</u>	
REVENUES					
Local sources	\$ 12,329,131	\$ 204	\$ -	\$ 300,283	\$ 12,629,618
State sources	14,921,642	-	-	1,481,030	16,402,672
Federal sources	238,664	2,856,103	-	4,277,628	7,372,395
Sixteenth Section sources	-	-	847,708	479,630	1,327,338
Total revenues	<u>\$ 27,489,437</u>	<u>\$ 2,856,307</u>	<u>\$ 847,708</u>	<u>\$ 6,538,571</u>	<u>\$ 37,732,023</u>
EXPENDITURES					
Instruction	\$ 13,806,846	\$ 1,317,767	\$ -	\$ 2,164,791	\$ 17,289,404
Support services	11,502,472	1,312,465	-	1,286,433	14,101,370
Noninstructional services	1,749	137,811	-	2,236,347	2,375,907
Sixteenth Section	-	-	-	9,482	9,482
Debt service:					
Principal	11,918	-	-	965,000	976,918
Interest	7,181	-	-	122,477	129,658
Other	-	-	-	1,250	1,250
Total expenditures	<u>\$ 25,330,166</u>	<u>\$ 2,768,043</u>	<u>\$ -</u>	<u>\$ 6,785,780</u>	<u>\$ 34,883,989</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 2,159,271</u>	<u>\$ 88,264</u>	<u>\$ 847,708</u>	<u>\$ (247,209)</u>	<u>\$ 2,848,034</u>
OTHER FINANCING SOURCES (USES)					
Sale of transportation equipment	\$ 3,000	\$ -	\$ -	\$ -	\$ 3,000
Operating transfers - in	1,556,622	177	-	1,304,575	2,861,374
Operating transfers - out	(1,891,209)	(88,441)	(325,759)	(555,965)	(2,861,374)
Total other financing sources and (uses)	<u>\$ (331,587)</u>	<u>\$ (88,264)</u>	<u>\$ (325,759)</u>	<u>\$ 748,610</u>	<u>\$ 3,000</u>
Net change in fund balances	<u>\$ 1,827,684</u>	<u>\$ -</u>	<u>\$ 521,949</u>	<u>\$ 501,401</u>	<u>\$ 2,851,034</u>
Fund balances:					
July 1, 2013	2,390,555	-	18,236,161	4,446,235	25,072,951
Increase in reserve for inventory	7	-	-	3,629	3,636
June 30, 2014	<u>\$ 4,218,246</u>	<u>\$ -</u>	<u>\$ 18,758,110</u>	<u>\$ 4,951,265</u>	<u>\$ 27,927,621</u>

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ 2,851,034

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

- 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	\$ 42,346	
Depreciation expense	(580,357)	(538,011)

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

Inception of capital leases	\$ (29,680)	
Payments of debt principal	976,918	
Accrued interest payable	8,691	955,929

- 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	\$ 79,533	
Change in inventory reserve	3,636	83,169

- Losses on the disposals of assets are not reported in the governmental funds, but are reported in the statement of activities, net of proceeds.

(8,235)

Change in net position of governmental activities

\$ 3,343,886

NATCHEZ-ADAMS SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities

Exhibit E

June 30, 2014

	Agency Funds
Assets	
Cash and cash equivalents	\$ 689,457
Due from other funds	13,211
Prepaid items	38,415
Total assets	<u>\$ 741,083</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 660,019
Due to other funds	41,493
Due to student clubs	39,571
Total liabilities	<u>\$ 741,083</u>

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

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR YEAR ENDED JUNE 30, 2014**

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the 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 District's accounting policies are described below.

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the District is considered a "primary government." The District is governed by a five member board to which two are appointed by the Adams County Board of Supervisors and three are appointed by the City of Natchez Board of Aldermen.

For financial reporting purposes, Natchez-Adams 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.

Blended component unit

The Natchez-Adams School District Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the District's reporting entity.

The Authority is governed by a six member board which is appointed by the District's governing board. Although it is legally separate from the District, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the District (see Note 13).

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The statement of net position and the statement of activities report information on all of the nonfiduciary 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 nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR YEAR ENDED JUNE 30, 2014**

Note 1 – Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

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

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

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

The District reports the following major governmental funds:

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

Title I Funds - This is the District's federal reimbursable fund that serves to fund remedial math and reading services to low-income, program eligible students.

Sixteenth Section Principal Fund - This fund contains nonexpendable Sixteenth Section funds. Sources include revenues from easements and right-of-ways, permanent damages, sale of sixteenth section lands, sale of non-renewable resources, sale of buildings, and interest. Funds may be used to purchase investments, purchase lieu lands, loans for school building purposes, forest stand improvements and purchase of school buses.

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

Additionally, the 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.

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR YEAR ENDED JUNE 30, 2014**

Note 1 – Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR YEAR ENDED JUNE 30, 2014**

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

D. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

E. 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 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 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.

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR YEAR ENDED JUNE 30, 2014**

Note 1 – Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances (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 zone academy bond sinking funds. Also, the nonexpendable portion of the permanent fund, if applicable, is classified as restricted assets because the Sixteenth Section principal fund is not available for use by the District except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR YEAR ENDED JUNE 30, 2014**

Note 1 – Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances (continued)

6. Capital Assets (continued)

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

Employees of the District accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by 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 District policy. The District pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

8. Long-term Liabilities and Bond Discounts/Premiums

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

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

9. Fund Balances

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

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

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR YEAR ENDED JUNE 30, 2014**

Note 1 – Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances (continued)

9. Fund Balances (continued)

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

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

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

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

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

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

It is the policy of the District, adopted May 12, 2011, to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of District maintenance fund revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

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

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR YEAR ENDED JUNE 30, 2014**

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments (continued)

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 District's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

Cash and Cash Equivalents

The carrying amount of the District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 9,372,204 and \$689,457, 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.

Cash with Fiscal Agents

The carrying amount of District's cash with fiscal agents held by financial institutions was \$293,881.

Investments

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

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Investment Type	Rating	Maturities (in years)	Fair Value
Fidelity Us Government Fund Certificate of Deposit	NR	Less than 1 year	\$ 338,196
Sallie Mae Bank Murray Utah Full Faith and Credit Bonds-US Treasury Guaranteed	Aaa	1 to 5 years	246,448
SBIC 2013	Aaa	5 to 10 years	984,318
US Government Agency Bonds Federal Home Loan Mortgage Corporation	Aaa	years	501,440
Federal Home Loan Mortgage Corporation	Aaa	5 to 10 years	651,299
Federal National Mortgage Association	Aaa	years	2,086,623
Federal Farm Credit Bank	Aaa	5 to 10 years	244,860
Corporate Bonds			
AT&T Incorporated	A3	years	401,268
Bank of Montreal	Aa3	years	416,112
BB&T Corporation	Baa1	years	204,696
General Electric Capital Corporation	A1	years	401,041
Goldman Sacks Group Inc	Baa1	years	113,846
Hewlett Packard Co	Baa1	years	416,800
J P Morgan Chase & Company	A3	years	403,120
Wells Fargo Co	A2	years	415,764
Taxable Municipal Bonds			
Adams Co Miss GO Bonds	NR	5 to 10 years	113,420
Choctaw Cnty Miss GO Bonds	NR	years	108,340
Choctaw Cnty Miss GO Bonds	NR	5 to 10 years	357,865
MS Development Bank Special Oblig Bonds	NR	years	710,757
MS Development Bank Special Oblig Bonds	NR	5 to 10 years	302,334
MS Home Corp Single Family Loan	Aaa	15 to 20 years	245,820
MS St GO Bonds	Aa2	years	853,617
MS St GO Bonds	Aa2	5 to 10 years	44,952
Mortgage Backed Securities			
Federal Home Loan Mortgage Corporation	Aaa	5 to 10 years	315,404
Federal Home Loan Mortgage Corporation	Aaa	10 to 15 years	256,397
Federal Home Loan Mortgage Corporation	Aaa	25 to 30 years	220,097
Federal National Mortgage Association	Aaa	years	148,902
Federal National Mortgage Association	Aaa	5 to 10 years	3,250,032
Federal National Mortgage Association	Aaa	10 to 15 years	779,432
Collateralized Mortgage Obligations			
Federal Home Loan Mortgage Corporation	Aaa	10 to 15 years	767,534
Federal National Mortgage Association	Aaa	5 to 10 years	485,483
Federal National Mortgage Association	Aaa	10 to 15 years	822,061
Federal National Mortgage Association	Aaa	25 to 30 years	182,581
Government National Mortgage Association	Aaa	20 to 25 years	197,501
Small Business Administration GTD Dev PTC	Aaa	25 to 30 years	459,307
Total			<u>\$ 18,447,667</u>

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR YEAR ENDED JUNE 30, 2014**

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments (continued)

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

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

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

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	General Fund	\$ 78,690
	Title I Funds	257,218
Other governmental funds	Other Governmental Funds	257,818
	General Fund	2,100,711
	Other Governmental Funds	15,148
	Sixteenth Section Principal Fund	258,021
Total		<u>\$ 2,967,606</u>

The amounts due to/from other funds represent amounts advanced or received, for timing differences between revenues and expenditures, and loans to cover cash deficits.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$ 137,678
Total		<u>\$ 137,678</u>

The advance from Sixteenth Section principal fund to general fund is a loan for capital expenditures and repairs.

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR YEAR ENDED JUNE 30, 2014**

Note 3 – Inter-fund Receivables, Payables and Transfers (continued)

B. Advances To/From Other Funds (continued)

Sixteenth Section principal loans payable

Note: The Sixteenth Section principal loans payable are not reflected on the statement of net position because these funds were borrowed by the general fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the statement of revenues, expenditures, and changes in fund balances.

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

2015	\$ 4,975	\$ 5,507	\$ 10,482
2016	5,175	5,308	10,483
2017	5,381	5,101	10,482
2018	5,597	4,886	10,483
2019	5,821	4,662	10,483
2020 - 2024	32,787	19,626	52,413
2025 - 2029	39,891	12,522	52,413
2030 - 2033	38,051	3,880	41,931
Total	<u>\$ 137,678</u>	<u>\$ 61,492</u>	<u>\$ 199,170</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	General Fund	\$ 1,395,886
	Title I Funds	177
	Other Governmental Funds	495,146
Title I Funds	General Fund	88,441
Sixteenth Section Principal Fund	Other Governmental Funds	325,759
Other governmental funds	General Fund	72,294
	Other Governmental Funds	483,671
Total		<u>\$ 2,861,374</u>

The transfers represent operating transfers for school operation and transfers for indirect costs, debt service, and unrestricted Sixteenth Section interest earnings.

Note 4 – Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling \$338,971 and \$18,447,667, respectively, of the Sixteenth Section Principal Fund (permanent fund) which is legally restricted and may not be used for purposes that support the District's programs.

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 5 - CAPITAL ASSETS

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

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
<u>Nondepreciable capital assets</u>				
Land	\$ 2,003,222	\$ -	\$ -	\$ 2,003,222
Construction in progress		-	-	-
Total nondepreciable capital assets	<u>\$ 2,003,222</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,003,222</u>
<u>Depreciable capital assets</u>				
Buildings	\$ 18,903,734	\$ -	\$ -	\$ 18,903,734
Building improvements	5,160,541	-	-	5,160,541
Improvements other than buildings	305,533	-	-	305,533
Mobile equipment	326,804	-	79,468	247,336
Furniture and equipment	2,716,377	12,666	28,789	2,700,254
Leased property under capital leases	-	29,680	-	29,680
Total depreciable assets	<u>\$ 27,412,989</u>	<u>\$ 42,346</u>	<u>\$ 108,257</u>	<u>\$ 27,347,078</u>
<u>Less accumulated depreciation for:</u>				
Buildings	\$ 9,482,701	\$ 265,803	\$ -	\$ 9,748,504
Building improvements	2,807,455	206,412	-	3,013,867
Improvements other than buildings	57,612	12,221	-	69,833
Mobile equipment	264,164	8,027	71,522	200,669
Furniture and equipment	2,487,257	82,552	28,501	2,541,308
Leased property under capital leases	-	5,342	-	5,342
Total accumulated depreciation	<u>\$ 15,099,189</u>	<u>\$ 580,357</u>	<u>\$ 100,023</u>	<u>\$ 15,579,523</u>
Total depreciable capital assets, net	<u>\$ 12,313,800</u>	<u>\$ (538,011)</u>	<u>\$ 8,234</u>	<u>\$ 11,767,555</u>
Governmental activities capital assets, net	<u>\$ 14,317,022</u>	<u>\$ (538,011)</u>	<u>\$ 8,234</u>	<u>\$ 13,770,777</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 497,127
Support services	54,261
Non-instructional	28,969
Total depreciation expense-governmental activities	<u>\$ 580,357</u>

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR YEAR ENDED JUNE 30, 2014**

Note 6 – Long-term Liabilities

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

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. General obligation refunding bonds payable	\$ 2,225,000	\$ -	\$ 420,000	\$ 1,805,000	\$ 425,000
B. Limited obligation bonds payable	3,290,000	-	545,000	2,745,000	565,000
C. Obligations under capital leases	-	29,680	11,918	17,762	5,555
D. Compensated absences payable	386,244	-	79,533	306,711	20,000
Total	\$ 5,901,244	\$ 29,680	\$ 1,056,451	\$ 4,874,473	\$ 1,015,555

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
2012 Refunding Bonds	1.61%	5/3/2012	12/30/2017	\$ 2,632,000	\$ 1,805,000
Total				\$ 2,632,000	\$ 1,805,000

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

- General obligation bond issue of 5/30/2012:

Year Ending June 30	Principal	Interest	Total
2015	\$ 425,000	\$ 29,563	\$ 454,563
2016	440,000	24,250	464,250
2017	460,000	17,650	477,650
2018	480,000	9,600	489,600
Total	\$ 1,805,000	\$ 81,063	\$ 1,886,063

This debt will be retired from the Refunding Bond Series 2012 A & B.

The amount of bonded indebtedness that can be incurred by the 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 .73% of property assessments as of October 1, 2013.

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR YEAR ENDED JUNE 30, 2014**

Note 6 – Long-term Liabilities (continued)

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement, Refund Bond Series 2009	2.94%	4/28/2009	2/1/2018	\$ 5,102,500	\$ 2,745,000
Total				<u>\$ 5,102,500</u>	<u>\$ 2,745,000</u>

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

Limited obligation bond issue of 4/28/2009:

Year Ending June 30	Principal	Interest	Total
2015	\$ 565,000	\$ 72,398	\$ 637,398
2016	580,000	55,566	635,566
2017	600,000	38,220	638,220
2018	1,000,000	20,212	1,020,212
Total	<u>\$ 2,745,000</u>	<u>\$ 186,396</u>	<u>\$ 2,931,396</u>

This debt will be retired from the MAEP debt service 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. Obligations under capital leases

The District has entered into a lease agreement as lessee for financing the acquisition of a delivery truck at a cost of \$29,680. This lease qualifies as a capital lease for accounting purposes.

The various options available to the lessee for this lease are as follows:

1. Option to purchase the equipment at the end of the lease term.

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR YEAR ENDED JUNE 30, 2014**

Note 6 – Long-term Liabilities (continued)

C. Obligations under capital leases (continued)

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Ford Motor Credit Co.	6.45%	7/3/2013	7/3/2017	\$ 29,680	\$ 17,762
Total				\$ 29,680	\$ 17,762

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2015	\$ -	\$ -	-
2016	5,555	1,146	6,701
2017	5,913	787	6,700
2018	6,294	406	6,700
Total	\$ 17,762	\$ 2,339	\$ 20,101

The District uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

This debt will be retired from the district maintenance fund.

D. 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 – Prior Year Defeasance of Debt

In prior years, the Natchez-Adams School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2014, \$5,340,000 of bonds outstanding are defeased.

Note 8 – Defined Benefit Pension Plan

Plan Description. The 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.

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR YEAR ENDED JUNE 30, 2014**

Note 8 – Defined Benefit Pension Plan (continued)

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the 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 District's contributions to PERS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$2,857,382, \$2,851,998, and \$2,692,870, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2015	\$ 215,048
2016	90,420
2017	77,844
2018	77,843
Total	<u>\$ 461,155</u>

Note 10 – Contingencies

Federal Grants – The 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 District.

Litigation – The 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 District with respect to the various proceedings. However, the 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 District.

Note 11 – Risk Management

The 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.

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENT
FOR YEAR ENDED JUNE 30, 2014**

Note 12 – Uncertainties

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. (1972). Because none of the school districts have been able to calculate the amounts due to the other districts because of the lieu lands location, no division of sixteenth section revenues has been accrued as a receivable or payable, as the case may be. However, the District and some of the surrounding counties have properly compiled these educable child lists, as required by state law, and are working with legal counsel. Currently, no definitive conclusions have surfaced yet.

Of the townships with which Natchez-Adams School District is shared by other school districts, Natchez-Adams School District has control of some of the Sixteenth Section property. A portion of the sixteenth section revenues (rents, leases, timber sales, etc.) to which Natchez-Adams School District received on these sections may be due other school districts. In addition, for the other townships where another school district controls the sixteenth section property, Natchez-Adams School District may be entitled to a portion of the sixteenth section revenues that the other school district received.

Note 13 - Subsequent Events

Events that occur after the statement of net position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management of the Natchez-Adams School District evaluated the activity of the District through the date the financial statements were available to be issued. There are no items that require disclosure.

NATCHEZ-ADAMS SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

NATCHEZ-ADAMS SCHOOL DISTRICT

Required Supplementary Information

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive(Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local sources	\$12,400,110	\$12,400,110	\$ 12,329,131	\$ -	\$ (70,979)
State sources	14,723,476	15,660,398	14,921,642	936,922	(738,756)
Federal sources	274,049	274,049	238,664	-	(35,385)
Total revenues	\$27,397,635	\$28,334,557	\$ 27,489,437	\$ 936,922	\$ (845,120)
EXPENDITURES:					
Instruction	\$14,623,135	\$14,635,063	\$ 13,806,846	\$ (11,928)	\$ 828,217
Support services	11,715,728	12,133,013	11,502,472	(417,285)	630,541
Noninstructional services	3,701	3,701	1,749	-	1,952
Debt service					
Principal	-	-	11,918	-	(11,918)
Interest	-	-	7,181	-	(7,181)
Total expenditures	\$26,342,564	\$26,771,777	\$ 25,330,166	\$ (429,213)	\$ 1,441,611
Excess (deficiency) of revenues over expenditures	\$ 1,055,071	\$ 1,562,780	\$ 2,159,271	\$ 507,709	\$ 596,491
OTHER FINANCING SOURCES (USES)					
Sale of transportation equipment	\$ -	\$ -	\$ 3,000	\$ -	\$ 3,000
Operating transfers - in	2,041,998	1,514,549	1,556,622	(527,449)	42,073
Operating transfers - out	(2,571,218)	(2,586,800)	(1,891,209)	(15,582)	695,591
Total other financing sources (uses)	\$ (529,220)	\$ (1,072,251)	\$ (331,587)	\$ (543,031)	\$ 740,664
Net change in fund balance	\$ 525,851	\$ 490,529	\$ 1,827,684	\$ (35,322)	\$ 1,337,155
FUND BALANCES					
July 1, 2013	1,997,633	2,390,555	2,390,555	392,922	-
Increase in reserve for inventory	-	-	7	-	7
June 30, 2014	\$ 2,523,484	\$ 2,881,084	\$ 4,218,246	\$ 357,600	\$ 1,337,162

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ 203	\$ 204	\$ 203	\$ 1
State sources	-	-	-	-	-
Federal sources	4,710,032	3,942,073	2,856,103	(767,959)	(1,085,970)
Total revenues	4,710,032	3,942,276	2,856,307	(767,756)	(1,085,969)
Expenditures:					
Instruction	3,332,386	1,875,244	1,317,767	1,457,142	557,477
Support services	1,161,537	1,800,209	1,312,465	(638,672)	487,744
Noninstructional services	161,022	173,745	137,811	(12,723)	35,934
Sixteenth Section	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Advance refunding escrow	-	-	-	-	-
Other	-	-	-	-	-
Total expenditures	4,654,945	3,849,198	2,768,043	805,747	1,081,155
Excess (deficiency) of revenues over (under) expenditures	55,087	93,078	88,264	37,991	(4,814)
Other Financing Sources (Uses):					
Sale of transportation equipment	-	-	-	-	-
Operating transfers in	-	-	177	-	177
Operating transfers out	(55,087)	(93,078)	(88,441)	(37,991)	4,637
Total other financing sources (uses)	(55,087)	(93,078)	(88,264)	(37,991)	4,814
Net change in fund balances	-	-	-	-	-
Fund balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	\$ -	\$ -	\$ -	\$ -	\$ -

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

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014**

Budgetary Comparison Schedule

(1) Basis of Presentation

The budgetary comparison 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.

NATCHEZ-ADAMS SCHOOL DISTRICT

OTHER SUPPLEMENTARY INFORMATION

NATCHEZ-ADAMS SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Fresh fruit and vegetable program	10.582	\$ 38,582
Noncash assistance		
Food distribution	10.550	143,942
Child nutrition cluster:		
School breakfast program	10.553	509,317
National school lunch program	10.555	1,469,878
Summer food service program for children	10.559	35,013
Total child nutrition cluster		<u>2,196,732</u>
Total passed-through Mississippi Department of Education		<u>2,196,732</u>
Passed-through Adams County:		
Schools and roads - grants to state	10.665	48,158
Total passed-through Adams County		<u>48,158</u>
Total U.S. Department of Agriculture		<u>2,244,890</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	18,258
Total U.S. Department of Defense		<u>18,258</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	172,249
Total Federal Communications Commission		<u>172,249</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	82,299
Twenty-first century community learning centers	84.287	230,602
Rural education	84.358	108,381
Improving teacher quality - State Grants	84.367	543,509
Title I grants to local educational agencies	84.010	2,856,103
Education for homeless children and youth	84.196	14,969
Subtotal		<u>3,835,863</u>
Special education cluster:		
Special education - grants to states	84.027	871,638
Special education - preschool grants	84.173	67,167
Total special education cluster		<u>938,805</u>
Total passed-through Mississippi Department of Education		<u>4,774,668</u>
Total U.S. Department of Education		<u>4,774,668</u>
Total for All Federal Awards		<u>\$ 7,210,065</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 District.

NATCHEZ-ADAMS SCHOOL DISTRICT

Supplementary Information

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 24,981,803	\$ 14,195,248	\$ 1,662,839	\$ 2,017,326	\$ 7,106,390
Other	9,902,186	6,273,019	481,631	101,190	3,046,346
Total	<u>\$ 34,883,989</u>	<u>\$ 20,468,267</u>	<u>\$ 2,144,470</u>	<u>\$ 2,118,516</u>	<u>\$ 10,152,736</u>
Total number of students *	<u>3,177</u>				
Cost per student	<u>\$ 10,980</u>	<u>\$ 6,443</u>	<u>\$ 675</u>	<u>\$ 667</u>	<u>\$ 3,195</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 between teachers and students. Included here are the activities of teachers, teachers aides, or classroom assistants of any type.

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

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

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

NATCHEZ-ADAMS SCHOOL DISTRICT

OTHER INFORMATION

NATCHEZ-ADAMS SCHOOL DISTRICT

Other Information

Statements of Revenues, Expenditures, and Changes in Fund Balance

General Fund

Last Four Years

UNAUDITED

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$12,329,131	\$11,627,544	\$11,322,023	\$10,983,396
State sources	14,921,642	15,071,697	14,783,099	14,081,831
Federal sources	238,664	314,180	616,554	691,752
Total revenues	<u>27,489,437</u>	<u>27,013,421</u>	<u>26,721,676</u>	<u>25,756,979</u>
Expenditures:				
Instruction	13,806,846	13,860,331	15,942,451	14,189,464
Support services	11,502,472	12,027,549	11,639,340	11,709,807
Noninstructional services	1,749	5,257	4,478	1,340
Debt service:				
Principal	11,918	-	-	-
Interest	7,181	-	-	-
Total expenditures	<u>25,330,166</u>	<u>25,893,137</u>	<u>27,586,269</u>	<u>25,900,611</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,159,271</u>	<u>1,120,284</u>	<u>(864,593)</u>	<u>(143,632)</u>
Other Financing Sources (Uses):				
Sale of other property	3,000	-	-	-
Operating transfers in	1,556,622	1,529,971	2,734,819	4,513,098
Other financing sources	-	-	-	372
Operating transfers out	(1,891,209)	(2,049,232)	(2,003,313)	(4,409,166)
Total other financing sources (Uses)	<u>(331,587)</u>	<u>(519,261)</u>	<u>731,506</u>	<u>104,304</u>
Net change in fund balances	<u>1,827,684</u>	<u>601,023</u>	<u>(133,087)</u>	<u>(39,328)</u>
Fund balances:				
Beginning of period, as previously reported	2,390,555	1,787,592	1,920,808	1,950,581
Prior period adjustments	-	-	-	(2,507)
Residual equity transfer	-	-	-	(11,637)
Beginning of period, as restated	<u>2,390,555</u>	<u>1,787,592</u>	<u>1,920,808</u>	<u>1,936,437</u>
Increase (decrease) in reserve for inventory	<u>7</u>	<u>1,940</u>	<u>(129)</u>	<u>23,699</u>
End of period	<u>\$ 4,218,246</u>	<u>\$ 2,390,555</u>	<u>\$ 1,787,592</u>	<u>\$ 1,920,808</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

NATCHEZ-ADAMS SCHOOL DISTRICT

Other Information

Statements of Revenues, Expenditures, and Changes in Fund Balance

All Governmental Funds

Last Four Years

UNAUDITED

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$12,629,618	\$ 11,859,552	\$11,551,837	\$11,159,038
Intermediate sources			73,872	172,714
State sources	16,402,672	16,764,650	16,619,619	16,038,955
Federal sources	7,372,395	8,386,328	10,436,299	11,950,991
Sixteenth section sources	1,327,338	981,975	671,980	1,283,327
Total revenues	37,732,023	37,992,505	39,353,607	40,605,025
Expenditures:				
Instruction	17,289,404	18,394,814	21,585,514	22,408,070
Support services	14,101,370	14,933,206	15,101,347	14,582,383
Noninstructional services	2,375,907	2,499,694	2,589,060	2,257,594
Sixteenth Section	9,482	241,564	12,686	29,732
Debt service:				
Principal	976,918	932,000	3,430,000	855,000
Interest	129,658	128,680	305,086	294,270
Advance refunding escrow	1,250	1,250	42,749	3,784
Total expenditures	34,883,989	37,131,208	43,066,442	40,430,833
Excess (deficiency) of revenues over (under) expenditures	2,848,034	861,297	(3,712,835)	174,192
Other financing sources (uses):				
Refunding bonds issued	-	-	2,632,000	-
Sale of other property	3,000	-	-	-
Operating transfers in	2,861,374	2,888,472	4,010,425	6,200,567
Other financing sources	-	-	-	372
Operating transfers out	(2,861,374)	(2,888,472)	(4,010,425)	(6,200,567)
Total other financing sources (uses)	3,000	-	2,632,000	372
Net change in fund balances	2,851,034	861,297	(1,080,835)	174,564
Fund balances:				
Beginning of period, as previously reported	25,072,951	24,210,143	25,328,881	25,148,719
Prior period adjustments	-	(1,963)	(5,731)	(2,507)
Beginning of period, as restated	25,072,951	24,208,180	25,323,150	25,146,212
Increase (decrease) in reserve for inventor	3,636	3,474	(32,172)	8,105
End of period	\$27,927,621	\$ 25,072,951	\$24,210,143	\$25,328,881

*SOURCE - PRIOR YEAR AUDIT REPORTS

NATCHEZ-ADAMS SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

Superintendent and School Board
Natchez-Adams 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 Natchez-Adams School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Natchez-Adams School District's basic financial statements, and have issued our report thereon dated December 10, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Silas Simmons, LLP

Natchez, Mississippi
December 10, 2014



SILAS SIMMONS LLP

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Superintendent and School Board
Natchez-Adams School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of Natchez-Adams School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Natchez-Adams School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance 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 Natchez-Adams School District's internal control over compliance.

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

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

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

Silas Simmons, LLP

Natchez, Mississippi
December 10, 2014

NATCHEZ-ADAMS SCHOOL DISTRICT

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



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

Superintendent and School Board
Natchez-Adams School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Natchez-Adams School District as of and for the year ended June 30, 2014, which collectively comprise Natchez-Adams School District's basic financial statements and have issued our report thereon dated December 10, 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), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the School District is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The District reported no classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your responses are as follows:

Finding 14-01

The District shares townships with other districts. Section 29-3-119, Miss. Code Ann. (1972), requires that the sixteenth section revenue derived from the shared townships be divided according to the applicable percentage of educable children. Although the District prepared and filed the lists of educable children with the Superintendent, the District has not been able to calculate the amount of revenue derived from the shared townships because it has been unable to determine the location of the lieu lands. Even though the District regularly sends and receives the educable child lists from/to Jefferson and Wilkinson counties, the exact details are unknown and are being investigated further by the District's legal counsel.

Recommendation

The District should consult legal counsel to determine the best way to proceed with determining the location of the lieu lands. Once lieu lands are identified, the District should be able to calculate the amount of revenue derived from the shared townships. Revenues can then be divided according to the applicable percentage of educable children once other School Districts comply with state law and file the appropriate lists of educable children.

Auditee's Response

The District has determined which townships are shared with other districts and has consulted with Board counsel. The Board counsel has been assigned the duty of identifying lieu lands.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding in this report to insure that corrective action has been taken.

The Natchez-Adams School District's responses to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

Silas Simmons, LLP

Natchez, Mississippi
December 10, 2014

NATCHEZ-ADAMS SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**NATCHEZ-ADAMS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|---------------|
| 1. Type of auditor's report issued on the financial statements: | Unmodified |
| 2. Material noncompliance relating to the financial statements? | No |
| 3. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |

Federal Awards:

- | | |
|---|---------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 6. Any audit finding(s) reported as required by section __.510(a) of OMB Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Federal Communications Commission:
CFDA#: 32.xxx School and Libraries Program of the Universal Service Fund | |
| b. MS Department of Education:
CFDA#: 84.358 Rural Education
84.010 Title I Grants to Local Educational Agencies
84.367 Improving Teacher Quality State Grants | |
| 8. The dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | Yes |
| 10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

NATCHEZ-ADAMS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Section 2: Financial Statement Findings

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

Section 3: Federal Awards, Findings, and Questioned Costs

The results of our tests did not disclose any findings and questioned costs relating to the federal awards.