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NESHOBA COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2014

NESHOBA COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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WATKINS, WARD and STAFFORD
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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Neshoba County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-15 and 47-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2015, on our consideration of the Neshoba County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Neshoba County School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC
Philadelphia, MS
March 17, 2015

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- Total net position for 2014 decreased $641,411, which represents a 3.1% decrease from fiscal year 2013. Total net position for 2013 increased $172,029, including a prior period adjustment of $3,074, which represents a .8% increase from fiscal year 2012.

- General revenues amounted to $19,422,895 and $20,055,165, or 80% and 81% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for $4,845,763, or 20% of total revenues for 2014, and $4,764,326, or 19% of total revenues for 2013.

- The District had $24,910,069 and $24,650,536 in expenses for fiscal years 2014 and 2013; only $4,845,763 for 2014 and $4,764,326 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $19,422,895 for 2014 were not adequate to provide for these programs. General revenues of $20,055,165 for 2013 were adequate to provide for these programs.

- Among major funds, the General Fund had $18,636,750 in revenues and $19,505,958 in expenditures for 2014, and $19,351,191 in revenues and $19,179,962 in expenditures in 2013. The General Fund's fund balance decreased by $1,070,615 from 2013 to 2014, and increased by $259,667 from 2012 to 2013.

- Capital assets, net of accumulated depreciation, decreased by $548,481 for 2014 and decreased by $375,031 for 2013. The decrease for 2014 was due primarily to the increase in accumulated depreciation.

- Long-term debt, including the liability for compensated absences, decreased by $182,868 for 2014 and decreased by $344,659 for 2013. This decrease for 2014 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by $5,541 for 2014 and decreased by $4,384 for 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each 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 $20,143,167 as of June 30, 2014.

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2014	June 30, 2013	Percentage Change
Current assets	$ 8,716,628	$ 10,127,896	-13.93 %
Restricted assets	852,830	635,504	34.20 %
Capital assets, net	16,135,021	16,683,502	-3.29 %
Total assets	**25,704,479**	**27,446,902**	**-6.35 %**
Current liabilities	524,034	1,442,178	-63.66 %
Long-term debt outstanding	5,037,278	5,220,146	-3.50 %
Total liabilities	**5,561,312**	**6,662,324**	**-16.53 %**
Net position:			
Net investment in capital assets	11,297,442	11,657,514	-3.09 %
Restricted	4,956,948	4,138,783	19.77 %
Unrestricted	3,888,777	4,988,281	-22.04 %
Total net position	**$ 20,143,167**	**$ 20,784,578**	**-3.09 %**

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 $548,481.
- The principal retirement of $380,161 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 $24,268,658 and $24,819,491, respectively. The total cost of all programs and services was $24,910,069 for 2014 and $24,650,536 for 2013.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2014	Year Ended June 30, 2013	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 805,252	$ 777,750	3.54 %
Operating grants and contributions	4,040,511	3,986,576	1.35 %
General revenues:			
Property taxes	3,079,201	3,042,995	1.19 %
Grants and contributions not restricted	15,364,593	16,419,368	(6.42) %
Investment earnings	22,493	4,941	355.23 %
Sixteenth section sources	714,398	447,694	59.57 %
Other	242,210	140,167	72.80 %
Total revenues	**24,268,658**	**24,819,491**	**(2.22) %**
Expenses:			
Instruction	15,395,271	15,283,584	0.73 %
Support services	7,525,267	7,357,962	2.27 %
Non-instructional	1,665,765	1,656,836	0.54 %
Sixteenth section	86,802	90,922	(4.53) %
Interest on long-term liabilities	236,964	261,232	(9.29) %
Total expenses	**24,910,069**	**24,650,536**	**1.05 %**
Increase (Decrease) in net position	**(641,411)**	**168,955**	**(479.63) %**
Net Position, July 1, as previously reported	**20,784,578**	**20,612,549**	0.83 %
Prior Period Adjustment		**3,074**	(100.00) %
Net Position, July 1, as restated	**20,784,578**	**20,615,623**	**0.82 %**
Net Position, June 30	**$ 20,143,167**	**$ 20,784,578**	**(3.09) %**

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2014	2013	Change
Instruction	$ 15,395,271	$ 15,283,584	0.73 %
Support services	7,525,267	7,357,962	2.27 %
Non-instructional	1,665,765	1,656,836	0.54 %
Sixteenth section	86,802	90,922	(4.53) %
Interest on long-term liabilities	236,964	261,232	(9.29) %
Total expenses	**$ 24,910,069**	**$ 24,650,536**	**1.05 %**

	Net (Expense) Revenue		Percentage
	2014	2013	Change
Instruction	$ (13,256,508)	$ (12,973,771)	2.18 %
Support services	(6,765,519)	(6,610,588)	2.34 %
Non-instructional	23,711	(8,325)	(384.82) %
Sixteenth section	18,132	(32,294)	(156.15) %
Interest on long-term liabilities	(84,122)	(261,232)	(67.80) %
Total net (expense) revenue	**$ (20,064,306)**	**$ (19,886,210)**	**0.90 %**

- Net cost of governmental activities ($20,064,306 for 2014 and $19,886,210 for 2013) was financed by general revenue, which is primarily made up of property taxes ($3,079,201 for 2014 and $3,042,995 for 2013) and state and federal revenues ($15,364,593 for 2014 and $16,419,368 for 2013). In addition, there was $714,398 and $447,694 in Sixteenth Section sources for 2014 and 2013, respectively.

- Investment earnings amounted to $22,493 for 2014 and $4,941 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 $9,164,598, a decrease of $293,002, which includes a decrease in inventory of $8,201. $3,793,968 or 41% 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 $5,370,630 or 59% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was $1,070,615. The fund balance of Other Governmental Funds showed an increase in the amount of $403,990, which includes a decrease in reserve for inventory of $8,201. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I-A Basic Fund	no increase or decrease
EHA, Part B Grant Fund	no increase or decrease
16th Section Interest Fund	$ 373,623

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 funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were $27,020,530, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of $134,637 from 2013. Total accumulated depreciation as of June 30, 2014, was $10,885,509, and total depreciation expense for the year was $905,301, resulting in total net capital assets of $16,135,021.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2014	June 30, 2013	Percentage Change
Land	$ 337,443	$ 212,481	58.81 %
Buildings	12,853,901	13,298,311	(3.34) %
Improvements other than buildings	1,259,838	1,362,867	(7.56) %
Mobile equipment	1,368,024	1,630,400	(16.09) %
Furniture and equipment	216,088	179,443	20.42 %
Leased property under capital leases	99,727		100.00 %
Total	**$ 16,135,021**	**$ 16,683,502**	**(3.29) %**

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

Debt Administration. At June 30, 2014, the District had $5,037,278 in outstanding long-term debt, of which $416,440 is due within one year. The liability for compensated absences increased $5,541 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2014	June 30, 2013	Percentage Change
Limited obligation bonds payable	$ 1,470,000	$ 1,735,000	(15.27) %
Obligations under capital leases	161,056		100.00 %
Obligations under energy efficiency leases	206,523	290,988	(29.03) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	199,699	194,158	2.85 %
Total	**$ 5,037,278**	**$ 5,220,146**	**(3.50) %**

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

CURRENT ISSUES

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

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

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

Enrollment for the 2013-2014 year decreased by 2% to 2,961 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Neshoba County School District, 401 East Beacon Street, Suite 102, Philadelphia, MS 39350.

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FINANCIAL STATEMENTS

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

		Governmental Activities
Assets		
Cash and cash equivalents	$	7,959,271
Due from other governments		734,759
Other receivables, net		9,770
Inventories		12,828
Restricted assets		852,830
Capital assets, non-depreciable:		
Land		337,443
Capital assets, net of accumulated depreciation:		
Buildings		12,853,901
Improvements other than buildings		1,259,838
Mobile equipment		1,368,024
Furniture and equipment		216,088
Leased property under capital leases		99,727
Total Assets		25,704,479
Liabilities		
Accounts payable and accrued liabilities		404,500
Unearned revenue		360
Interest payable on long-term liabilities		119,174
Long-term liabilities, due within one year:		
Capital related liabilities		416,440
Long-term liabilities, due beyond one year:		
Capital related liabilities		4,421,139
Non-capital related liabilities		199,699
Total Liabilities		5,561,312
Net Position		
Invested in capital assets, net of related debt		11,297,442
Restricted for:		
Expendable:		
School-based activities		3,719,994
Debt service		794,932
Capital improvements		2,000
Forestry improvements		279,754
Unemployment benefits		55,131
Non-expendable:		
Sixteenth section		105,137
Unrestricted		3,888,777
Total Net Position	$	20,143,167

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

Statement of Activities
For the Year Ended June 30, 2014

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 15,395,271	$ 324,129	$ 1,814,634		$ (13,256,508)
Support services	7,525,267	8,963	750,785		(6,765,519)
Non-instructional	1,665,765	367,226	1,322,250		23,711
Sixteenth section	86,802	104,934			18,132
Interest on long-term liabilities	236,964		152,842		(84,122)
Total Governmental Activities	$ 24,910,069	$ 805,252	$ 4,040,511		$ (20,064,306)

General Revenues:	
Taxes:	
General purpose levies	3,079,201
Unrestricted grants and contributions:	
State	15,042,109
Federal	322,484
Unrestricted investment earnings	22,493
Sixteenth section sources	714,398
Other	242,210
Total General Revenues	19,422,895
Change in Net Position	(641,411)
Net Position - Beginning	20,784,578
Net Position - Ending	$ 20,143,167

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

NESHOBA COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2014

Exhibit C

	Major Funds					
	General Fund	Title I-A Basic Fund	EHA, Part B Grant Fund	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 3,912,259			$ 2,843,240	$ 1,308,909	$ 8,064,408
Cash with fiscal agents					145,073	145,073
Investments					602,620	602,620
Due from other governments	237,750	179,784	79,847		237,378	734,759
Other receivables, net				9,770		9,770
Due from other funds	271,511					271,511
Inventories					12,828	12,828
Total assets	4,421,520	179,784	79,847	2,853,010	2,306,808	9,840,969
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	$ 299,660	$ 15,350	$ 10,913	$ 24,384	$ 54,193	$ 404,500
Due to other funds		164,434	68,934		38,143	271,511
Unearned revenue				360		360
Total Liabilities	299,660	179,784	79,847	24,744	92,336	676,371
Fund Balances:						
Nonspendable:						
Inventory					12,828	12,828
Permanent fund principal					105,137	105,137
Restricted:						
Debt service					914,106	914,106
Capital projects					2,000	2,000
Forestry improvement purposes					279,754	279,754
Grant activities	33,384				845,516	878,900
Unemployment benefits					55,131	55,131
16th section interest				2,828,266		2,828,266
Assigned:						
Student activities	281,196					281,196
Building improvements	13,312					13,312
Unassigned	3,793,968					3,793,968
Total Fund Balances	4,121,860			2,828,266	2,214,472	9,164,598
Total Liabilities and Fund Balances	$ 4,421,520	$ 179,784	$ 79,847	$ 2,853,010	$ 2,306,808	$ 9,840,969

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position **Exhibit C-1**
June 30, 2014

Total fund balances for governmental funds		$ 9,164,598
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	$ 337,443	
Buildings	19,214,301	
Improvements other than buildings	2,649,440	
Mobile equipment	3,879,113	
Furniture and equipment	791,386	
Leased property under capital leases	148,847	
Accumulated depreciation	(10,885,509)	16,135,021
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		
Limited obligation bonds	(1,470,000)	
Obligations under energy efficiency lease	(206,523)	
Qualified school construction bonds	(3,000,000)	
Capital lease obligations	(161,056)	
Compensated absences	(199,699)	
Accrued interest payable	(119,174)	(5,156,452)
Net position of governmental activities		$ 20,143,167

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

NESHOBA COUNTY SCHOOL DISTRICT

Governmental Funds

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

For the Year Ended June 30, 2014

	Major Funds					
	General Fund	Title I-A Basic Fund	EHA, Part B Grant Fund	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local sources	$ 3,629,785				$ 411,212	$ 4,040,997
State sources	14,684,481				870,601	15,555,082
Federal sources	322,484	956,859	656,080		1,914,598	3,850,021
Sixteenth section sources				717,235	105,323	822,558
Total Revenues	18,636,750	956,859	656,080	717,235	3,301,734	24,268,658
Expenditures:						
Instruction	12,789,936	678,150	341,602		1,152,887	14,962,575
Support services	6,715,022	206,399	312,978		177,540	7,411,939
Noninstructional services	1,000	39,832	1,500		1,616,366	1,658,698
Sixteenth section				34,858	51,944	86,802
Debt service:						
Principal					380,161	380,161
Interest					251,118	251,118
Other					3,050	3,050
Total Expenditures	19,505,958	924,381	656,080	34,858	3,633,066	24,754,343
Excess (Deficiency) of Revenues over (under) Expenditures	(869,208)	32,478		682,377	(331,332)	(485,685)
Other Financing Sources (Uses):						
Capital leases issued	191,752					191,752
Payment to escrow agent					(201,904)	(201,904)
Payment held by escrow agent					201,904	201,904
Sale of transportation equipment	9,407					9,407
Operating transfers in	169,075				752,341	921,416
Operating transfers out	(571,441)	(32,478)		(308,754)	(8,743)	(921,416)
Other financing uses	(200)				(75)	(275)
Total Other Financing Sources (Uses)	(201,407)	(32,478)		(308,754)	743,523	200,884
Net Change in Fund Balances	(1,070,615)			373,623	412,191	(284,801)
Fund Balances:						
July 1, 2013	5,192,475			2,454,643	1,810,482	9,457,600
Increase (Decrease) in reserve for inventory					(8,201)	(8,201)
June 30, 2014	$ 4,121,860			$ 2,828,266	$ 2,214,472	$ 9,164,598

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

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		$ (284,801)
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 397,968	
Depreciation expense	(905,301)	(507,333)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.		(41,148)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Capital leases issued	(191,752)	
Payments of debt principal	380,161	
Accrued interest payable	3,372	191,781
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	(5,541)	
Change in inventory reserve	(8,201)	
Decrease in deferred debt charges	13,832	90
Change in net position of governmental activities		$ (641,411)

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

NESHOBA COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position **Exhibit E**

June 30, 2014

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	$ 53,587	$ 927,397
Total Assets	53,587	$ 927,397
Liabilities		
Accounts payable and accrued liabilities		$ 861,619
Due to student clubs		65,778
Total Liabilities		$ 927,397
Net Position		
Reserved for endowments	53,587	
Total Net Position	$ 53,587	

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

NESHOBA COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Changes in Fiduciary Net Position **Exhibit F**

For the Year Ended June 30, 2014

	Private-Purpose Trust Funds
Additions	
Interest on investments	$ 57
Total Additions	57
Deductions	
Scholarships awarded	1,000
Total Deductions	1,000
Change in Net Position	(943)
Net Position	
July 1, 2013	54,530
June 30, 2014	$ 53,587

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

The school district reports the following major governmental funds:

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

Title I-A Basic Fund – This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title I grants to local education agencies programs.

EHA, Part B Grant Fund – This is a special revenue fund that accounts for expenditures and related revenues associated with a Federal award that provides supplemental services for special needs students.

Sixteenth Section Interest Fund – This fund accounts for the expendable funds derived from sixteenth section lands.

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

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

The District's fiduciary funds include the following:

Watson Scholarship Fund – This is a private purpose trust fund to account for endowments.

Partridge Scholarship Fund – This is a private purpose trust fund to account for endowments.

Payroll Clearing Fund – This is the District's clearing fund used for payments of payroll and benefits.

High School Agency Fund – This is the District's fund to record assets and liabilities of the high school's various student clubs.

Middle School Agency Fund – This is the District's fund to record assets and liabilities of the middle school's various student clubs.

Elementary Agency Fund – This is the District's fund to record assets and liabilities of the elementary school's various student clubs.

Salary Deduction Fund – This is the District's fund to record assets and liabilities of the District's salary deductions.

Accounts Payable Clearing Fund – This is the District's clearing fund used to pay claims of the District.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

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

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

8. Long-term Liabilities and Bond Discounts/Premiums

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

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

9. Fund Balances

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

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

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

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

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. Currently there is no committed fund balance for this school district.

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

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

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

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $ 8,064,408 and $980,984, 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. As of June 30, 2014, none of the district's bank balance was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was $145,073.

Investments

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

Investment Type	Rating	Maturities (in years)		Fair Value
QSCB Construction Bonds Common Trust Funds 2012-A	Aaa	Varies; 5 year average	$	602,620
Total			$	602,620

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

Issuer		Fair Value	% of Total Investments
QSCB Construction Bonds Common Trust Funds 2012-A	$	602,620	100%

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund		Amount
General Fund	Title I-A Basic Fund	$	164,434
	EHA, Part B Grant Fund		68,934
	Other governmental funds		38,143
Total		$	271,511

The purpose of the interfund receivables and payables is to close-out federal program funds at year end. All interfund receivables and payables are expected to be repaid within one year.

B. Inter-fund Transfers

Transfers Out	Transfers In		Amount
General Fund	Other governmental funds	$	571,441
Title I-A Basic Fund	General Fund		32,478
16th Section Interest Fund	General Fund		127,854
	Other governmental funds		180,900
Other governmental funds	General Fund		8,743
Total		$	921,416

The purpose of the interfund transfers is to transfer federal program indirect costs to the General Fund and to close-out federal program funds at year end.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling $105,137, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent balance, totaling $145,066, of the MAEP Limited Obligation Bond/Note Fund. In addition, the restricted assets represent the cash with fiscal agent and investment balance, totaling $7 and $602,620, respectively, of the Qualified School Construction Bond Fund. Total restricted assets are $852,830.

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
Governmental Activities:				
Non-depreciable capital assets:				
Land	$ 212,481	$ 124,962		$ 337,443
Total non-depreciable capital assets	212,481	124,962		337,443
Depreciable capital assets:				
Buildings	19,214,301			19,214,301
Improvements other than buildings	2,649,440			2,649,440
Mobile equipment	4,120,483		241,370	3,879,113
Furniture and equipment	689,188	124,159	21,961	791,386
Leased property under capital leases		148,847		148,847
Total depreciable capital assets	26,673,412	273,006	263,331	26,683,087
Less accumulated depreciation for:				
Buildings	5,915,990	444,410		6,360,400
Improvements other than buildings	1,286,573	103,029		1,389,602
Mobile equipment	2,490,083	238,239	217,233	2,511,089
Furniture and equipment	509,745	70,503	4,950	575,298
Leased property under capital leases		49,120		49,120
Total accumulated depreciation	10,202,391	905,301	222,183	10,885,509
Total depreciable capital assets, net	16,471,021	(632,295)	41,148	15,797,578
Governmental activities capital assets, net	$ 16,683,502	$ (507,333)	$ 41,148	$ 16,135,021

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 446,976
Support services	444,600
Non-instructional	13,725
Total depreciation expense - Governmental activities	$ 905,301

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. Limited obligation bonds payable	$ 1,735,000	$	$ 265,000	$ 1,470,000	$ 270,000
B. Obligations under capital leases		191,752	30,696	161,056	57,565
C. Obligations under energy efficiency leases	290,988		84,465	206,523	88,875
D. Qualified school construction bonds payable	3,000,000			3,000,000	
E. Compensated absences payable	194,158	5,541		199,699	
Total	$ 5,220,146	$ 197,293	$ 380,161	$ 5,037,278	$ 416,440

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds	3%-4%	2/1/2010	2/1/2018	$ 2,430,000	$ 1,470,000
Total				$ 2,430,000	$ 1,470,000

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

1. Limited obligation bond issue of February 1, 2010:

Year Ending June 30	Principal	Interest	Total
2015	$ 270,000	$ 46,445	$ 316,445
2016	285,000	38,120	323,120
2017	290,000	29,423	319,423
2018	625,000	19,000	644,000
Total	$ 1,470,000	$ 132,988	$ 1,602,988

This debt will be retired from the MAEP Paying Agent 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.

B. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of a wireless system and technology upgrade at a cost of $191,752. This lease qualifies as a capital lease for accounting purposes.

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

1. The School District to purchase the equipment at the end of the lease term for $1.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Wireless system & technology upgrade	3.2%	11/7/2013	1/7/2017	$ 191,752	$ 161,056
Total				$ 191,752	$ 161,056

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	$ 57,565	$ 3,961	$ 61,526
2016	64,752	2,367	67,119
2017	38,739	414	39,153
Total	$ 161,056	$ 6,742	$ 167,798

The school 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 Capital Lease Fund.

C. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy efficiency lease	5.1%	9/25/2001	9/25/2016	$ 1,000,000	$ 206,523
Total				$ 1,000,000	$ 206,523

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

Obligations under energy efficiency leases issue of September 25, 2001:

Year Ending June 30	Principal	Interest	Total
2015	$ 88,875	$ 8,474	$ 97,349
2016	93,515	3,834	97,349
2017	24,133	204	24,337
Total	$ 206,523	$ 12,512	$ 219,035

This debt will be retired from the Energy Efficiency Lease Fund

An energy efficiency lease agreement dated September 25, 2001, was executed by and between the district, the lessee, and Trustmark National Bank, the lessor.

The agreement authorized the borrowing of $1,000,000 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed fifteen (15) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

D. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bond	6.03%	12/17/2010	12/17/2025	$ 3,000,000	$ 3,000,000
Total				$ 3,000,000	$ 3,000,000

E. Compensated absences payable

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

Note 7 – Other Commitments

Operating leases:

The school district has several operating leases for the following:

1. Thirteen copy machines
2. Two postage meters
3. Fax Board Kit
4. Driver's education vehicle

Lease expenditures for the year ended June 30, 2014, amounted to $35,195.

Future lease payments for these leases are as follows:

Year Ending June 30		Amount
2015	$	33,347
2016		22,604
2017		20,039
2018		10,314
Total	$	86,304

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were $2,158,047, $1,955,124 and $1,648,337, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30		Amount
2015	$	101,808
2016		86,966
2017		82,321
2018		81,716
2019		71,842
2020 – 2024		356,449
2025 – 2029		320,356
2030 – 2034		259,177
2035 – 2039		165,872
Thereafter		172,765
Total	$	1,699,272

Note 10 – Contingencies

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

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

Note 11 – Risk Management

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

Participation in Public Entity Risk Pool

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

Note 12 – Qualified School Construction Bonds

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

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2014 was $602,627. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2015	$	201,300
2016		201,300
2017		201,300
2018		201,300
2019		201,300
2020 – 2024		1,006,500
2025 – 2026		383,100
Total	$	2,396,100

Note 13 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated November 23, 1993, creating the East Central Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Union Public School District, Scott County School District, Forest Municipal School District, Neshoba County School District, Newton Municipal School District and Newton County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Union Public School District has been designated as the lead school district for the East Central Alternative School, and the operations of the consortium are included in its financial statements.

Note 14 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated August 17, 1982, creating the Philadelphia-Neshoba County Vocational-Technical Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Neshoba County School District, Philadelphia Public School District and East Central Community College.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

East Central Community College has been designated as the fiscal agent for the Philadelphia-Neshoba Vocational-Technical Center, and the operations of the consortium are included in its financial statements.

Note 15 - 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 Neshoba County School District evaluated the activity of the district through March 17, 2015, and determined that no subsequent events occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 4,191,385	$ 3,635,005	$ 3,629,785	$ (556,380)	$ (5,220)
State sources	14,735,548	14,684,481	14,684,481	(51,067)	
Federal sources	1,875,000	322,489	322,484	(1,552,511)	(5)
Total Revenues	20,801,933	18,641,975	18,636,750	(2,159,958)	(5,225)
Expenditures:					
Instruction	13,649,649	12,802,746	12,789,936	846,903	12,810
Support services	7,584,298	6,746,907	6,715,022	837,391	31,885
Noninstructional services	1,000	1,000	1,000		
Total Expenditures	21,234,947	19,550,653	19,505,958	1,684,294	44,695
Excess (Deficiency) of Revenues over (under) Expenditures	(433,014)	(908,678)	(869,208)	(475,664)	39,470
Other Financing Sources (Uses):					
Capital leases issued		191,752	191,752	191,752	
Insurance recovery	50,000			(50,000)	
Sale of transportation equipment	20,000	9,407	9,407	(10,593)	
Operating transfers in	2,312,773	2,470,228	169,075	157,455	(2,301,153)
Operating transfers out	(2,992,529)	(2,868,628)	(571,441)	123,901	2,297,187
Other financing uses		(200)	(200)	(200)	
Total Other Financing Sources (Uses)	(609,756)	(197,441)	(201,407)	412,315	(3,966)
Net Change in Fund Balances	(1,042,770)	(1,106,119)	(1,070,615)	(63,349)	35,504
Fund Balances:					
July 1, 2013	4,935,882	5,192,475	5,192,475	256,593	
June 30, 2014	$ 3,893,112	$ 4,086,356	$ 4,121,860	$ 193,244	$ 35,504

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

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 1,017,981	$ 1,195,554	$ 956,859	$ 177,573	$ (238,695)
Total Revenues	1,017,981	1,195,554	956,859	177,573	(238,695)
Expenditures:					
Instruction	665,686	860,414	678,150	(194,728)	182,264
Support services	273,770	250,114	206,399	23,656	43,715
Noninstructional services	46,745	48,581	39,832	(1,836)	8,749
Total Expenditures	986,201	1,159,109	924,381	(172,908)	234,728
Excess (Deficiency) of Revenues over (under) Expenditures	31,780	36,445	32,478	4,665	(3,967)
Other Financing Sources (Uses):					
Operating transfers out	(31,780)	(36,445)	(32,478)	(4,665)	3,967
Total Other Financing Sources (Uses)	(31,780)	(36,445)	(32,478)	(4,665)	3,967
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.

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 882,458	$ 835,009	$ 656,080	$ (47,449)	$ (178,929)
Total Revenues	882,458	835,009	656,080	(47,449)	(178,929)
Expenditures:					
Instruction	528,035	510,118	341,602	17,917	168,516
Support services	352,923	322,391	312,978	30,532	9,413
Noninstructional services	1,500	2,500	1,500	(1,000)	1,000
Total Expenditures	882,458	835,009	656,080	47,449	178,929
Excess (Deficiency) of Revenues over (under) Expenditures					
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.

NESHOBA COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule
16th Section Interest Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	$ 763,300	$ 717,235	$ 717,235	$ (46,065)	
Total Revenues	763,300	717,235	717,235	(46,065)	
Expenditures:					
Sixteenth section	53,000	34,858	34,858	18,142	
Total Expenditures	53,000	34,858	34,858	18,142	
Excess (Deficiency) of Revenues over (under) Expenditures	710,300	682,377	682,377	(27,923)	
Other Financing Sources (Uses):					
Operating transfers out	(243,700)	(308,754)	(308,754)	(65,054)	
Total Other Financing Sources (Uses)	(243,700)	(308,754)	(308,754)	(65,054)	
Net Change in Fund Balances	466,600	373,623	373,623	(92,977)	
Fund Balances:					
July 1, 2013	-	-	2,454,643		2,454,643
June 30, 2014	$ 466,600	$ 373,623	$ 2,828,266	$ (92,977)	$ 2,454,643

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

NESHOBA COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 255,302
National school lunch program	10.555	1,055,630
Total child nutrition cluster		1,310,932
Total passed-through Mississippi Department of Education		1,310,932
Total U.S. Department of Agriculture		1,310,932
U.S. Department of Defense		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	71,899
Total U.S. Department of Defense		71,899
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	85,764
Total Federal Communications Commission		85,764
U.S. Department of Education		
Direct Program:		
Impact aid	84.041	149,225
Indian education - grants to local education agencies	84.060	56,039
Total direct programs		205,264
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	34,495
Education technology state grants	84.318	373
Rural education	84.358	40,955
Improving teacher quality-State Grants	84.367	223,018
Title I grants to local educational agencies	84.010	956,859
Subtotal		1,255,700
Special education cluster:		
Special education - grants to states	84.027	656,080
Special education - preschool grants	84.173	24,045
Total special education cluster		680,125
Total passed-through Mississippi Department of Education		1,935,825
Total U.S. Department of Education		2,141,089
Total for All Federal Awards		$ 3,609,684

NOTES TO SCHEDULE

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

NESHOBA COUNTY SCHOOL DISTRICT

Supplementary Information

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

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	19,020,325	14,613,883	981,596	1,040,351	2,384,495
Other		5,734,018	1,910,351	162,018	62,316	3,599,333
Total	$	24,754,343	16,524,234	1,143,614	1,102,667	5,983,828
Total number of students *		2,961				
Cost per student	$	8,360	5,581	386	372	2,021

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

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

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

Other - includes all expenditure functions not included in Instruction or Administration Categories.

* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

OTHER INFORMATION

NESHOBA COUNTY SCHOOL DISTRICT

Other Information

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

	2014	2013*	2012*	2011*
Revenues:				
Local sources	$ 3,629,785	$ 3,482,047	$ 3,607,509	$ 3,163,470
State sources	14,684,481	14,762,000	14,014,658	12,715,061
Federal sources	322,484	1,107,144	1,314,800	1,162,369
Total Revenues	18,636,750	19,351,191	18,936,967	17,040,900
Expenditures:				
Instruction	12,789,936	12,560,806	11,839,860	10,269,061
Support services	6,715,022	6,618,656	6,593,906	5,272,566
Noninstructional services	1,000	500	500	18,930
Facilities acquisition and construction			204,647	7,912
Debt service:				
Principal				5,537
Total Expenditures	19,505,958	19,179,962	18,638,913	15,574,006
Excess (Deficiency) of Revenues over (under) Expenditures	(869,208)	171,229	298,054	1,466,894
Other Financing Sources (Uses):				
Capital leases issued	191,752			
Insurance recovery		31,892	12,458	13,632
Sale of transportation equipment	9,407	5,778	12,974	
Operating transfers in	169,075	459,830	30,759	110,526
Operating transfers out	(571,441)	(412,136)	(722,145)	(690,071)
Other financing uses	(200)			
Total Other Financing Sources (Uses)	(201,407)	85,364	(665,954)	(565,913)
Net Change in Fund Balances	(1,070,615)	256,593	(367,900)	900,981
Fund Balances:				
Beginning of period, as previously reported	5,192,475	4,932,808	5,300,708	4,399,727
Prior period adjustments		3,074		
Beginning of period, as restated	5,192,475	4,935,882	5,300,708	4,399,727
End of Period	$ 4,121,860	$ 5,192,475	$ 4,932,808	$ 5,300,708

*SOURCE - PRIOR YEAR AUDIT REPORTS

NESHOBA COUNTY SCHOOL DISTRICT

Other Information

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

	2014	2013*	2012*	2011*
Revenues:				
Local sources	$ 4,040,997	$ 3,866,928	$ 4,006,498	$ 3,617,826
State sources	15,555,082	15,651,105	14,913,646	13,629,568
Federal sources	3,850,021	4,754,840	5,474,415	7,050,449
Sixteenth section sources	822,558	511,268	763,530	587,214
Total Revenues	24,268,658	24,784,141	25,158,089	24,885,057
Expenditures:				
Instruction	14,962,575	14,865,883	14,410,021	14,702,844
Support services	7,411,939	7,333,154	7,714,095	6,332,476
Noninstructional services	1,658,698	1,652,533	1,643,635	1,615,156
Sixteenth section	86,802	90,922	92,751	79,470
Facilities acquisition and construction		81,832	2,204,700	2,292,232
Debt service:				
Principal	380,161	340,275	345,400	1,101,307
Interest	251,118	260,320	272,259	101,874
Other	3,050	2,950	2,950	62,700
Total Expenditures	24,754,343	24,627,869	26,685,811	26,288,059
Excess (Deficiency) of Revenues over (under) Expenditures	(485,685)	156,272	(1,527,722)	(1,403,002)
Other Financing Sources (Uses):				
Bonds and notes issued				3,000,000
Capital leases issued	191,752			
Insurance recovery		31,892	12,458	13,632
Sale of transportation equipment	9,407	5,778	12,974	
Sale of other property			1,082	
Operating transfers in	921,416	1,426,691	1,920,587	860,347
Payment held by QSCB debt escrow agent	201,904	200,691	201,300	
Payment held by QZAB debt escrow agent				47,824
Operating transfers out	(921,416)	(1,426,691)	(1,920,587)	(860,347)
Payment to QSCB debt escrow agent	(201,904)	(200,691)	(201,300)	
Payment to QZAB debt escrow agent				(47,824)
Other financing uses	(275)			
Total Other Financing Sources (Uses)	200,884	37,670	26,514	3,013,632
Net Change in Fund Balances	(284,801)	193,942	(1,501,208)	1,610,630
Fund Balances:				
Beginning of period, as previously reported	9,457,600	9,260,695	10,765,558	9,157,866
Prior period adjustments		3,074		
Beginning of period, as restated	9,457,600	9,263,769	10,765,558	9,157,866
Increase (Decrease) in reserve for inventory	(8,201)	(111)	(3,655)	(2,938)
End of Period	$ 9,164,598	$ 9,457,600	$ 9,260,695	$ 10,765,558

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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WATKINS, WARD and STAFFORD
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Certified Public Accountants

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Perry C. Rackley, Jr., CP.

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

Superintendent and School Board
Neshoba County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Neshoba County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Neshoba County School District's basic financial statements, and have issued our report thereon dated March 17, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
March 17, 2015

Watkins Ward and Stafford, PLLC

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

Superintendent and School Board
Neshoba County School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
March 17, 2015

Watkins Ward and Stafford, PLLC

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
Neshoba County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Neshoba County School District as of and for the year ended June 30, 2014, which collectively comprise Neshoba County School District's basic financial statements and have issued our report thereon dated March 17, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district had 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 response are as follows:

1. Proper form should be filed for all retirees

Finding

The Mississippi Public Employees Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-127, Miss Code Ann. (1972), school districts hiring PERS service retirees to file PERS Form 4B "Certification/Acknowledgment of Re-employment of Retiree" with the PERS office within five days from the date of employment of the retiree.

During our testing of state legal compliance, we noted seven instances where Form 4B's were not signed within five days of rehire.

Recommendation

We recommend the District implement procedures to ensure that the District follows the provisions of Section 25-11-127, Miss. Code Ann. (1972).

School District Response

The District concurs with the recommendation and no retiree will be allowed to work until a Form 4B has been completed. This will ensure that the District is in compliance with the five day requirement.

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 Neshoba County School District's response 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, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
March 17, 2015

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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NESHOBA COUNTY SCHOOL DISTRICT

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

7. Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition cluster
84.027, 84.173	Special Education cluster

8.	Dollar threshold used to distinguish between type A and type B programs:	$300,000
9.	Auditee qualified as low-risk auditee?	No

NESHOBA COUNTY SCHOOL DISTRICT

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

Neshoba County School District

www.neshobacentral.com

Tommy L. Dearing, Superintendent of Education

Tommy L. Dearing
Superintendent

Board of Education:

Davis Fulton
District 2
President

Johnny Crenshaw
District 4
Vice President

Shan Winstead
District 3
Secretary

Michelle Phillips
District 1

Jill Byars
District 5

Central Office Staff:

Trina Cheatham
Asst. Superintendent

Crystal Chesney, CPA
Chief Financial Officer

Rita Daugherty
Payroll/16th Section

Sherry Smith
Accounts Payable/Purchasing/Fixed Assets

Reina Coats
Administrative Assistant

Office of Superintendent
401 E. Beacon St.
Suite 102
Philadelphia, MS 39350
Ph: 601-656-3752
Fax: 601-656-3789

As required by Section ____.315(b) of OMB Circular A-133, the Neshoba County School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2014.

Finding	Status
2013-1	Corrected