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**PERRY COUNTY SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**PERRY COUNTY SCHOOL DISTRICT**  
Table of Contents

INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Exhibit A: Statement of Net Position	17
Exhibit B: Statement of Activities	18
Governmental Funds Financial Statements	
Exhibit C: Balance Sheet	19
Exhibit C-1: Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	20
Exhibit D: Statement of Revenues, Expenditures and Changes in Fund Balances	21
Exhibit D-1: Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	22
Fiduciary Funds Financial Statements	
Exhibit E: Statement of Fiduciary Assets and Liabilities	23
Notes to the Financial Statements	24
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule – General Fund	45
Budgetary Comparison Schedule – 16 <sup>th</sup> Section Interest Fund	46
Notes to the Required Supplementary Information	47
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Expenditures of Federal Awards	49
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	50
<b>OTHER INFORMATION</b>	
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund – Last Four Years	52
Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds – Last Four Years	53
<b>REPORTS ON INTERNAL CONTROL AND COMPLIANCE</b>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	54
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance	57
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	60
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	63
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	65

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Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Perry 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 Perry 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 Perry 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 Perry 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 44-47 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 Perry County School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial

statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2015, on our consideration of the Perry 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 Perry County School District's internal control over financial reporting and compliance.

*King CPA, PLLC*

**KING CPA, PLLC**  
Petal, Mississippi  
January 23, 2015

**PERRY COUNTY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS  
(MD&A)**

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

The following discussion and analysis of Perry 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 \$20,845, including a prior period adjustment of \$(12,696), which represents less than a 1% decrease from fiscal year 2013. Total net position for 2013 increased \$30,586, including a prior period adjustment of \$(9,086), which represents a 1% increase from fiscal year 2012.
- General revenues amounted to \$9,206,026 and \$9,430,807, or 79% and 79% 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 \$2,478,173, or 21% of total revenues for 2014, and \$2,465,331, or 21% of total revenues for 2013.
- The District had \$11,692,348 and \$11,856,466 in expenses for fiscal years 2014 and 2013; only \$2,478,173 for 2014 and \$2,465,331 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,206,026 for 2014 were not adequate to provide for these programs. General revenues of \$9,430,807 for 2013 were adequate to provide for these programs.
- Among major funds, the General Fund had \$8,660,749 in revenues and \$8,805,147 in expenditures for 2014, and \$8,963,514 in revenues and \$8,756,784 in expenditures in 2013. The General Fund's fund balance decreased by \$362,098 from 2013 to 2014, and decreased by \$382,932, including a prior period adjustment of \$3,393, from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$103,570 for 2014 and increased by \$137,385 for 2013. The decrease for 2014 was due to the disposal of mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$256,798 for 2014 and decreased by \$341,689 for 2013. The decrease for 2014 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$9,606 for 2014 and decreased by \$10,084 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.

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

**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

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

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

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

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 and deferred outflows of resources exceeded liabilities by \$4,684,665 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.

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

**Table 1  
Condensed Statement of Net Position**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Current assets	\$ 3,013,941	\$ 3,174,208	(5.05) %
Restricted assets	362,435	446,291	(18.79) %
Capital assets, net	4,648,374	4,751,944	(2.18) %
<b>Total Assets</b>	<b><u>8,024,750</u></b>	<b><u>8,372,443</u></b>	<b>(4.15) %</b>
<b>Deferred outflows of resources</b>	<b><u>49,492</u></b>	<b><u>-</u></b>	<b>N/A %</b>
Current liabilities	97,865	118,423	(17.36) %
Long-term debt outstanding	3,291,712	3,548,510	(7.24) %
<b>Total liabilities</b>	<b><u>3,389,577</u></b>	<b><u>3,666,933</u></b>	<b>(7.56) %</b>
<b>Net position:</b>			
Net investment in capital assets	2,001,824	1,712,530	16.89 %
Restricted	2,921,757	2,783,224	4.98 %
Unrestricted	(238,916)	209,756	(231.90) %
<b>Total net position</b>	<b><u>\$ 4,684,665</u></b>	<b><u>\$ 4,705,510</u></b>	<b>(0.44) %</b>

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 \$103,570.
- The principal retirement of \$450,772 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 \$11,684,199 and \$11,896,138, respectively. The total cost of all programs and services was \$11,692,348 for 2014 and \$11,856,466 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.

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

**Table 2  
Changes in Net Position**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 438,747	\$ 443,415	(1.05) %
Operating grants and contributions	2,039,426	2,021,916	0.87 %
General revenues:			
Property taxes	2,837,670	2,919,505	(2.80) %
Grants and contributions not restricted	5,874,209	6,151,024	(4.50) %
Investment earnings	60,730	65,622	(7.45) %
Sixteenth section sources	355,763	273,615	30.02 %
Other	77,654	21,041	269.06 %
<b>Total revenues</b>	<u><b>11,684,199</b></u>	<u><b>11,896,138</b></u>	<b>(1.78) %</b>
<b>Expenses:</b>			
Instruction	6,408,450	6,539,610	(2.01) %
Support services	4,361,633	4,376,761	(0.35) %
Non-instructional	754,571	737,286	2.34 %
Sixteenth section	40,529	30,118	34.57 %
Interest on long-term liabilities	127,165	172,691	(26.36) %
<b>Total expenses</b>	<u><b>11,692,348</b></u>	<u><b>11,856,466</b></u>	<b>(1.38) %</b>
<b>Increase (Decrease) in net position</b>	<u><b>(8,149)</b></u>	<u><b>39,672</b></u>	<b>(120.54) %</b>
<b>Net Position, July 1, as previously reported</b>	<u><b>4,705,510</b></u>	<u><b>4,674,924</b></u>	<b>0.65 %</b>
<b>Prior Period Adjustment</b>	<u><b>(12,696)</b></u>	<u><b>(9,086)</b></u>	<b>39.73 %</b>
<b>Net Position, July 1, as restated</b>	<u><b>4,692,814</b></u>	<u><b>4,665,838</b></u>	<b>0.58 %</b>
<b>Net Position, June 30</b>	<u><b>\$ 4,684,665</b></u>	<u><b>\$ 4,705,510</b></u>	<b>(0.44) %</b>

**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.

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

**Table 3  
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage</u>
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Instruction	\$ 6,408,450	\$ 6,539,610	(2.01) %
Support Services	4,361,633	4,376,761	(0.35) %
Non-instructional	754,571	737,286	2.34 %
Sixteenth section	40,529	30,118	34.57 %
Interest on long-term liabilities	127,165	172,691	(26.36) %
<b>Total expenses</b>	<b>11,692,348</b>	<b>11,856,466</b>	<b>(1.38) %</b>
	<u>Net (Expense) Revenue</u>		
	<u>2014</u>	<u>2013</u>	
Instruction	(5,248,141)	(5,336,884)	(1.66) %
Support services	(3,875,389)	(3,925,003)	(1.26) %
Non-instructional	55,478	40,216	37.95 %
Sixteenth section	(18,958)	3,227	(687.48) %
Interest on long-term liabilities	(127,165)	(172,691)	(26.36) %
<b>Total net (expense) revenue</b>	<b>(9,214,175)</b>	<b>(9,391,135)</b>	<b>(1.88) %</b>

- Net cost of governmental activities (\$9,214,175 for 2014 and \$9,391,135 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$2,837,670 for 2014 and \$2,919,505 for 2013) and state and federal revenues (\$5,874,209 for 2014 and \$6,151,024 for 2013). In addition, there was \$355,763 and \$273,615 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$60,730 for 2014 and \$65,622 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 \$3,315,190, a decrease of \$232,527, which includes a decrease in inventory of \$886. \$126,719, or 4%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$3,188,471, or 96%, 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.

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

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$362,098. The fund balance of Other Governmental Funds showed an increase in the amount of \$113,248, which includes a decrease in inventory of \$886. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund		Increase (Decrease)
Sixteenth Section Interest Fund	\$	176,537
Sixteenth Section Principal Fund	\$	(160,214)

**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 \$9,457,734, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents a gross increase of \$39,693 from 2013 due primarily to the purchase of two school buses and various items of equipment. Total accumulated depreciation as of June 30, 2014, was \$4,809,360, and total depreciation expense for the year was \$220,006, resulting in total net capital assets of \$4,648,374.

**Table 4  
Capital Assets, Net of Accumulated Depreciation**

	June 30, 2014	June 30, 2013	Percentage Change
Land	\$ 58,108	\$ 58,108	0.00 %
Construction in Progress	-	236,831	(100.00) %
Buildings	3,813,172	3,695,913	3.17 %
Building improvements	199,478	213,053	(6.37) %
Mobile equipment	534,688	482,862	10.73 %
Furniture and equipment	36,882	65,177	(43.41) %
Leased property under capital leases	6,046	-	N/A %
<b>Total</b>	<u>4,648,374</u>	<u>4,751,944</u>	<b>(2.18) %</b>

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

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

**Debt Administration.** At June 30, 2014, the District had \$3,291,712 in outstanding long-term debt, of which \$416,782 is due within one year. During the fiscal year, the District entered into capital leases totaling \$98,782 and issued \$2,027,000 of limited tax refunding notes in which the proceeds were used to refund \$1,941,414 of outstanding limited tax notes. The District made principal payments totaling \$450,772 on outstanding long-term debt. The liability for compensated absences increased \$9,606 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ -	\$ 53,000	(100.00) %
Limited obligation bonds payable	870,000	1,045,000	(16.75) %
Three mill notes payable	1,819,000	1,941,414	(6.31) %
Obligations under capital leases	142,423	57,413	148.07 %
Qualified school construction bonds payable	335,000	336,000	(0.30) %
Compensated absences payable	125,289	115,683	8.30 %
<b>Total</b>	<b><u>\$ 3,291,712</u></b>	<b><u>\$ 3,548,510</u></b>	<b>(7.24) %</b>

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

**CURRENT ISSUES**

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

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

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Perry County School District, P.O. Box 137, New Augusta, MS 39462.

**PERRY COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**PERRY COUNTY SCHOOL DISTRICT**

**Statement of Net Position**

**Exhibit A**

**June 30, 2014**

		Governmental Activities
<b>Assets</b>		
Cash and cash equivalents	\$	2,596,291
Investments		82,875
Due from other governments		317,259
Inventories		17,516
Restricted assets		362,435
Capital assets, not being depreciated		
Land		58,108
Capital assets, net of accumulated depreciation		
Buildings		3,813,172
Building improvements		199,478
Mobile equipment		534,688
Furniture and equipment		36,882
Leased property under capital assets		6,046
Total Assets		8,024,750
<b>Deferred Outflows of Resources</b>		
Deferred Outflow from advance refunding of debt		49,492
Total Deferred Outflows of Resources		49,492
<b>Liabilities</b>		
Accounts payable and accrued liabilities		60,827
Unearned revenue		359
Interest payable on long-term liabilities		36,679
Long-term liabilities, due within one year		
Capital-related liabilities		339,299
Non-capital related liabilities		77,483
Long-term liabilities, due beyond one year		
Capital-related liabilities		2,356,743
Non-capital related liabilities		518,187
Total Liabilities		3,389,577
<b>Net Position</b>		
Net investment in capital assets		2,001,824
Restricted for:		
Expendable:		
School-based activities		1,238,511
Debt service		190,015
Forestry improvements		136,562
Unemployment benefits		31,695
Non-expendable:		
Sixteenth section		1,324,974
Unrestricted		(238,916)
Total Net Position	\$	4,684,665

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

**PERRY COUNTY SCHOOL DISTRICT**

**Statement of Activities  
For the Year Ended June 30, 2014**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 6,408,450	\$ 257,346	\$ 902,963	\$ -	\$ (5,248,141)
Support services	4,361,633	20,727	465,517	-	(3,875,389)
Non-instructional services	754,571	139,103	670,946	-	55,478
Sixteenth section	40,529	21,571	-	-	(18,958)
Interest on long-term liabilities	127,165	-	-	-	(127,165)
<b>Total Governmental Activities</b>	<b>\$ 11,692,348</b>	<b>\$ 438,747</b>	<b>\$ 2,039,426</b>	<b>\$ -</b>	<b>(9,214,175)</b>
General Revenues:					
Taxes:					
General purpose levies					2,639,300
Debt purpose levies					198,370
Unrestricted grants and contributions:					
State					5,249,563
Federal					624,646
Unrestricted investment earnings					60,730
Sixteenth section sources					355,763
Other					77,654
<b>Total General Revenues</b>					<b>9,206,026</b>
Change in Net Position					(8,149)
Net Position - Beginning, as previously stated					4,705,510
Prior Period Adjustments					(12,696)
Net Position - Beginning, as restated					4,692,814
Net Position - Ending					<b>\$ 4,684,665</b>

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

**PERRY COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
**June 30, 2014**

**Exhibit C**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	Sixteenth Section Principal Fund		
<b>Assets</b>					
Cash and cash equivalents	\$ 1,255,408	\$ 719,028	\$ 263,250	\$ 621,855	\$ 2,859,541
Cash with fiscal agent	-	-	-	98,784	98,784
Investments	-	82,875	401	-	83,276
Due from other governments	99,290	-	-	216,844	316,134
Due from other funds	99,110	-	-	-	99,110
Advances to other funds	-	-	1,061,557	-	1,061,557
Inventories	-	-	-	17,516	17,516
<b>Total Assets</b>	<b>\$ 1,453,808</b>	<b>\$ 801,903</b>	<b>\$ 1,325,208</b>	<b>\$ 954,999</b>	<b>\$ 4,535,918</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 35,497	\$ -	\$ -	\$ 25,330	\$ 60,827
Due to other funds	-	-	-	97,985	97,985
Advances from other funds	1,061,557	-	-	-	1,061,557
Unearned revenue	-	-	-	359	359
<b>Total Liabilities</b>	<b>1,097,054</b>	<b>-</b>	<b>-</b>	<b>123,674</b>	<b>1,220,728</b>
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Inventory	-	-	-	17,516	17,516
Permanent fund principal	-	-	263,417	-	263,417
Advances	-	-	1,061,557	-	1,061,557
<b>Restricted:</b>					
Debt service	-	-	-	226,694	226,694
Forestry improvement purposes	-	-	-	136,562	136,562
Unemployment benefits	-	-	-	31,695	31,695
Food service	-	-	-	368,788	368,788
Sixteenth section interest funds	-	801,903	-	-	801,903
Other purposes	-	-	234	50,070	50,304
<b>Assigned:</b>					
Activity funds	208,751	-	-	-	208,751
Other purposes	21,284	-	-	-	21,284
<b>Unassigned</b>	<b>126,719</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>126,719</b>
<b>Total Fund Balances</b>	<b>356,754</b>	<b>801,903</b>	<b>1,325,208</b>	<b>831,325</b>	<b>3,315,190</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 1,453,808</b>	<b>\$ 801,903</b>	<b>\$ 1,325,208</b>	<b>\$ 954,999</b>	<b>\$ 4,535,918</b>

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

**PERRY COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit C-1**

**Total fund balances for governmental funds** **\$ 3,315,190**

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Land	\$ 58,108	
Buildings	6,611,114	
Building Improvements	339,372	
Mobile equipment	1,817,772	
Furniture and equipment	624,326	
Leased property under capital leases	7,042	
Accumulated Depreciation	<u>(4,809,360)</u>	4,648,374

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:

Limited obligation bonds	(870,000)	
Other bonds payable	(335,000)	
Note payable	(1,819,000)	
Capital lease obligations	(142,423)	
Compensated absences	(125,289)	
Unamortized charges	49,492	
Accrued interest payable	<u>(36,679)</u>	(3,278,899)

**Net position of governmental activities**

**\$ 4,684,665**

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

**PERRY COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	Sixteenth Section Principal Fund		
<b>Revenues:</b>					
Local sources	\$ 2,974,413	\$ -	\$ -	\$ 349,926	\$ 3,324,339
State sources	5,061,691	-	-	619,272	5,680,963
Federal sources	624,645	-	-	1,608,027	2,232,672
Sixteenth section sources	-	307,057	45,666	72,775	425,498
<b>Total Revenues</b>	<b>8,660,749</b>	<b>307,057</b>	<b>45,666</b>	<b>2,650,000</b>	<b>11,663,472</b>
<b>Expenditures:</b>					
Instruction	4,934,113	-	-	1,336,640	6,270,753
Support services	3,810,744	-	-	588,586	4,399,330
Non-instructional services	-	-	-	753,205	753,205
Sixteenth section	-	-	-	40,529	40,529
Debt Service:					
Principal	13,772	-	-	437,000	450,772
Interest	46,518	-	-	52,860	99,378
Other	-	-	-	32,250	32,250
<b>Total Expenditures</b>	<b>8,805,147</b>	<b>-</b>	<b>-</b>	<b>3,241,070</b>	<b>12,046,217</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(144,398)	307,057	45,666	(591,070)	(382,745)
<b>Other Financing Sources (Uses):</b>					
Bonds and notes issues	98,782	-	-	-	98,782
Insurance recovery	20,727	-	-	-	20,727
Refunding bonds issued	-	-	-	2,027,000	2,027,000
Payment to refunded bond escrow agent	-	-	-	(1,995,405)	(1,995,405)
Operating transfers in	342,495	205,880	-	679,704	1,228,079
Operating transfers out	(679,704)	(336,400)	(205,880)	(6,095)	(1,228,079)
<b>Total Other Financing Sources (Uses)</b>	<b>(217,700)</b>	<b>(130,520)</b>	<b>(205,880)</b>	<b>705,204</b>	<b>151,104</b>
<b>Net change in fund balances</b>	<b>(362,098)</b>	<b>176,537</b>	<b>(160,214)</b>	<b>114,134</b>	<b>(231,641)</b>
<b>Fund Balances:</b>					
July 1, 2013	718,852	625,366	1,485,422	718,077	3,547,717
Increase (Decrease) in reserve for inventory	-	-	-	(886)	(886)
<b>June 30, 2014</b>	<b>\$ 356,754</b>	<b>\$ 801,903</b>	<b>\$ 1,325,208</b>	<b>\$ 831,325</b>	<b>\$ 3,315,190</b>

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

**PERRY COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ (231,641)

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	\$ 143,442	
	Depreciation Expense	<u>(220,006)</u>	(76,564)
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 asset sold.		(14,310)
3.	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
	Bonds and notes issued	(98,782)	
	Refunded bonds issued	(2,027,000)	
	Payments of debt principal	450,772	
	Payments on refunded bonds	1,941,414	
	Accrued interest payable	8,962	
	Deferred issuance costs and charges on refunding	<u>53,991</u>	329,357
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	(9,606)	
	Change in inventory reserve	(886)	
	Amortization of deferred charges, premiums and discounts	<u>(4,499)</u>	(14,991)
	<b>Change in net position of governmental activities</b>		<u>\$ (8,149)</u>

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

PERRY COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities  
June 30, 2014

Exhibit E

	Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 519,877
Total Assets	<u>\$ 519,877</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 505,164
Due to other funds	1,125
Due to student clubs	<u>13,588</u>
Total Liabilities	<u>\$ 519,877</u>

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

**PERRY COUNTY SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**PERRY COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2014**

**Note 1 - Summary of Significant Accounting Policies**

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

**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 was elected by the citizens of each defined county district.

For financial reporting purposes, Perry 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. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

**PERRY COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2014**

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.

Sixteenth Section Interest Fund – This is a special revenue fund that accounts for the District’s earnings from sixteenth section property and investments which is available for use by the district.

Sixteenth Section Principal Fund – This is a permanent fund that accounts for the District’s earnings from sixteenth section property and investments which are not available for use by the district except as provided for under state statute for loans from this account.

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.

The District’s fiduciary funds include the following:

Payroll Clearing Fund – This agency fund is used to report resources held by the District on behalf of other funds for payroll related liabilities.

Accounts Payable Clearing Fund – This agency fund is used to report resources held by the District on behalf of other funds for related liabilities.

Additionally, the school district reports the following fund types:

**PERRY COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2014**

**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**

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

**PERRY COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2014**

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, deferred outflows/inflows and net position/fund balances**

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The districts' 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.

**PERRY COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2014**

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 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

**PERRY COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2014**

6. Capital Assets

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

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

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

The following schedule details those 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. Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement

**PERRY COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2014**

element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

See Note 14 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities 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.

10. Fund Balances

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

Governmental fund balance is classified as nonspendable, restricted, 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.

**PERRY COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2014**

*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 of Trustees, the District's highest level of decision-making authority. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Currently there is no committed fund balance for this school district.

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

**PERRY COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2014**

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 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 \$2,942,416 (which includes \$82,875 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$519,877, 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 of \$3,580,080 was exposed to custodial credit risk.

**Cash with Fiscal Agents**

The carrying amount of school district's cash with fiscal agent held by financial institutions was \$98,784.

**Investments**

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Government National Mortgage Association II	AAA	Various	\$ 401
Certificates of deposit		Less than 1 year	<u>82,875</u>
Total			<u>\$ 83,276</u>

*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 investment 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.

**PERRY COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2014**

*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. As of June 30, 2014, the district did not have any investments to which this would apply.

*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 no qualifying investments comprising more than 5 percent of the district's total investments.

**Note 3 - Inter-fund Receivables, Payables and Transfers**

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

**A. Due From/To Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 97,985
	Fiduciary Funds	<u>1,125</u>
Total		<u>\$ 99,110</u>

The purpose of the inter-fund loans was to cover federal funds not received prior to year-end and to show the interest that was due from the district's fiduciary funds.

**B. Advances to/From Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
16th Section Principal	General Fund	<u>\$1,061,557</u>
		<u>\$1,061,557</u>

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances.

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

**PERRY COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2014**

Year Ending June 30	Principal	Interest	Total
2015	64,232	42,462	106,694
2016	66,802	39,892	106,694
2017	69,472	37,221	106,693
2018	72,251	36,828	109,079
2019	75,141	34,034	109,175
2020-2024	414,666	124,175	538,841
2025-2029	239,342	50,835	290,177
2030-2032	59,651	4,138	63,789
	<u>\$ 1,061,557</u>	<u>\$ 369,585</u>	<u>\$ 1,431,142</u>

**C. Inter-fund Transfers**

Transfer Out	Transfer In	Amount
General Fund	Other Governmental Funds	\$ 679,704
Sixteenth Section Principal Fund	Sixteenth Section Interest Funds	205,880
Sixteenth Section Interest Funds	General Fund	336,400
Other Governmental Funds	General Fund	<u>6,095</u>
Total		<u>\$1,228,079</u>

The transfers were primarily for the following: indirect cost transfers, vocational and special educational expenditure transfers, debt service transfers, unemployment transfers and the transfer of expendable resources from the sixteenth section interest fund.

**Note 4 - Restricted Assets**

The restricted assets represent the cash balance and investment balance, totaling \$263,250, and \$401, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition the restricted assets represent the cash with fiscal agent balance totaling \$98,784 of the MAEP Limited Obligation Bond Fund.

**PERRY COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2014**

**Note 5 – Capital Assets**

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

	Balance 7/1/2013	Increases	Decreases	Adjustments	Balance 6/30/2014
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 58,108	\$ -	\$ -		\$ 58,108
Construction in progress	236,831	-	-	(236,831)	-
Total non-depreciable capital assets	294,939	-	-	(236,831)	58,108
<u>Depreciable capital assets:</u>					
Buildings	6,374,283	-	-	236,831	6,611,114
Building improvements	339,372	-	-		339,372
Mobile equipment	1,754,079	136,400	50,000	(22,707)	1,817,772
Furniture and equipment	655,368	-	31,042		624,326
Leased property under capital leases	-	7,042	-	-	7,042
Total depreciable capital assets	9,123,102	143,442	81,042	214,124	9,399,626
<u>Less accumulated depreciation:</u>					
Buildings	2,678,370	114,835	-	4,737	2,797,942
Building improvements	126,319	13,575	-		139,894
Mobile equipment	1,271,217	68,303	36,000	(20,436)	1,283,084
Furniture and equipment	590,191	22,297	30,732	5,688	587,444
Leased property under capital leases	-	996	-	-	996
Total accumulated depreciation	4,666,097	220,006	66,732	(10,011)	4,809,360
Total depreciable capital assets, net	4,457,005	(76,564)	14,310	224,135	4,590,266
Governmental activities capital assets, net	\$ 4,751,944	\$ (76,564)	\$ 14,310	\$ (12,696)	\$4,648,374

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental Activities:</b>	
Instruction	\$ 130,973
Support Services	89,033
	<u>\$ 220,006</u>

The adjustment of \$236,831 was to move the band hall that was completed in 2013 from construction in progress to buildings. The adjustment of \$22,707 was to correct the amount of a school bus that the district purchased in 2014.

**PERRY COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2014**

**Note 6 – Long-term Liabilities**

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

	<u>Balance</u> <u>7/1/2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u> <u>for refunding</u>	<u>Balance</u> <u>6/30/2014</u>	<u>Amount Due</u> <u>Within One Year</u>
A. General obligation bonds payable	\$ 53,000	\$ -	\$ 53,000	\$ -	\$ -	\$ -
B. Limited obligation bonds payable	1,045,000	-	175,000	-	870,000	185,000
C. Three mill notes payable	1,941,414	2,027,000	208,000	(1,941,414)	1,819,000	152,000
D. Qualified school construction bonds payable	336,000	-	1,000	-	335,000	27,000
E. Obligations under capital lease	57,413	98,782	13,772	-	142,423	46,518
F. Compensated absences payable	115,683	9,606	-	-	125,289	6,264
Total	<u>\$3,548,510</u>	<u>\$ 2,135,388</u>	<u>\$ 450,772</u>	<u>\$ (1,941,414)</u>	<u>\$3,291,712</u>	<u>\$ 416,782</u>

**A. General obligation bonds payable**

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

<u>Description</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
General obligation bonds, Series 2004	3.17%	5/27/2004	12/1/2013	<u>464,000</u>	<u>-</u>
Total				<u>\$ 464,000</u>	<u>\$ -</u>

The general obligation bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Education Enhancement Funds ("EEF Funds"), Section 37-61-33, Miss. Code Ann. (1972). Pledged EEF funds will be used to pay the annual debt service payment until the final maturity of the general obligation bonds on December 1, 2013. This debt will be retired from the EEF Buildings and Buses Fund.

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

**PERRY COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2014**

**B. 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 bonds, Series 2009	3.0-4.0%	7/28/2009	2/1/2018	<u>1,495,000</u>	<u>870,000</u>
Total				<u>\$ 1,495,000</u>	<u>\$ 870,000</u>

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

Year Ending June 30	Principal	Interest	Total
2015	185,000	29,150	214,150
2016	190,000	23,600	213,600
2017	190,000	17,900	207,900
2018	<u>305,000</u>	<u>14,300</u>	<u>319,300</u>
	<u>\$ 870,000</u>	<u>\$ 84,950</u>	<u>\$ 954,950</u>

This debt will be retired from the MAEP Retirement Fund.

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

**C. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note, Series 2013	2.60%	12/4/2013	4/1/2025	<u>\$ 2,027,000</u>	<u>\$ 1,819,000</u>
Total				<u>\$ 2,027,000</u>	<u>\$ 1,819,000</u>

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

**PERRY COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2014**

Year Ending June 30	Principal	Interest	Total
2015	152,000	47,294	199,294
2016	156,000	43,342	199,342
2017	159,000	39,286	198,286
2018	168,000	35,152	203,152
2019	170,000	30,784	200,784
2020-2024	852,000	86,268	938,268
2025	162,000	4,212	166,212
	<u>\$ 1,819,000</u>	<u>\$ 286,338</u>	<u>\$ 2,105,338</u>

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

The three-mill note payable, Series 2013 is secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi Education Enhancement Fund ("EEF Funds"), Section 37-61-33, Miss. Code Ann. (1972). The EEF funds pledge is to pay debt service on the notes to the extent the EEF funds are not required to pay debt service on the District's Series 2004 General Obligation Bonds.

**D. Qualified school construction bonds payable**

As more fully explained in Note 13, 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 bonds, Series 2011	5.15%	9/16/2011	12/1/2023	<u>400,000</u>	<u>335,000</u>
Total				<u>\$ 400,000</u>	<u>\$ 335,000</u>

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

Year Ending June 30	Principal	Interest	Total
2015	27,000	17,253	44,253
2016	27,000	15,862	42,862
2017	28,000	14,472	42,472
2018	24,000	13,030	37,030
2019	25,000	11,794	36,794
2020-2024	204,000	36,566	240,566
	<u>\$ 335,000</u>	<u>\$ 108,977</u>	<u>\$ 443,977</u>

**PERRY COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2014**

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

The Qualified School Construction bond payable, Series 2011 is secured by the full faith and credit of the school district.

**E. Obligations under capital lease**

The school district has entered into 4 lease agreements as lessee for financing the acquisition of Band Uniforms and Band Equipment at a cost of \$56,018, football uniforms at a cost of \$16,030, a copier at a cost of \$7,042, and 110 computers at a cost of \$91,740. These leases qualify as capital leases for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Lease purchase agreement	2.80%	2/10/2012	7/10/2016	56,018	33,708
Lease purchase agreement	2.63%	7/10/2012	7/10/2016	16,030	9,933
Lease purchase agreement	2.10%	1/15/2014	1/15/2017	7,042	7,042
Lease purchase agreement	2.10%	8/15/2013	7/1/2016	91,740	91,740
Total				<u>\$ 170,830</u>	<u>\$ 142,423</u>

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2015	46,518	3,098	49,616
2016	47,406	2,209	49,615
2017	48,499	1,117	49,616
	<u>\$ 142,423</u>	<u>\$ 6,424</u>	<u>\$ 148,847</u>

This debt will be retired from District Maintenance Fund.

**F. Compensated absences payable**

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

**PERRY COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2014**

**Note 7 – Other Commitments**

Operating leases:

The School district has several operating leases for the following:

1. 2 IM 4512 Digital Copiers
2. LD 245 Digital Copier
3. LD090 AG Copier
4. Canon 3035 Copier
5. Canon 3035/DADF/Duplexer

Lease expenditures for the year ended June 30, 2014, amounted to \$50,066. Future lease payments for this lease are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2015	17,348
2016	12,068
2017	<u>1,497</u>
Total	<u>\$ 30,913</u>

**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 for fiscal year ended 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 \$983,360, \$872,343 and \$774,591 respectively, which equaled the required contributions for each year.

**PERRY COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2014**

**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	80,636
2016	36,293
2017	28,539
2018	1,551
2019	1,051
2020-2023	592
Total	\$ 148,662

**Note 10 – Prior Period Adjustment**

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

Exhibit B – Statement of Activities

Explanation	Amount
To correct accumulated depreciation from prior year	\$ (12,696)
Total	\$ (12,696)

**Note 11 – Contingencies**

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

**PERRY COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For Year Ended June 30, 2014**

**Note 12 – Risk Management**

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

**Note 13 – Qualified School Construction Bonds**

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

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.

Payments of the principal amount of this Note shall be made to the Registered Owner. The District further promises to pay interest on such principal amount from the date of this note or from the most recent interest payment date to which interest has been paid at the per annum rate of interest. The district is, however, eligible for a refundable credit payment of the interest paid. The district must file a form 8038-CP with the Internal Revenue Service at least 45 days, but no more than 90 days, prior to each interest payment in order to receive the reimbursement.

**Note 14 – Effect of Deferred Amounts on Net Position**

The net investment in capital assets amount of \$2,001,824 includes the effects of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$49,492 balance of the deferred outflow of resources at June 30, 2014 will be recognized as an expense and decrease the net investment in capital assets over the coming years.

**Note 15 – Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available 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 Perry County School District evaluated the activity of the district through January 23, 2015, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

**PERRY COUNTY SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**PERRY COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 2,886,031	\$ 2,974,413	\$ 2,974,413	\$ 88,382	\$ -
State sources	5,043,936	5,061,691	5,061,691	17,755	-
Federal sources	608,000	624,645	624,645	16,645	-
<b>Total Revenues</b>	<b>8,537,967</b>	<b>8,660,749</b>	<b>8,660,749</b>	<b>122,782</b>	<b>-</b>
<b>Expenditures:</b>					
Instruction	4,715,252	4,934,113	4,934,113	(218,861)	-
Support services	3,229,373	3,810,744	3,810,744	(581,371)	-
Principal	61,761	60,290	13,772	1,471	46,518
Interest	44,933	-	46,518	44,933	(46,518)
<b>Total Expenditures</b>	<b>8,051,319</b>	<b>8,805,147</b>	<b>8,805,147</b>	<b>(753,828)</b>	<b>-</b>
Excess (Deficiency) of Revenues over (under) Expenditures	486,648	(144,398)	(144,398)	(631,046)	-
<b>Other Financing Sources (Uses):</b>					
Bonds and notes issued	-	98,782	98,782	98,782	-
Insurance recovery	-	20,727	20,727	20,727	-
Operating transfers in	1,541,264	1,446,327	342,495	(94,937)	(1,103,832)
Operating transfers out	(1,967,312)	(1,783,536)	(679,704)	183,776	1,103,832
<b>Total Other Financing Sources (Uses)</b>	<b>(426,048)</b>	<b>(217,700)</b>	<b>(217,700)</b>	<b>208,348</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>60,600</b>	<b>(362,098)</b>	<b>(362,098)</b>	<b>(422,698)</b>	<b>-</b>
<b>Fund Balances:</b>					
July 1, 2013	718,852	718,852	718,852	-	-
June 30, 2014	\$ 779,452	\$ 356,754	\$ 356,754	(422,698)\$	-

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

**PERRY COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	<b>Revenues:</b>				
Sixteenth section sources	\$ 155,500	\$ 307,057	\$ 307,057	\$ 151,557	\$ -
<b>Total Revenues</b>	<b>155,500</b>	<b>307,057</b>	<b>307,057</b>	<b>151,557</b>	<b>-</b>
<b>Expenditures:</b>					
Sixteenth section	-	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>155,500</b>	<b>307,057</b>	<b>307,057</b>	<b>151,557</b>	<b>-</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	205,880	205,880	205,880	-
Operating transfers out	(200,000)	(336,400)	(336,400)	(136,400)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(200,000)</b>	<b>(130,520)</b>	<b>(130,520)</b>	<b>69,480</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(44,500)</b>	<b>176,537</b>	<b>176,537</b>	<b>221,037</b>	<b>-</b>
<b>Fund Balances:</b>					
July 1, 2013	625,366	625,366	625,366	-	-
June 30, 2014	\$ 580,866	\$ 801,903	\$ 801,903	\$ 221,037	\$ -

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

PERRY COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2014

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget amendments and revision

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.

**PERRY COUNTY SCHOOL DISTRICT**

**SUPPLEMENTARY INFORMATION**

PERRY 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 Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster		
School breakfast program	10.553	\$ 206,167
National school lunch program	10.555	509,419
Total child nutrition cluster		<u>715,586</u>
Passed through Perry County:		
Schools and roads cluster:		
Schools and roads - grants to states	10.665	525,496
Total U.S. Department of Agriculture		<u>1,241,082</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the universal service fund	32.XXX	96,424
Total Federal Communications Commission		<u>96,424</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local education agencies	84.010	439,438
Career and technical education - basic grants to states	84.048	24,082
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	378
Education technology state grants	84.318	23
Rural education	84.358	46,019
Improving teacher quality - state grants	84.367	96,452
Subtotal		<u>606,392</u>
Special education cluster:		
Special education - grants to states	84.027	246,184
Special education - preschool grants	84.173	8,589
Total special education cluster		<u>254,773</u>
Total passed-through Mississippi Department of Education		<u>861,165</u>
Total U.S. Department of Education		<u>861,165</u>
<u>U. S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	2,346
Total U.S. Department of Health and Human Services		<u>2,346</u>
Total for All Federal Awards		<u>\$ 2,201,017</u>

NOTES TO SCHEDULE

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

PERRY 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	\$ 8,579,829	\$ 6,359,602	\$ 399,680	\$ 790,715	\$ 1,029,832
Other	<u>3,466,388</u>	<u>674,513</u>	<u>238,507</u>	<u>48,799</u>	<u>2,504,569</u>
Total	<u>\$ 12,046,217</u>	<u>\$ 7,034,115</u>	<u>\$ 638,187</u>	<u>\$ 839,514</u>	<u>\$ 3,534,401</u>
Total number of students *	1,131				
Cost per student	<u>\$ 10,651</u>	<u>\$ 6,219</u>	<u>\$ 564</u>	<u>\$ 742</u>	<u>\$ 3,125</u>

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

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

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

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

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

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

**PERRY COUNTY SCHOOL DISTRICT**

**OTHER INFORMATION**

**PERRY COUNTY SCHOOL DISTRICT**

Other Information

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

**General Fund  
Last Four Years  
Unaudited**

	2014	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 2,974,413	3,015,611	2,878,044	2,750,350
State sources	5,061,691	5,236,214	5,413,861	5,002,631
Federal sources	624,645	711,689	771,882	740,325
Total Revenues	<u>8,660,749</u>	<u>8,963,514</u>	<u>9,063,787</u>	<u>8,493,306</u>
<b>Expenditures:</b>				
Instruction	4,934,113	5,029,722	4,967,006	4,313,538
Support services	3,810,744	3,664,456	3,200,256	3,237,712
Noninstructional services	-	-	-	-
Debt service:				
Principal	13,772	14,635	-	-
Interest	46,518	47,971	39,471	44,139
Total Expenditures	<u>8,805,147</u>	<u>8,756,784</u>	<u>8,206,733</u>	<u>7,595,389</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(144,398)</u>	<u>206,730</u>	<u>857,054</u>	<u>897,917</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	98,782	-	-	-
Insurance loss recoveries	20,727	-	-	34,400
Capital leases issued	-	16,030	56,018	-
Sale of transportation equipment	-	5,909	-	2,374
Sale of other property	-	2,419	-	-
Operating transfers in	342,495	274,218	206,666	413,789
Operating transfers out	(679,704)	(891,631)	(570,280)	(676,677)
Total Other Financing Sources (Uses)	<u>(217,700)</u>	<u>(593,055)</u>	<u>(307,596)</u>	<u>(226,114)</u>
Net Change in Fund Balances	<u>(362,098)</u>	<u>(386,325)</u>	<u>549,458</u>	<u>671,803</u>
<b>Fund Balances:</b>				
Beginning of period, as previously stated	718,852	1,101,784	552,326	(120,801)
Prior period adjustments	-	3,393	-	1,324
Beginning of period, as restated	<u>718,852</u>	<u>1,105,177</u>	<u>552,326</u>	<u>(119,477)</u>
End of period	\$ <u>356,754</u>	<u>718,852</u>	<u>1,101,784</u>	<u>552,326</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**PERRY COUNTY SCHOOL DISTRICT**

Other Information

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

	2012	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 3,324,339	3,365,048	3,219,780	3,110,292
State sources	5,680,963	5,843,602	6,044,399	5,653,298
Federal sources	2,232,672	2,329,338	2,508,577	3,170,931
Sixteenth section sources	425,498	358,150	668,899	244,730
<b>Total Revenues</b>	<b>11,663,472</b>	<b>11,896,138</b>	<b>12,441,655</b>	<b>12,179,251</b>
<b>Expenditures:</b>				
Instruction	6,270,753	6,421,571	6,407,626	6,496,494
Support services	4,399,330	4,425,741	4,102,903	3,914,968
Noninstructional services	753,205	737,843	734,822	699,379
Sixteenth section	40,529	30,118	9,379	17,671
Facilities acquisition and construction		236,831		
<b>Debt service:</b>				
Principal	450,772	347,635	385,000	557,586
Interest	99,378	174,123	175,073	188,768
Other	32,250	1,000	1,000	1,000
<b>Total Expenditures</b>	<b>12,046,217</b>	<b>12,374,862</b>	<b>11,815,803</b>	<b>11,875,866</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(382,745)</b>	<b>(478,724)</b>	<b>625,852</b>	<b>303,385</b>
<b>Other Financing Sources (Uses):</b>				
Bond and notes issues	98,782	-	400,000	-
Capital leases issued	-	16,030	56,018	-
Insurance loss recoveries	20,727	-	-	34,400
Refunding bond issued	2,027,000			
Sale of transportation equipment	-	5,909	-	2,374
Sale of other equipment	-	2,419	-	-
Operating transfers in	1,228,079	1,165,849	816,996	1,135,207
Payments held by escrow agents	-	-	-	8,502
Operating transfers out	(1,228,079)	(1,165,849)	(816,996)	(1,135,207)
Payment to refunded bond escrow agent	(1,995,405)	-	-	-
Payment to QZAB debt escrow agent	-	-	-	(8,502)
<b>Total Other Financing Sources (Uses)</b>	<b>151,104</b>	<b>24,358</b>	<b>456,018</b>	<b>36,774</b>
<b>Net Change in Fund Balances</b>	<b>(231,641)</b>	<b>(454,366)</b>	<b>1,081,870</b>	<b>340,159</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	3,547,717	3,998,637	2,921,042	2,581,248
Prior period adjustments	-	3,393	-	1,324
Beginning of period, as restated	3,547,717	4,002,030	2,921,042	2,582,572
<b>Increase (Decrease) in reserve for inventory</b>	<b>(886)</b>	<b>53</b>	<b>(4,275)</b>	<b>(1,689)</b>
<b>End of period</b>	<b>\$ 3,315,190</b>	<b>3,547,717</b>	<b>3,998,637</b>	<b>2,921,042</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**PERRY COUNTY SCHOOL DISTRICT**

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

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

Superintendent and School Board  
Perry County School District

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Perry 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 Perry County School District's basic financial statements and have issued our report thereon dated January 23, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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 the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the school district's financial statements are free of 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 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.

*King CPA, PLLC*

**KING CPA, PLLC**  
Petal, Mississippi  
January 23, 2015

**PERRY COUNTY SCHOOL DISTRICT**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Superintendent and School Board  
Perry County School District

### Report on Compliance for Each Major Federal Program

We have audited Perry 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 Perry County School District's major federal programs for the year ended June 30, 2014. Perry 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 Perry 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 the 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 the school district's compliance.

### Opinion on Each Major Federal Program

In our opinion, Perry 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 Perry 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 the 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 purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and 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.

*King CPA, PLLC*

**KING CPA, PLLC**  
Petal, Mississippi  
January 23, 2015

**PERRY COUNTY SCHOOL DISTRICT**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH STATE LAWS AND REGULATIONS**

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board  
Perry County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Perry County School District as of and for the year ended June 30, 2014, which collectively comprise Perry County School District's basic financial statements and have issued our report thereon dated January 23, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$0 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

Page 2

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.

*King CPA, PLLC*

**KING CPA, PLLC**  
Petal, Mississippi  
January 23, 2015

**PERRY COUNTY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

Section 1: Summary of Auditor's Results

**Financial Statements:**

1. Type of auditor's report issued on the general purpose financial statements: UNMODIFIED
2. Material noncompliance relating to the general purpose financial statements? NO
3. Internal control over financial reporting:
  - a. Material weakness (es) identified? NO
  - b. Significant Deficiency(ies) identified that are not considered to be material weakness? NONE REPORTED

**Federal Awards:**

4. Type of auditor's report issued on compliance for major federal programs: UNMODIFIED
5. Internal control over major programs:
  - a. Material weakness (es) identified? NO
  - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? NONE REPORTED
6. Any audit finding(s) reported as required by section \_\_.510(a) of OMB Circular A-133? NO
7. Federal programs identified as major programs:
 

Title I – Grants to Local Educational Agencies	CFDA# <u>84.010</u>
Child Nutrition Cluster:	
School Breakfast Program	CFDA # <u>10.553</u>
National School Lunch Program	CFDA # <u>10.555</u>
8. The dollar threshold used to distinguish between Type A and Type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? NO
10. Prior fiscal year audit finding(s) and questioned cost reactive to federal awards which would require the auditee to prepare a summary schedule of prior audits findings as discussed in Section \_\_.315(b) of OMB Circular A-133? YES

PERRY COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs (continued)

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Cost

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

**PERRY COUNTY SCHOOL DISTRICT**

**AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

## AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section \_\_.315 (b) of OMB Circular A-133, the Perry County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2014:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
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There are no unresolved prior audit findings.