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**Quitman County School District**

Audited Financial Statements  
For the Year Ended June 30, 2014

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Quitman County School District  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL  
STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board  
Quitman 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 Quitman 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 Quitman 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 District'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 Quitman 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 8 to 18 and 46 to 49 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 Quitman County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived

from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015, on our consideration of the Quitman 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 Quitman County School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
October 29, 2015

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Quitman County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

The following discussion and analysis of Quitman 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 the financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total net position for 2014 decreased \$325,970, including a prior period adjustment of \$(21,339), which represents an 8% decrease from fiscal year 2013. Total net position for 2013 increased \$304,517, including a prior period adjustment of \$9,051, which represents an 8% increase from fiscal year 2012
- General revenues amounted to \$8,750,334 and \$8,527,723, or 74% and 73% 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 \$3,136,333, or 26% of total revenues for 2013, and \$3,148,237, or 27% of total revenues for 2013.
- The District had \$12,191,298 and \$11,380,494 in expenses for fiscal years 2014 and 2013; only \$3,136,333 for 2014 and \$3,148,237 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$8,750,334 for 2014 were not adequate to provide for these programs. However, revenues of \$8,527,723 for 2013 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$7,634,034 in revenues and \$7,695,403 in expenditures for 2014, and \$7,696,962 in revenues and \$8,209,141 in expenditures for 2013. The General Fund's fund balance decreased by \$503,945, from 2013 to 2014, and decreased by \$298,428, from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$146,976, including a prior period adjustment of \$(21,339), for 2014 and increased by \$1,057,178 for 2013. The decrease for 2014 was due primarily to the recording of depreciation expense.
- Long-term debt decreased by \$269,000 for 2014 and increased by \$718,000 for 2013. This decrease for 2014 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$8,714 for 2014 and decreased by \$4,424 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.

**Quitman 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

**Quitman County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statements of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

### **Reconciliation of Government-wide and Fund Financial Statements**

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

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

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

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

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

### **Notes to the financial statements**

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

**Quitman County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

**Required Supplementary Information**

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

**Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

**Other Information**

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$3,727,662 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.

**Quitman 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	\$ 3,128,026	3,580,138	(13)%
Capital assets, net	2,601,880	2,748,856	(5)%
<b>Total assets</b>	<u>5,729,906</u>	<u>6,328,994</u>	(9)%
Current liabilities	589,786	585,190	1%
Long-term debt outstanding	1,412,458	1,690,172	(16)%
<b>Total liabilities</b>	<u>2,002,244</u>	<u>2,275,362</u>	(12)%
<b>Net position:</b>			
Net investment in capital assets	1,256,880	1,134,856	11%
Restricted	1,772,799	1,725,562	3%
Unrestricted	697,983	1,193,214	(42)%
<b>Total net position</b>	<u>\$ 3,727,662</u>	<u>4,053,632</u>	(8)%

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 \$146,976.
- The principal retirement of \$269,000 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 \$11,886,667 and \$11,675,960, respectively. The total cost of all programs and services was \$12,191,298 for 2014 and \$11,380,494 for 2013.

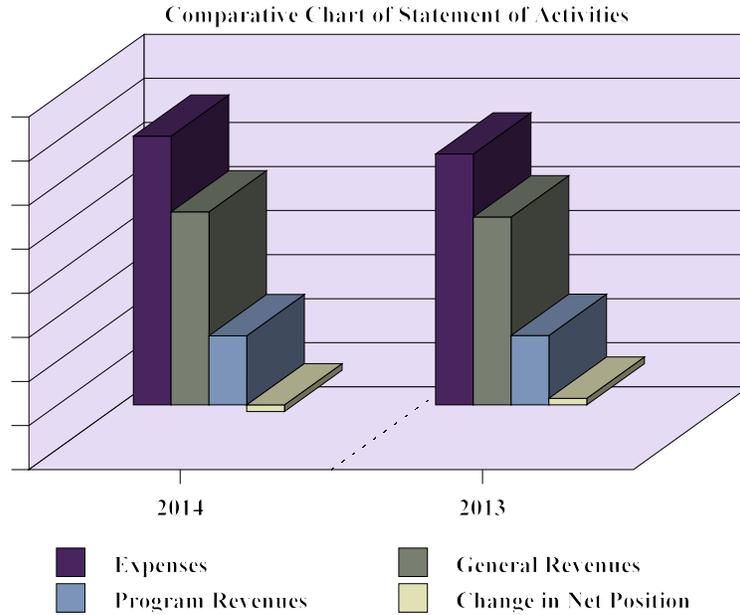
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

**Quitman County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

**Table 2**  
**Changes in Net Position**

	<u>Year Ended June 30, 2014</u>	<u>Year Ended June 30, 2013</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 367,691	134,242	174%
Operating grants and contributions	2,768,642	3,013,995	(8)%
General revenues:			
Property taxes	2,134,456	1,899,639	12%
Grants and contributions not restricted	5,881,011	6,115,429	(4)%
Investment earnings	18,374	14,127	30%
Sixteenth section sources	361,925	315,320	15%
Other	354,568	183,208	94%
<b>Total revenues</b>	<u>11,886,667</u>	<u>11,675,960</u>	2%
<b>Expenses:</b>			
Instruction	5,802,956	5,774,731	0%
Support services	5,222,624	4,462,196	17%
Non-instructional	1,123,287	1,081,412	4%
Sixteenth section	18,185	26,620	(32)%
Interest on long-term liabilities	24,246	35,535	(32)%
<b>Total expenses</b>	<u>12,191,298</u>	<u>11,380,494</u>	7%
Increase (Decrease) in net position	<u>(304,631)</u>	<u>295,466</u>	(203)%
<b>Net Position, July 1, as previously reported</b>	4,053,632	3,749,115	8%
<b>Prior period adjustment</b>	<u>(21,339)</u>	<u>9,051</u>	(336)%
<b>Net Position, July 1, as restated</b>	<u>4,032,293</u>	<u>3,758,166</u>	7%
<b>Net Position, June 30</b>	<u>\$ 3,727,662</u>	<u>4,053,632</u>	(8)%

**Quitman County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**



**Governmental activities**

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

**Table 3**  
**Net Cost of Governmental Activities**

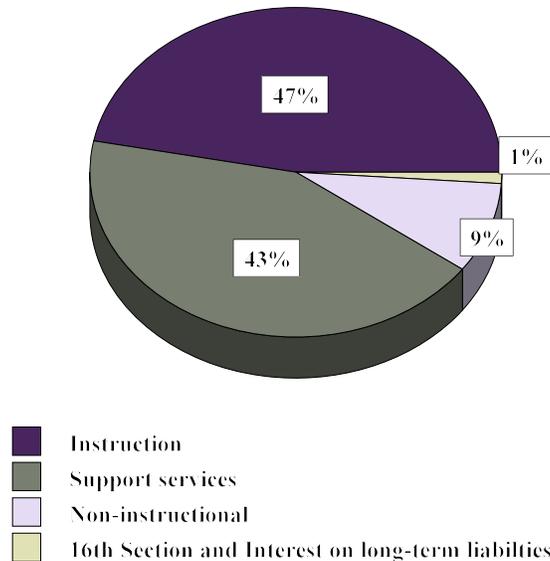
	<u><b>Total Expenses</b></u>		
	<u><b>2014</b></u>	<u><b>2013</b></u>	<u><b>Percentage Change</b></u>
Instruction	\$ 5,802,956	5,774,731	0%
Support services	5,222,624	4,462,196	17%
Non-instructional	1,123,287	1,081,412	4%
Sixteenth section	18,185	26,620	(32)%
Interest on long-term liabilities	24,246	35,535	(32)%
<b>Total expenses</b>	<u><u>\$ 12,191,298</u></u>	<u><u>11,380,494</u></u>	<u><u>7%</u></u>

**Quitman County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

**Net (Expense) Revenue**

	<b>2014</b>	<b>2013</b>	<b>Percentage Change</b>
Instruction	\$ (4,806,481)	(4,793,609)	0%
Support services	(4,526,528)	(3,466,975)	31%
Non-instructional	56,662	70,253	(19)%
Sixteenth section	245,628	(6,391)	3943%
Interest on long-term liabilities	(24,246)	(35,535)	(32)%
<b>Total net (expense) revenue</b>	<b>\$ (9,054,965)</b>	<b>(8,232,257)</b>	<b>10%</b>

Chart of Expenses per Statement of Activities



- Net cost of governmental activities (\$9,054,965 for 2014 and \$8,232,257 for 2013) was financed by general revenue, which is primarily made of property taxes (\$2,134,456 for 2014 and \$1,899,639 for 2013) and state and federal revenues (\$5,881,011 for 2014 and \$6,115,429 for 2013). In addition, there was \$361,925 and \$315,320 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$18,374 for 2014 and \$14,127 for 2013.

**Quitman County School District**  
 Management's Discussion and Analysis  
 For the Year Ended June 30, 2014

**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 \$2,539,805, a decrease of \$459,597, which includes an increase in inventory of \$5,568. \$748,502, or 29% 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$1,791,303, or 71% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$503,945. The fund balance of Other Governmental Funds showed a decrease in the amount of \$496,201, which includes an increase in inventory of \$5,568 to reflect inventory to actual. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
16 <sup>th</sup> Section Interest Fund	\$ 540,549

**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 a major special revenue fund is provided in this report as required supplementary information.

**Quitman County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2014, the District's total capital assets were \$5,830,986, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$77,630 from 2013. Total accumulated depreciation as of June 30, 2014, was \$3,229,106, and total depreciation expense for the year was \$197,637, resulting in total net capital assets of \$2,601,880.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 76,602	76,602	0%
Buildings	230,330	230,327	0%
Building improvements	1,513,473	1,607,027	(6)%
Improvements other than buildings	302,521	317,097	(5)%
Mobile equipment	418,900	406,722	3%
Furniture and equipment	60,054	111,081	(46)%
<b>Total</b>	<u>\$ 2,601,880</u>	<u>2,748,856</u>	<u>(5)%</u>

Additional information on the District's capital assets can be found in Note 4 included in this report.

**Debt Administration.** At June 30, 2014, the District had \$1,412,458 in outstanding long-term debt, of which \$217,000 is due within one year. The liability for compensated absences decreased \$8,714 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Certificates of participation payable	\$ 71,000	256,000	(72)%
Three mill notes payable	299,000	383,000	(22)%
Qualified school construction bonds	975,000	975,000	0%
Compensated absences payable	67,458	76,172	(11)%
<b>Total</b>	<u>\$ 1,412,458</u>	<u>1,690,172</u>	<u>(16)%</u>

**Quitman County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

Additional information on the District's long-term debt can be found in Note 5 included in this report.

**CURRENT ISSUES**

The Quitman County School District is financially stable. The District is proud of its community support of its 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.

Enrollment for the 2013-2014 year decreased by 2% to 1,199 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the Quitman County School District, PO Drawer E, Marks, MS 38666.

## FINANCIAL STATEMENTS

**QUITMAN COUNTY SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

JUNE 30, 2014

	<u>Governmental Activities</u>
<b>Assets:</b>	
<i>Cash and cash equivalents</i>	\$ 2,855,186
<i>Cash with fiscal agents</i>	270
<i>Due from other governments</i>	253,702
<i>Inventories</i>	18,868
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	76,602
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	230,330
<i>Building improvements</i>	1,513,473
<i>Improvements other than buildings</i>	302,521
<i>Mobile equipment</i>	418,900
<i>Furniture and equipment</i>	60,054
Total Assets	<u>5,729,906</u>
<b>Liabilities:</b>	
<i>Accounts payable and accrued liabilities</i>	585,065
<i>Unearned revenue</i>	3,156
<i>Interest payable on long-term liabilities</i>	1,565
Long-term liabilities, due within one year:	
<i>Capital related liabilities</i>	217,000
Long-term liabilities, due beyond one year:	
<i>Capital related liabilities</i>	1,128,000
<i>Non-capital related liabilities</i>	67,458
Total Liabilities	<u>2,002,244</u>
<b>Net Position:</b>	
Net investment in capital assets	1,256,880
Restricted for:	
Expendable:	
School based activities	1,179,699
Debt service	241,765
Capital Projects	244,302
Forestry improvements	71,375
Unemployment benefits	35,658
Unrestricted	697,983
Total Net Position	<u>\$ 3,727,662</u>

The accompanying notes are an integral part of this statement.

**QUITMAN COUNTY SCHOOL DISTRICT**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

**EXHIBIT B**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
<i>Instruction</i>	5,802,956	43,428	953,047	(4,806,481)
<i>Support services</i>	5,222,624	--	696,096	(4,526,528)
<i>Noninstructional services</i>	1,123,287	60,450	1,119,499	56,662
<i>Sixteenth section</i>	18,185	263,813	--	245,628
<i>Interest on long-term liabilities</i>	24,246	--	--	(24,246)
Total Governmental Activities	<u>\$ 12,191,298</u>	<u>\$ 367,691</u>	<u>\$ 2,768,642</u>	<u>(9,054,965)</u>
General Revenues:				
Taxes:				
				1,937,195
<i>General purpose levies</i>				197,261
<i>Debt purpose levies</i>				
<i>Unrestricted grants and contributions:</i>				
<i>State</i>				5,790,248
<i>Federal</i>				90,763
<i>Unrestricted investment earnings</i>				18,374
<i>Sixteenth section sources</i>				361,925
<i>Other</i>				354,568
Total General Revenues				<u>8,750,334</u>
Change in Net Position				<u>(304,631)</u>
Net Position - Beginning, as previously reported				4,053,632
Prior Period Adjustment				<u>(21,339)</u>
Net Position - Beginning, as restated				4,032,293
Net Position- Ending				<u>\$ 3,727,662</u>

The accompanying notes are an integral part of this statement.

**QUITMAN COUNTY SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

**EXHIBIT C**

	General Fund	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,093,357	\$ 874,299	\$ 887,530	\$ 2,855,186
Cash with fiscal agents	--	--	270	270
Due from other governments	63,221	--	190,481	253,702
Due from other funds	51,995	--	8,805	60,800
Inventories	--	--	18,868	18,868
Total Assets	<u>\$ 1,208,573</u>	<u>\$ 874,299</u>	<u>\$ 1,105,954</u>	<u>\$ 3,188,826</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 435,508	\$ --	\$ 149,557	\$ 585,065
Due to other funds	7,624	1,750	51,426	60,800
Unearned revenue	--	--	3,156	3,156
Total Liabilities	<u>443,132</u>	<u>1,750</u>	<u>204,139</u>	<u>649,021</u>
<b>Fund Balances:</b>				
<b>Non-spendable:</b>				
Inventory	--	--	18,868	18,868
<b>Restricted:</b>				
Unemployment benefits	--	--	35,658	35,658
Forestry improvements	--	--	71,375	71,375
Capital improvements	--	--	244,302	244,302
Debt service	--	--	243,330	243,330
Grant activities	--	--	231,580	231,580
Food service	--	--	56,702	56,702
Sixteenth Section Interest	--	872,549	--	872,549
<b>Assigned:</b>				
Activity	13,171	--	--	13,171
Building improvements	3,768	--	--	3,768
<b>Unassigned</b>	<u>748,502</u>	<u>--</u>	<u>--</u>	<u>748,502</u>
Total Fund Balances	<u>765,441</u>	<u>872,549</u>	<u>901,815</u>	<u>2,539,805</u>
Total Liabilities and Fund Balances	<u>\$ 1,208,573</u>	<u>\$ 874,299</u>	<u>\$ 1,105,954</u>	<u>\$ 3,188,826</u>

The accompanying notes are an integral part of this statement.

**QUITMAN COUNTY SCHOOL DISTRICT**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014*

Total fund balances for governmental funds	\$ 2,539,805
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	2,601,880
Liabilities due in one year are not recognized in the funds.	(217,000)
Payables for bond principal which are not due in the current period are not reported in the funds.	(975,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(1,565)
Payables for notes which are not due in the current period are not reported in the funds.	(153,000)
Payables for compensated absences not due in the current period are not reported in the funds.	<u>(67,458)</u>
Net position of governmental activities	<u>\$ 3,727,662</u>

The accompanying notes are an integral part of this statement.

**QUITMAN COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**EXHIBIT D**

	General Fund	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Local sources	\$ 2,083,892	\$ 10,248	\$ 511,136	\$ 2,605,276
State sources	5,550,142	--	620,615	6,170,757
Federal sources	--	--	2,478,896	2,478,896
Sixteenth section sources	--	625,738	--	625,738
Total Revenues	<u>7,634,034</u>	<u>635,986</u>	<u>3,610,647</u>	<u>11,880,667</u>
<b>Expenditures:</b>				
Instruction	4,410,900	--	1,268,425	5,679,325
Support services	3,221,257	--	2,027,840	5,249,097
Noninstructional services	63,246	43,295	1,002,550	1,109,091
Sixteenth section	--	14,930	3,255	18,185
Debt service:				
Principal	--	--	269,000	269,000
Interest	--	--	27,134	27,134
Total Expenditures	<u>7,695,403</u>	<u>58,225</u>	<u>4,598,204</u>	<u>12,351,832</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(61,369)</u>	<u>577,761</u>	<u>(987,557)</u>	<u>(471,165)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	63,297	4,700	603,787	671,784
Other financing sources	--	--	6,000	6,000
Transfers out	(505,873)	(41,912)	(123,999)	(671,784)
Total Other Financing Sources (Uses)	<u>(442,576)</u>	<u>(37,212)</u>	<u>485,788</u>	<u>6,000</u>
Net Change in Fund Balances	(503,945)	540,549	(501,769)	(465,165)
<b>Fund Balances:</b>				
July 1, 2013	1,269,386	332,000	1,398,016	2,999,402
Increase (decrease) in inventory	--	--	5,568	5,568
June 30, 2014	<u>\$ 765,441</u>	<u>\$ 872,549</u>	<u>\$ 901,815</u>	<u>\$ 2,539,805</u>

The accompanying notes are an integral part of this statement.

**QUITMAN COUNTY SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014*

Net change in fund balances - total governmental funds	\$ (465,165)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	72,000
The depreciation of capital assets used in governmental activities is not reported in the funds.	(197,637)
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	84,000
Repayment of principal is an expenditure in the funds but is not an expense in the SOA.	185,000
(Increase) decrease in accrued interest from beginning of period to end of period.	2,888
Change in inventory is an adjustment to fund balance in the funds but affects expense in SOA.	5,568
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	8,714
Rounding difference	1
	<hr/>
Change in net position of governmental activities	<u>\$ (304,631)</u>

The accompanying notes are an integral part of this statement.

**QUITMAN COUNTY SCHOOL DISTRICT**  
*STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES*  
*FIDUCIARY FUNDS*  
*JUNE 30, 2014*

**EXHIBT E**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 55,391
Total Assets	<u>\$ 55,391</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 16,035
Due to student clubs	4,203
Other payables	35,153
Total Liabilities	<u>\$ 55,391</u>

The accompanying notes are an integral part of this statement.

**Quitman County School District**

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

## Quitman County School District

Notes to the Financial Statements  
For the 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 is elected by the citizens of each defined county district.

For financial reporting purposes, Quitman 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.

## Quitman County School District

### Notes to the Financial Statements For the 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.

16<sup>th</sup> Section Interest Fund - This special revenue fund accounts for expendable revenues derived from the use of sixteenth section lands held in trust by the school district and from investment of sixteenth section funds.

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

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund serves as a clearing fund for payroll type transactions.

Accounts Payable Clearing Fund - This is a fund used to clear accounts payable transactions flowing into an imprest clearing account.

Student Club Fund - This fund accounts for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual club.

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

## Quitman County School District

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

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

### FIDUCIARY FUNDS

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

## 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

## Quitman County School District

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

grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

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

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

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

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

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

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

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

### **D. Encumbrances**

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

## Quitman County School District

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

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

#### 1. Cash, Cash equivalents and Investments

##### Cash and cash equivalents

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

##### Investments

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

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

Investments for the district are reported at fair market value.

#### 2. Receivables and payables

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

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

#### 3. Due from Other Governments

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

## Quitman County School District

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

#### 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. 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.

#### 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.

# Quitman County School District

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than Buildings	25,000	20 years
Mobile Equipment	5,000	5-10 years
Furniture and Equipment	5,000	3-7 years
Leased Property Under Capital Leases	*	*

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

## 7. Compensated Absences

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

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

## 8. Long-term Liabilities and Bond Discounts/ Premiums

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 5 for details.

## Quitman County School District

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

### 9. Fund Balances

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

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

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

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

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

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

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, 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 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 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,

## Quitman County School District

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

followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 3% of general revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

### **Note 2 - Cash and Cash Equivalents and Cash with Fiscal Agents**

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits 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.

#### 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 \$2,855,186 and \$55,391, 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 \$3,421,301 was exposed to custodial credit risk.

#### Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agent held by financial institutions was \$270.

# Quitman County School District

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

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

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

### A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>		<u>Amount</u>
General Fund	16 <sup>th</sup> Section Interest Fund	\$	1,750
	Other Governmental Funds		50,245
Other Governmental Funds	General Fund		7,624
	Other Governmental Funds		1,181
Total		\$	<u>60,800</u>

The purpose of the inter-fund balances were to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program.

### B. Inter-fund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>		<u>Amount</u>
General Fund	Other Governmental Funds	\$	63,297
16 <sup>th</sup> Section Interest Fund	General Fund		4,700
Other Governmental Funds	General Fund		501,173
	16 <sup>th</sup> Section Interest Fund		41,912
	Other Governmental Funds		60,702
Total		\$	<u>671,784</u>

Transfers were made for operating purposes and to move indirect costs from the special revenue funds to the General Fund.

# Quitman County School District

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

## Note 4 - Capital Assets

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

	Balance 7-1-2013	Additions	Adjustments	Balance 6-30-2014
<u>Non-depreciable capital assets:</u>				
Land	\$ 76,602			76,602
Total non-depreciable capital assets	76,602	0	0	76,602
<u>Depreciable capital assets:</u>				
Buildings	1,151,635			1,151,635
Building improvements	2,339,611			2,339,611
Improvements other than buildings	364,377			364,377
Mobile equipment	1,335,115	66,000		1,401,115
Furniture and equipment	486,016	6,000	5,630	497,646
Total depreciable capital assets	5,676,754	72,000	5,630	5,754,384
<u>Less accumulated depreciation for:</u>				
Buildings	921,308		(3)	921,305
Building improvements	732,584	93,584	(30)	826,138
Improvements other than buildings	47,280	14,576		61,856
Mobile equipment	928,393	64,860	(11,038)	982,215
Furniture and equipment	374,935	24,617	38,040	437,592
Total accumulated depreciation	3,004,500	197,637	26,969	3,229,106
Total depreciable capital assets, net	2,672,254	(125,637)	(21,339)	2,525,278
Governmental activities capital assets, net	\$ 2,748,856	(125,637)	(21,339)	2,601,880

Adjustments were made to properly present capital assets.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 138,346
Support services	39,527
Non-instructional	19,764
Total depreciation expense	\$ <u>197,637</u>

**Quitman County School District**

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

**Note 5 - Long-term liabilities**

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

	Balance 7-1-2013	Additions	Reductions	Balance 6-30-2014	Amounts due within one year
A. Certificates of participation payable	\$ 256,000		185,000	71,000	71,000
B. Three mill notes payable	383,000		84,000	299,000	146,000
C. Qualified school construction bonds	975,000			975,000	
D. Compensated absences payable	76,172		8,714	67,458	
Total	\$ 1,690,172	0	277,714	1,412,458	217,000

**A. Certificates of participation payable**

As more fully explained in Note 10, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of participation payable, Series 2004	4.45%	07-02-04	03-01-15	\$ <u>1,630,000</u>	<u>71,000</u>

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

Year Ending June 30	Principal	Interest	Total
2015	\$ <u>71,000</u>	<u>1,580</u>	<u>72,580</u>

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

**B. 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 2006	4.11%	09-15-06	06-15-16	\$ <u>950,000</u>	<u>299,000</u>

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

## Quitman County School District

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

Year Ending June 30		Principal	Interest	Total
2015	\$	146,000	9,289	155,289
2016		153,000	3,144	156,144
Total	\$	<u>299,000</u>	<u>12,433</u>	<u>311,433</u>

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

#### C. Qualified School Construction Bonds Payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bond	4.56%	04-15-13	12-01-24	\$ <u>975,000</u>	<u>975,000</u>

Year Ending June 30,		Principal	Interest	Total
2015	\$		44,460	44,460
2016			44,460	44,460
2017			44,460	44,460
2018			44,460	44,460
2019			44,460	44,460
2020 - 2024			222,300	222,300
2025		975,000	44,460	1,019,460
Total	\$	<u>975,000</u>	<u>489,060</u>	<u>1,464,060</u>

This debt will be retired from the QSCB Debt Retirement Fund (Debt Retirement Fund). The district will make annual payments to a sinking fund maintained by the paying agent (See Note 12). At the end of the term the amount available in the sinking fund will be sufficient to make the balloon payment on the debt

#### D. Compensated absences payable

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

#### Note 6 - 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

## Quitman County School District

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

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$968,263, \$875,736, and \$808,340, respectively, which equaled the required contributions for each year.

### Note 7 - 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	\$ 352,150
2016	322,250
2017	253,250
2018	183,340
Total	\$ <u>1,110,990</u>

### Note 8 - Contingencies

Federal Grants - The school 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 terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the

## Quitman County School District

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

school district.

Litigation - The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings.

### **Note 9 - Risk Management**

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

#### Participation in Public Entity Risk Pool

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

### **Note 10 - Trust Certificates**

A trust agreement dated July 2, 2004, was executed by and between the school district and Hancock Bank, as trustees.

The trust agreement authorized the refunding of trust certificates in the original principal amount of \$1,630,000. The project is leased to the district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the district upon complete retirement of the trust certificates. The district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments

## Quitman County School District

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

by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 5 for details regarding the debt service requirement on the trust certificates.

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

### Note 11 - Prior Period Adjustment

A summary of significant net position adjustments is as follows:

#### Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. Adjustments were made to properly present capital assets.	\$ <u><u>(21,339)</u></u>

### Note 12 - Qualified School Construction Bonds

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

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years,

## Quitman County School District

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

per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2014 was \$0. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2015	\$ 0
2016	0
2017	109,000
2018	109,000
2019	109,000
2020 - 2024	540,000
2025	<u>108,000</u>
Total	\$ <u><u>975,000</u></u>

### Note 13 - Subsequent Events

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>
General Obligation 2015	2.5%-3.25%	4/01/15	4/01/30	\$4,000,000

REQUIRED SUPPLEMENTARY INFORMATION

**QUITMAN COUNTY SCHOOL DISTRICT**

Exhibit 1

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	\$ 1,781,883	2,083,893	2,083,892	302,010	(1)
State sources	5,588,346	5,550,143	5,550,142	(38,203)	(1)
Total Revenues	<u>7,370,229</u>	<u>7,634,036</u>	<u>7,634,034</u>	<u>263,807</u>	<u>(2)</u>
<b>Expenditures:</b>					
Instruction	4,448,438	4,384,088	4,410,900	64,350	(26,812)
Support services	3,100,647	3,221,259	3,221,257	(120,612)	2
Noninstructional services	20,700	63,245	63,246	(42,545)	(1)
Total Expenditures	<u>7,569,785</u>	<u>7,668,592</u>	<u>7,695,403</u>	<u>(98,807)</u>	<u>(26,811)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(199,556)</u>	<u>(34,556)</u>	<u>(61,369)</u>	<u>165,000</u>	<u>(26,813)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	1,199,210	907,972	63,297	(291,238)	(844,675)
Transfers out	(1,399,009)	(1,350,548)	(505,873)	48,461	844,675
Total Other Financing Sources (Uses)	<u>(199,799)</u>	<u>(442,576)</u>	<u>(442,576)</u>	<u>(242,777)</u>	<u>-</u>
Net Change in Fund Balances	<u>(399,355)</u>	<u>(477,132)</u>	<u>(503,945)</u>	<u>(77,777)</u>	<u>(26,813)</u>
Fund Balances:					
July 1, 2013	<u>1,540,721</u>	<u>1,242,574</u>	<u>1,269,386</u>	<u>(298,147)</u>	<u>26,812</u>
June 30, 2014	<u>\$ 1,141,366</u>	<u>765,442</u>	<u>765,441</u>	<u>(375,924)</u>	<u>(1)</u>

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

**QUITMAN COUNTY SCHOOL DISTRICT**

Exhibit 2

Budgetary Comparison Schedule  
 16th 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>					
Local sources	\$ 500	10,248	10,248	9,748	-
Sixteenth section sources	237,130	625,738	625,738	388,608	-
Total Revenues	<u>237,630</u>	<u>635,986</u>	<u>635,986</u>	<u>398,356</u>	<u>-</u>
<b>Expenditures:</b>					
Noninstructional services	-	25,005	43,295	(25,005)	(18,290)
Sixteenth section	-	14,931	14,930	(14,931)	1
Total Expenditures	<u>-</u>	<u>39,936</u>	<u>58,225</u>	<u>(39,936)</u>	<u>(18,289)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>237,630</u>	<u>596,050</u>	<u>577,761</u>	<u>358,420</u>	<u>(18,289)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	-	4,700	4,700	4,700	-
Transfers out	(250,000)	(31,088)	(41,912)	218,912	(10,824)
Total Other Financing Sources (Uses)	<u>(250,000)</u>	<u>(26,388)</u>	<u>(37,212)</u>	<u>223,612</u>	<u>(10,824)</u>
Net Change in Fund Balances	<u>(12,370)</u>	<u>569,662</u>	<u>540,549</u>	<u>582,032</u>	<u>(29,113)</u>
Fund Balances:					
July 1, 2013	<u>331,487</u>	<u>313,710</u>	<u>332,000</u>	<u>(17,777)</u>	<u>18,290</u>
June 30, 2014	<u>\$ 319,117</u>	<u>883,372</u>	<u>872,549</u>	<u>564,255</u>	<u>(10,823)</u>

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## **Quitman 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 Revisions

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

## SUPPLEMENTARY INFORMATION

**Quitman County School District**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

**Schedule 1**

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Federal Expenditures</b>
<b><u>U. S. Department of Agriculture</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 328,268
National School Lunch Program	10.555	592,897
Summer Food Service Program for Children	10.559	6,683
Total Child Nutrition Cluster		<u>927,848</u>
Fresh Fruit and Vegetable Program	10.582	11,885
Total passed-through Mississippi Department of Education		<u>939,733</u>
<b>Total U.S. Department of Agriculture</b>		<u>939,733</u>
<b><u>Federal Communications Commission</u></b>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	90,764
<b>Total Federal Communications Commission</b>		<u>90,764</u>
<b><u>U. S. Department of Education</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,035,871
Career and Technical Education - Basic Grants to States	84.048	25,751
Rural Education	84.358	19,513
Improving Teacher Quality - State Grants	84.367	43,215
Subtotal		<u>1,124,350</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	272,292
Special Education - Preschool Grants	84.173	4,617
Total Special Education Cluster		<u>276,909</u>
Total passed-through the Mississippi Department of Education		<u>1,401,259</u>
<b>Total U. S. Department of Education</b>		<u>1,401,259</u>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<u>\$ 2,431,756</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.

**Qutiman County School District**

**Schedule 2**

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

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$ 8,523,348	5,973,002	707,483	728,392	1,114,471
Other	3,828,484	795,317	284,428	41,603	2,707,136
<b>Total</b>	<b>\$ 12,351,832</b>	<b>6,768,319</b>	<b>991,911</b>	<b>769,995</b>	<b>3,821,607</b>
Total number of students *	<u>1,199</u>				
Cost per student	\$ <u>10,302</u>	<u>5,645</u>	<u>827</u>	<u>642</u>	<u>3,187</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.

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

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

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

\* includes the number of students on the ADA report submission for month 9, which is the final submission for the school year.

## OTHER INFORMATION

**QUITMAN COUNTY SCHOOL DISTRICT**

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

"UNAUDITED"

## General Fund

## Last Four Years

	2014	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 2,083,892	1,870,210	2,501,995	1,886,848
State sources	5,550,142	5,826,752	6,219,129	5,595,885
Federal sources	-	-	-	52,453
Total Revenues	<u>7,634,034</u>	<u>7,696,962</u>	<u>8,721,124</u>	<u>7,535,186</u>
<b>Expenditures:</b>				
Instruction	4,410,900	4,292,197	4,063,925	3,911,227
Support services	3,221,257	2,750,658	2,943,621	2,743,657
Noninstructional services	63,246	6,345	46,800	26,994
Facilities acquisition and construction	-	1,159,941	-	-
Debt Service:				
Interest	-	-	-	8,783
Total Expenditures	<u>7,695,403</u>	<u>8,209,141</u>	<u>7,054,346</u>	<u>6,690,661</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(61,369)</u>	<u>(512,179)</u>	<u>1,666,778</u>	<u>844,525</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	63,297	723,187	54,123	55,921
Operating transfers out	(505,873)	(489,248)	(531,369)	(573,211)
Other financing uses	-	(20,188)	(50,877)	-
Total Other Financing Sources (Uses)	<u>(442,576)</u>	<u>213,751</u>	<u>(528,123)</u>	<u>(517,290)</u>
Net Change in Fund Balances	<u>(503,945)</u>	<u>(298,428)</u>	<u>1,138,655</u>	<u>327,235</u>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	1,269,386	1,567,814	483,281	183,912
Prior period adjustments	-	-	(54,122)	(27,866)
Beginning of period, as restated	<u>1,269,386</u>	<u>1,567,814</u>	<u>429,159</u>	<u>156,046</u>
End of Period	<u>\$ 765,441</u>	<u>1,269,386</u>	<u>1,567,814</u>	<u>483,281</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**QUITMAN COUNTY SCHOOL DISTRICT**

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

"UNAUDITED"

	2014	2013	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 2,605,276	2,210,988	2,739,272	2,031,800
State sources	6,170,757	6,425,763	6,808,592	6,142,931
Federal sources	2,478,896	2,703,661	3,504,906	3,847,468
Sixteenth section sources	625,738	335,549	424,666	271,236
Total Revenues	<u>11,880,667</u>	<u>11,675,961</u>	<u>13,477,436</u>	<u>12,293,435</u>
<b>Expenditures:</b>				
Instruction	5,679,325	5,630,550	5,995,510	6,212,822
Support services	5,249,097	4,499,631	4,405,836	4,064,111
Noninstructional services	1,109,091	1,045,019	1,070,833	994,914
Sixteenth section	18,185	26,620	27,200	18,152
Facilities acquisition and construction	-	1,159,941	-	-
Debt service:				
Principal	269,000	257,000	276,281	301,625
Interest	27,134	38,298	50,303	71,442
Total Expenditures	<u>12,351,832</u>	<u>12,657,059</u>	<u>11,825,963</u>	<u>11,663,066</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(471,165)</u>	<u>(981,098)</u>	<u>1,651,473</u>	<u>630,369</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans	-	975,000	-	-
Operating transfers in	671,784	1,270,758	710,638	629,132
Other financing sources	6,000	-	5,000	-
Operating transfers out	(671,784)	(1,270,758)	(710,638)	(629,132)
Other financing uses	-	(20,188)	(50,877)	-
Total Other Financing Sources (Uses)	<u>6,000</u>	<u>954,812</u>	<u>(45,877)</u>	<u>-</u>
Net Change in Fund Balances	<u>(465,165)</u>	<u>(26,286)</u>	<u>1,605,596</u>	<u>630,369</u>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	2,999,402	3,041,249	1,403,869	816,363
Prior period adjustments	-	-	50,877	(46,565)
Beginning of period, as restated	<u>2,999,402</u>	<u>3,041,249</u>	<u>1,454,746</u>	<u>769,798</u>
Increase (Decrease) in inventory	5,568	(15,561)	(19,093)	3,702
End of period	<u>\$ 2,539,805</u>	<u>2,999,402</u>	<u>3,041,249</u>	<u>1,403,869</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Quitman County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Quitman 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 Quitman County School District's basic financial statements, and have issued our report thereon dated October 29, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. [Finding 2014-001 and 2014-002]

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.

### **Compliance and Other Matters**

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

### **Quitman County School District's Responses to Findings**

Quitman County School District's responses to the findings identified in our audit are described in the accompanying auditee's corrective action plan. Quitman County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
October 29, 2015

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Quitman County School District

**Report on Compliance for Each Major Federal Program**

We have audited Quitman 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 its major federal programs for the year ended June 30, 2014. The Quitman 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 Quitman 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, the Quitman 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 the Quitman County School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Quitman County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2013-003 that we consider to be a significant deficiency.

Quitman County School District's response to the internal control over compliance finding identified in our audit is described in the accompanying auditee's corrective action plan. Quitman County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of out 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.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
October 29, 2015

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Quitman County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Quitman County School District as of and for the year ended June 30, 2014, which collectively comprise the Quitman County School District's basic financial statements and have issued our report thereon dated October 29, 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 ensure 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 \$705 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 ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

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

noncompliance with other state laws and regulations.

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
October 29, 2015

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Quitman County School District**

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? Yes.
5. Type of auditor's report issued on compliance for major federal programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies

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

## Section II: Financial Statement Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

### **Material Weaknesses:**

#### Finding 2014-001:

Condition: Signatures on food service forms were missing.

Criteria: Management is responsible for establishing a proper internal control system to ensure strong financial accountability. A critical aspect of financial management is to ensure a proper separation of duties.

Cause: There were inadequate job assignments. Someone should have been designated to sign these forms as evidence of review of the work done by another individual.

Effect: Without proper segregation of duties, the risk is increased that unauthorized or inappropriate transactions could be processed, and the district personnel would not detect the problem while performing their normal duties.

#### Recommendation:

The district should implement internal controls to ensure a proper separation of duties.

#### Finding 2014-002:

Condition: Weaknesses in controls of activity funds were noted. The district could not provide adequate documentation to support activity fund deposits.

Criteria: The *Financial Accounting Manual for Mississippi Public School Districts* provides guidance in terms of what controls and procedures should be in place. Deposit slips should be reconciled to the receipts. All deposit slips should reflect the applicable receipt number or range of receipt numbers.

Cause: Lack of knowledge and education of what procedures must be in place to ensure a strong system of internal control.

Effect: Without proper documentation, the risk is increased that cash will be misstated and the district personnel would not detect the problem.

#### Recommendation:

We recommend that the school district strengthen the controls of the activity funds.

### Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following finding and questioned costs related to the federal awards.

#### **Significant Deficiency:**

##### Finding 2014-003 (Repeat Finding):

Program: Title I Grants to Local Educational Agencies  
CFDA # 84.010

Compliance Requirement: Allowable Costs/Cost Principles

Condition: The school district did not perform semi-annual certifications for a program director and signatures of the supervisor were not found in another instance on a time and effort distribution record. The fund code or program number, position or cost objective information could not be found.

Criteria: Management is responsible for establishing an internal control system that ensures strong financial accountability. An employee who works on multiple activities or cost objectives must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B. The certifications must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee.

Cause: The school district does not consolidate Federal funds with state and local funds in a consolidated school wide pool. Controls were not in place to ensure the existence of documentation to support the time and effort of employees who are paid from federal awards programs.

Effect: The school district did not perform semi-annual certifications or time and effort report certifications for its Title I employees. As a result no time and efforts reports were available for review for an employee who has a pro-rated salary.

#### Recommendation:

We recommend that the district develop a system for documenting the time and effort of Title I employees by requiring that each employee furnish a semi-annual certification or time and effort certification record as required by OMB Circular A-87.

AUDITEE'S CORRECTIVE ACTION PLAN AND  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS



**Brenda J. Hopson • Superintendent of Education**

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**Quitman County Central Office** • Marilyn Autman, Administrative Assistant/Accounts Payable • Miron Thompson, Business Manager • Sharan Farmer, Payroll/Insurance  
P. O. Drawer E • Marks, MS 38646 • 662-326-5451 • Fax: 662-326-3694 • qcschools.org

### AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section 315(c) of OMB Circular A-133, the Quitman County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2014:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2014-001	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Name: Miron Thompson Title: Business Manager Phone Number: 662-326-5451</p> <p>b. Corrective Action Planned:</p> <p>The director will document his review and approval of all purchases by either providing a signature or initials on the requisition or through an electronic approval process.</p> <p>c. Anticipated Completion Date:</p> <p>6/30/2015</p>
2014-002	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Name: Miron Thompson Title: Business Manager Phone Number: 662-326-5451</p> <p>b. Corrective Action Planned:</p> <p>The district will develop a system for tracking maintenance effort requirements.</p> <p>c. Anticipated Completion Date:</p> <p>06/30/2015</p>



**Brenda J. Hopson • Superintendent of Education**

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**AUDITEE'S CORRECTIVE ACTION PLAN (CONTINUE)**

- 2014-003
- a. Name of Contact Person Responsible for Corrective Action:  
  
Name: Miron Thompson  
Title: Business Manager  
Phone Number: 662-326-5451
  
  - b. Corrective Action Planned  
  
The district will develop a system for documenting the time and Effort of Title I employees.
  
  - c. Anticipated Completion Date:  
  
06/30/2015



**Brenda J. Hopson • Superintendent of Education**

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### SUMMARY OF PRIOR AUDIT FINDINGS

As required by Section \_\_.315(b) of OMB Circular A-133, the Quitman 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>Status</u>
2013-06	Not Corrected (See 2014-003)
2013-07	Corrected
2013-08	Corrected