The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

STONE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2014

STONE COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT 3

MANAGEMENT'S DISCUSSION AND ANALYSIS 7

BASIC FINANCIAL STATEMENTS 16
- Government-wide Financial Statements
  - Exhibit A – Statement of Net Position 17
  - Exhibit B – Statement of Activities 18
- Governmental Funds Financial Statements
  - Exhibit C – Balance Sheet 19
  - Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 20
  - Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances 21
  - Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities 22
- Fiduciary Funds Financial Statements
  - Exhibit E – Statement of Fiduciary Assets and Liabilities 23
- Notes to the Financial Statements 24

REQUIRED SUPPLEMENTARY INFORMATION 39
- Budgetary Comparison Schedule – General Fund 40
- Budgetary Comparison Schedule – Extended School Year Fund 41
- Budgetary Comparison Schedule – Title I Fund 42
- Budgetary Comparison Schedule – IDEA Part B Fund 43
- Budgetary Comparison Schedule – 16th Section Interest Fund 44
- Notes to the Required Supplementary Information 45

SUPPLEMENTARY INFORMATION 46
- Schedule of Expenditures of Federal Awards 47
- Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds 48

OTHER INFORMATION 49
- Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years 50
- Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years 51

REPORTS ON INTERNAL CONTROL AND COMPLIANCE 52
- 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 53
- Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control over Compliance Required by Circular A-133 55

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS 57

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 60

INDEPENDENT AUDITOR'S REPORT

CUNNINGHAM CPAs, PLLC

Certified Public Accountants & Consultants

202 Church Street
Belzoni, Mississippi 39038
Office: (662) 247-2416
Fax: (662) 247-2420

10 South Bancroft Street
Fairhope, Alabama 36532
Office: (251) 929-7778
Fax: (251) 929-7779

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Stone County School District
Wiggins, Mississippi

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 Stone 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 Stone County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Stone 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 7-15 and 39-45 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stone 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 supplementary information section, which includes 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 January 22,

2015, on our consideration of the Stone 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 Stone County School District's internal control over financial reporting and compliance.

Cunningham CPAs

Cunningham CPAs, PLLC

Belzoni, Mississippi

January 22, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial

statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each 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 $10,331,335 as of June 30, 2014.

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2014	June 30, 2013	Percentage Change
Current assets	$ 4,644,693	$ 4,687,468	-0.91 %
Restricted assets	641,563	657,884	-2.48 %
Capital assets, net	6,816,578	7,109,096	-4.11 %
Total assets	**12,102,834**	**12,454,448**	**-2.82 %**
Deferred outflows of resources	**6,908**	**10,363**	**-33.34 %**
Current liabilities	144,117	138,802	3.83 %
Long-term debt outstanding	1,634,290	1,595,875	2.41 %
Total liabilities	**1,778,407**	**1,734,677**	**2.52 %**
Net position:			
Net investment in capital assets	6,277,486	6,226,459	0.82 %
Restricted	1,015,782	3,108,806	-67.33 %
Unrestricted	3,038,067	1,394,869	117.80 %
Total net position	**$ 10,331,335**	**$ 10,730,134**	**-3.72 %**

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 $292,518.
- The principal retirement of $534,178 of long-term debt.
- Issuing $572,000 in shortfall notes payable.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were $21,595,822 and $21,362,024, respectively. The total cost of all programs and services was $22,149,276 for 2014 and $21,791,168 for 2013.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2014	Year Ended June 30, 2013	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 858,155	$ 975,469	(12.03) %
Operating grants and contributions	3,341,893	3,223,647	3.67 %
General revenues:			
Property taxes	5,241,586	4,712,930	11.22 %
Grants and contributions not restricted	11,981,070	12,124,740	(1.18) %
Other	173,118	325,238	(46.77) %
Total revenues	**21,595,822**	**21,362,024**	**1.09 %**
Expenses:			
Instruction	12,230,761	12,281,598	(0.41) %
Support services	8,373,076	7,941,874	5.43 %
Non-instructional	1,486,864	1,487,987	(0.08) %
Sixteenth section	25,293	39,829	(36.50) %
Interest on long-term liabilities and other debt service costs	33,282	39,880	(16.54) %
Total expenses	**22,149,276**	**21,791,168**	**1.64 %**
Increase (Decrease) in net position	**(553,454)**	**(429,144)**	**28.97 %**
Net Position, July 1, as originally reported	**10,730,134**	**11,246,098**	**(4.59) %**
Prior period adjustment	**154,655**	**(86,820)**	**278.13 %**
Net Position, July 1, as restated	**10,884,789**	**11,159,278**	**(2.46) %**
Net Position, June 30	**$ 10,331,335**	**$ 10,730,134**	**(3.72) %**

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 and other debt service costs. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2014	**2013**	**Change**
Instruction	$ 12,230,761	$ 12,281,598	(0.41) %
Support services	8,373,076	7,941,874	5.43 %
Non-instructional	1,486,864	1,487,987	(0.08) %
Sixteenth section	25,293	39,829	(36.50) %
Interest on long-term liabilities and other debt service costs	33,282	39,880	(16.54) %
Total expenses	**$ 22,149,276**	**$ 21,791,168**	**1.64 %**

	Net (Expense) Revenue		Percentage
	2014	**2013**	**Change**
Instruction	$ (10,476,526)	$ (10,496,132)	(0.19) %
Support services	(7,474,477)	(7,072,783)	5.68 %
Non-instructional	60,350	56,572	6.68 %
Sixteenth section	(25,293)	(39,829)	(36.50) %
Interest on long-term liabilities and other debt service costs	(33,282)	(39,880)	(16.54) %
Total net (expense) revenue	**$ (17,949,228)**	**$ (17,592,052)**	**2.03 %**

- Net cost of governmental activities ($17,949,228 for 2014 and $17,592,052 for 2013) was financed by general revenue, which is primarily made up of property taxes ($5,241,586 for 2014 and $4,712,930 for 2013) and state and federal revenues ($11,981,070 for 2014 and $12,124,740 for 2013). In addition, there was $153,032 and $296,682 in Sixteenth Section sources for 2014 and 2013, respectively.

- Investment earnings amounted to $9,940 for 2014 and $16,480 for 2013.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $5,160,890, a decrease of $54,692, including a prior period adjustment of $154,655, and which includes a decrease in inventory of $1,482. $3,449,682 or 67% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of $1,711,208 or 33% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was $91,630, including a prior period adjustment of $154,655. The fund balance of Other Governmental Funds showed a decrease in the amount of $45,555, which includes a decrease in reserve for inventory of $1,482, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Extended School Year Fund	No increase (decrease)
Title I Fund	No increase (decrease)
IDEA Part B Fund	No increase (decrease)
16th Section Interest Fund	$ (100,767)

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were $15,612,504, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents a decrease of $40,794 from 2013. Total accumulated depreciation as of June 30, 2014, was $8,795,926, and total depreciation expense for the year was $336,278, resulting in total net capital assets of $6,816,578.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2014	June 30, 2013	Percentage Change
Land	$ 353,110	$ 353,110	0.00 %
Buildings	5,501,350	5,650,252	(2.64) %
Improvements other than buildings	527,677	569,411	(7.33) %
Mobile equipment	305,595	411,527	(25.74) %
Furniture and equipment	125,256	121,206	3.34 %
Leased property under capital leases	3,590	3,590	0.00 %
Total	**$ 6,816,578**	**$ 7,109,096**	**(4.11) %**

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

Debt Administration. At June 30, 2014, the District had $1,634,290 in outstanding long-term debt, of which $727,445 is due within one year. The liability for compensated absences increased $593 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2014	June 30, 2013	Percentage Change
General obligation refunding bonds payable	$ 546,000	$ 893,000	(38.86) %
Shortfall notes payable	954,822	570,000	67.51 %
Compensated absences payable	133,468	132,875	0.45 %
Total	**$ 1,634,290**	**$ 1,595,875**	**2.41 %**

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Stone County School District, 214 Critz Street, Wiggins, MS 39777.

FINANCIAL STATEMENTS

STONE COUNTY SCHOOL DISTRICT

Statement of Net Position **Exhibit A**

June 30, 2014

		Governmental Activities
Assets		
Cash and cash equivalents	$	2,846,473
Investments		596,449
Due from other governments		1,166,791
Other receivables, net		9,694
Inventories		25,286
Restricted assets		641,563
Capital assets, non-depreciable:		
Land		353,110
Capital assets, net of accumulated depreciation:		
Buildings		5,501,350
Improvements other than buildings		527,677
Mobile equipment		305,595
Furniture and equipment		125,256
Leased property under capital leases		3,590
Total Assets		12,102,834
Deferred Outflows of Resources		
Deferred amount on refunding		6,908
Total deferred outflows of resources		6,908
Liabilities		
Accounts payable and accrued liabilities		125,366
Interest payable on long-term liabilities		18,751
Long-term liabilities, due within one year:		
Capital related liabilities		351,000
Non-capital related liabilities		376,445
Long-term liabilities, due beyond one year:		
Capital related liabilities		195,000
Non-capital related liabilities		711,845
Total Liabilities		1,778,407
Net Position		
Net investment in capital assets		6,277,486
Restricted for:		
Expendable:		
School-based activities		185,404
Debt service		513,173
Forestry improvements		95,556
Unemployment benefits		97,733
Non-expendable:		
Sixteenth section		123,916
Unrestricted		3,038,067
Total Net Position	$	10,331,335

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

STONE COUNTY SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2014

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 12,230,761	$ 436,792	$ 1,317,443	$ -	$ (10,476,526)
Support services	8,373,076	-	898,599	-	(7,474,477)
Non-instructional	1,486,864	421,363	1,125,851	-	60,350
Sixteenth section	25,293	-	-	-	(25,293)
Interest on long-term liabilities and other debt service costs	33,282	-	-	-	(33,282)
Total Governmental Activities	$ 22,149,276	$ 858,155	$ 3,341,893	$ -	$ (17,949,228)

General Revenues:	
Taxes:	
General purpose levies	4,862,915
Debt purpose levies	378,671
Unrestricted grants and contributions:	
State	11,813,849
Federal	167,221
Unrestricted investment earnings	9,940
Sixteenth section	153,032
Other	10,146
Total General Revenues	17,395,774
Change in Net Position	(553,454)
Net Position - Beginning, as originally reported	10,730,134
Prior period adjustment	154,655
Net Position - Beginning, as restated	10,884,789
Net Position - Ending	$ 10,331,335

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

STONE COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2014

Exhibit C

	Major Funds						
	General Fund	Extended School Year Fund	Title I Fund	IDEA Part B Fund	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	$ 1,284,887	$ -	$ -	$ -	$ 1,194,210	$ 885,439	$ 3,364,536
Investments	576,573	-	-	-	19,876	123,500	719,949
Due from other governments	990,932	15,790	38,682	59,691	-	61,149	1,166,244
Due from other funds	164,249	19,646	139	650	-	424	185,108
Other receivables, net	9,528	166	-	-	-	-	9,694
Inventories	-	-	-	-	-	25,286	25,286
Total assets	3,026,169	35,602	38,821	60,341	1,214,086	1,095,798	5,470,817
Liabilities:							
Accounts payable and accrued liabilities	$ 93,039	$ 10,087	$ 139	$ 650	$ -	$ 21,450	$ 125,365
Due to other funds	20,859	25,515	38,682	59,691	-	39,815	184,562
Total Liabilities	113,898	35,602	38,821	60,341	-	61,265	309,927
Fund Balances:							
Nonspendable:							
Inventory	-	-	-	-	-	25,286	25,286
Permanent fund principal	-	-	-	-	-	123,916	123,916
Restricted:							
Debt service	-	-	-	-	-	531,924	531,924
Forestry improvement purposes	-	-	-	-	-	95,556	95,556
Grant activities	-	-	-	-	-	160,118	160,118
Unemployment benefits	-	-	-	-	-	97,733	97,733
Assigned:							
Activity funds	676,675	-	-	-	-	-	676,675
Unassigned	2,235,596	-	-	-	1,214,086	-	3,449,682
Total Fund Balances	2,912,271	-	-	-	1,214,086	1,034,533	5,160,890
Total Liabilities and Fund Balances	$ 3,026,169	$ 35,602	$ 38,821	$ 60,341	$ 1,214,086	$ 1,095,798	$ 5,470,817

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

STONE COUNTY SCHOOL DISTRICT

Governmental Funds

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

June 30, 2014

Total fund balances for governmental funds		$ 5,160,890
Amounts reported for governmental activities in the statement of net position are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	$ 353,110	
Buildings	10,481,557	
Improvements other than buildings	1,043,345	
Mobile equipment	2,962,006	
Furniture and equipment	413,511	
Leased property under capital leases	358,975	
Accumulated depreciation	(8,795,926)	6,816,578
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation refunding bonds payable	(546,000)	
Shortfall notes payable	(954,822)	
Compensated absences payable	(133,468)	
Accrued interest payable	(18,751)	(1,653,041)
3. In situations where current and advance refunding result in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources.		6,908
Net position of governmental activities		$ 10,331,335

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

STONE COUNTY SCHOOL DISTRICT

Governmental Funds

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

For the Year Ended June 30, 2014

	Major Funds						
	General Fund	Extended School Year Fund	Title I Fund	IDEA Part B Fund	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Local sources	$ 5,195,736	$ 279	$ -	$ -	$ 2,131	$ 908,955	$ 6,107,101
State sources	11,705,980	15,328	-	-	-	621,756	12,343,064
Federal sources	179,629	-	626,583	569,075	-	1,604,613	2,979,900
Sixteenth section sources	-	-	-	-	152,942	12,815	165,757
Total Revenues	17,081,345	15,607	626,583	569,075	155,073	3,148,139	21,595,822
Expenditures:							
Instruction	10,547,883	14,924	336,604	365,305	-	915,226	12,179,942
Support services	6,940,168	20,329	272,709	193,108	-	678,207	8,104,521
Noninstructional services	-	-	17,409	-	-	1,494,236	1,511,645
Sixteenth section	6,950	-	-	-	2,796	15,547	25,293
Debt service:							
Principal	-	-	-	-	-	534,178	534,178
Interest	-	-	-	-	-	20,108	20,108
Total Expenditures	17,495,001	35,253	626,722	558,413	2,796	3,657,502	22,375,687
Excess (Deficiency) of Revenues over (under) Expenditures	(413,656)	(19,646)	(139)	10,662	152,277	(509,363)	(779,865)
Other Financing Sources (Uses):							
Bonds and notes issued	572,000	-	-	-	-	-	572,000
Operating transfers in	306,661	19,646	139	650	-	931,416	1,258,512
Operating transfers out	(528,030)	-	-	(11,312)	(253,044)	(466,126)	(1,258,512)
Total Other Financing Sources (Uses)	350,631	19,646	139	(10,662)	(253,044)	465,290	572,000
Net Change in Fund Balances	(63,025)	-	-	-	(100,767)	(44,073)	(207,865)
Fund Balances:							
July 1, 2013, as originally reported	2,820,641	-	-	-	1,314,853	1,080,088	5,215,582
Prior period adjustments	154,655	-	-	-	-	-	154,655
July 1, 2013, as restated	2,975,296	-	-	-	1,314,853	1,080,088	5,370,237
Decrease in reserve for inventory	-	-	-	-	-	(1,482)	(1,482)
June 30, 2014	$ 2,912,271	$ -	$ -	$ -	$ 1,214,086	$ 1,034,533	$ 5,160,890

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

STONE COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds		$ (207,865)
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 46,738	
Depreciation expense	(336,278)	(289,540)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.		(2,978)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Payments of debt principal	534,178	
Loan proceeds	(572,000)	
Amortization of deferred amount of refunding	(3,455)	
Accrued interest payable	(9,719)	(50,996)
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	(593)	
Change in inventory reserve	(1,482)	(2,075)
Change in net position of governmental activities		$ (553,454)

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

STONE COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities **Exhibit E**

June 30, 2014

		Agency Funds
Assets		
Cash and cash equivalents	$	753,373
Total Assets	$	753,373
Liabilities		
Accounts payable and other accrued liabilities	$	748,988
Due to other funds		546
Due to student clubs		3,839
Total Liabilities	$	753,373

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

For financial reporting purposes, Stone 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.

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.

Extended School Year Fund – This is the school district's program designed to support a student with a disability as documented under the Individuals with Disabilities Education Act (IDEA).

Title I Fund – This is the school district's federal reimbursable fund that serves to fund remedial mathematics and reading services to low-income, program eligible students.

IDEA Part B Fund – This fund provides revenues for children with disabilities with a free and appropriate education.

Sixteenth Section Interest Fund – This is a special revenue fund that accounts for investment activity financed through Sixteenth Section property rental activity and timber sales less expenditures for maintenance and improvements to said property.

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:

Accounts Payable Clearing Fund – This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Payroll Clearing Fund - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Student Club Fund Agency Funds – These funds are used to report student club resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

D. Encumbrances

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

E. Assets, liabilities, deferred outflows/inflows and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of the deferred amount on refunding of $6,908 at June 30, 2014.

See Note 12 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Fund Balances

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

Governmental fund balance is classified as nonspendable, restricted, 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 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.

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 by the policy adopted by the school district.

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

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

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

Note 2 – Cash and Cash Equivalents and Investments

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $3,364,536 and $753,373, respectively. The bank balance was $5,268,663.

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.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Government Securities	AAA	1 to 5	$ 19,876
Certificates of deposit		1 to 5	700,073
Total			$ 719,949

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2014, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2014, the district had the following investments:

Issuer	Fair Value	% of Total Investments
U.S. Government Securities	$ 19,876	3%
Certificates of deposit	700,073	97%
Total	$ 719,949	100%

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General fund	Extended school year fund	$ 25,515
	Title I fund	38,682
	IDEA Part B fund	59,691
	Other governmental funds	39,815
	Fiduciary fund	546
Extended school year fund	General fund	19,646
Title I fund	General fund	139
IDEA Part B fund	General fund	650
Other governmental funds	General fund	424
Total		$ 185,108

The purpose of the inter-fund loans was to cover federal and state funds not received prior to year-end.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General fund	Extended school year fund	$ 19,646
	Title I fund	139
	IDEA Part B fund	650
	Other governmental funds	507,595
IDEA Part B fund	General fund	11,312
16th section interest fund	General fund	253,044
Other governmental funds	General fund	42,305
	Other governmental funds	423,821
Total		$ 1,258,512

The primary purpose of the interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded.

Note 4 – Restricted Assets

The restricted assets represent the cash and investment balance, totaling $416 and $123,500, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash balance, totaling $122,536, of the General Bond Issue Retirement Fund.

Also, the restricted assets represent the cash balance, totaling $395,111, of the shortfall notes payable funds.

Note 5 – Capital Assets

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

	Balance 7/1/2013	Increases	Decreases	Balance 6/30/2014
Governmental Activities:				
Non-depreciable capital assets:				
Land	$ 353,110	$ -	$ -	$ 353,110
Total non-depreciable capital assets	353,110	-	-	353,110
Depreciable capital assets:				
Buildings	10,481,557	-	-	10,481,557
Improvements other than buildings	1,043,345	-	-	1,043,345
Mobile equipment	3,038,874	5,394	82,262	2,962,006
Furniture and equipment	377,437	41,344	5,270	413,511
Leased property under capital leases	358,975	-	-	358,975
Total depreciable capital assets	15,300,188	46,738	87,532	15,259,394
Less accumulated depreciation for:				
Buildings	4,831,305	148,902	-	4,980,207
Improvements other than buildings	473,934	41,734	-	515,668
Mobile equipment	2,627,347	108,401	79,337	2,656,411
Furniture and equipment	256,231	37,241	5,217	288,255
Leased property under capital leases	355,385	-	-	355,385
Total accumulated depreciation	8,544,202	336,278	84,554	8,795,926
Total depreciable capital assets, net	6,755,986	(289,540)	2,978	6,463,468
Governmental activities capital assets, net	$ 7,109,096	$ (289,540)	$ 2,978	$ 6,816,578

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 50,226
Support services	270,971
Non-instructional	15,081
Total depreciation expense - Governmental activities	$ 336,278

Note 6 – Long-term Liabilities

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

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. General obligation refunding bonds payable	$ 893,000	$ -	$ (347,000)	$ 546,000	$ 351,000
B. Shortfall notes payable	570,000	572,000	(187,178)	954,822	376,445
C. Compensated absences payable	132,875	593	-	133,468	-
Total	$ 1,595,875	$ 572,593	$ (534,178)	$ 1,634,290	$ 727,445

A. General obligations refunding bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2012	1.34%	10/1/2012	6/1/2016	$ 1,247,000	$ 546,000
Total				$ 1,247,000	$ 546,000

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

Year Ending June 30	Principal	Interest	Total
2015	$ 351,000	$ 7,316	$ 358,316
2016	195,000	2,614	197,614
Total	$ 546,000	$ 9,930	$ 555,930

This debt will be retired from the General Bond Issue Retirement Fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2014, the amount of outstanding bonded indebtedness was equal to 2% of property assessments as of October 1, 2013.

B. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall notes payable, series 2012	1.50%	7/20/2012	7/20/2015	$ 570,000	$ 382,822
Shortfall notes payable, series 2013	2.24%	7/19/2013	7/19/2016	572,000	572,000
Total				$ 1,142,000	$ 954,822

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

Shortfall notes payable, series 2012:

Year Ending June 30	Principal	Interest	Total
2015	$ 189,986	$ 5,742	$ 195,728
2016	192,836	2,893	195,729
Total	$ 382,822	$ 8,635	$ 391,457

This debt will be retired from the 2012 shortfall notes payable fund.

Shortfall notes payable, series 2013:

Year Ending June 30	Principal	Interest	Total
2015	$ 186,459	$ 12,813	$ 199,272
2016	190,635	8,636	199,271
2017	194,906	4,366	199,272
Total	$ 572,000	$ 25,815	$ 597,815

This debt will be retired from the 2013 shortfall notes payable fund.

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2015	$ 376,445	$ 18,555	$ 395,000
2016	383,471	11,529	395,000
2017	194,906	4,366	199,272
Total	$ 954,822	$ 34,450	$ 989,272

C. Compensated absences payable

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

Note 7 – Prior Year Defeasance of Debt

In prior years, the Stone County School District defeased certain general obligation bonds payable by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and liabilities for the defeased bonds and notes are not included in the district's financial statements. On June 30, 2014, $550,000 of limited tax notes payable is defeased.

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were $1,996,296, $1,804,339 and $1,640,410, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30		Amount
2015	$	40,563
2016		3,920
2017		3,070
2018		2,870
2019		2,870
2020-2024		4,750
2025		470
Total	$	58,513

Note 10 – Contingencies

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

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

Note 11 – Risk Management

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

Participation in Public Entity Risk Pool

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

Note 12 – Effect of Deferred Amounts on the Governmental Funds Fund Balance

The net investment in capital assets component of net position amount of $6,277,486 includes the effect of the deferred amount on refunding. The $6,908 balance of the deferred amount on refunding at June 30, 2014 will be expensed and decrease the net investment in capital assets component of net position over the remaining 2 years of the debt service requirement of the limited obligation bonds payable. The amount expensed in 2014 was $3,455.

Note 13 - Prior Period Adjustments

Exhibit B - Statement of Activities

Explanations	Amount
1. To properly state the accounts receivable related to the 2012 ad valorem shortfall.	$ 154,655
Total	$ 154,655

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

Fund	Explanations	Amount
General Fund	To properly state the accounts receivable related to the 2012 ad valorem shortfall.	$ 154,655
	Total	$ 154,655

Note 14 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Stone County School District evaluated the activity of the district through January 22, 2015, (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.

Debt Issued:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall notes payable, series 2014	2.14%	7/4/2014	7/4/2017	$208,179	$ 208,179
Total				$208,179	$ 208,179

REQUIRED SUPPLEMENTARY INFORMATION

STONE COUNTY SCHOOL DISTRICT

Required Supplementary Information

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 5,204,717	$ 5,195,736	$ 5,195,736	$ (8,981)	$ -
State sources	11,577,086	11,705,981	11,705,980	128,895	(1)
Federal sources	145,500	179,629	179,629	34,129	-
Total Revenues	16,927,303	17,081,346	17,081,345	154,043	(1)
Expenditures:					
Instruction	10,976,931	10,547,401	10,547,883	429,530	(482)
Support services	6,895,073	6,956,432	6,940,168	(61,359)	16,264
Sixteenth section	-	6,950	6,950	(6,950)	-
Total Expenditures	17,872,004	17,510,783	17,495,001	361,221	15,782
Excess (Deficiency) of Revenues over (under) Expenditures	(944,701)	(429,437)	(413,656)	515,264	15,781
Other Financing Sources (Uses):					
Bonds and notes issued	560,000	-	572,000	(560,000)	572,000
Operating transfers in	891,627	606,275	306,661	(285,352)	(299,614)
Operating transfers out	(648,639)	(655,150)	(528,030)	(6,511)	127,120
Total Other Financing Sources (Uses)	802,988	(48,875)	350,631	(851,863)	399,506
Net Change in Fund Balances	(141,713)	(478,312)	(63,025)	(336,599)	415,287
Fund Balances:					
July 1, 2013, as originally reported	2,820,641	2,820,641	2,820,641	-	-
Prior period adjustment	-	-	154,655	-	154,655
July 1, 2013, as restated	2,820,641	2,820,641	2,975,296	-	154,655
June 30, 2014	$ 2,678,928	$ 2,342,329	$ 2,912,271	$ (336,599)	$ 569,942

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

STONE COUNTY SCHOOL DISTRICT

Required Supplementary Information

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ -	$ 280	$ 279	$ 280	$ (1)
Federal sources	18,657	15,328	15,328	(3,329)	-
Total Revenues	18,657	15,608	15,607	(3,049)	(1)
Expenditures:					
Instruction	1,250	14,924	14,924	(13,674)	-
Support services	17,407	20,330	20,329	(2,923)	1
Total Expenditures	18,657	35,254	35,253	(16,597)	1
Excess (Deficiency) of Revenues over (under) Expenditures	-	(19,646)	(19,646)	(19,646)	-
Other Financing Sources (Uses):					
Operating transfers in	-	19,646	19,646	19,646	-
Total Other Financing Sources (Uses)	-	19,646	19,646	19,646	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	$ -	$ -	$ -	$ -	$ -

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

STONE COUNTY SCHOOL DISTRICT

Required Supplementary Information

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 625,312	$ 625,312	$ 626,583	$ -	$ 1,271
Total Revenues	625,312	625,312	626,583	-	1,271
Expenditures:					
Instruction	372,447	382,481	336,604	(10,034)	45,877
Support services	341,536	409,389	272,709	(67,853)	136,680
Noninstructional services	(101,407)	37,572	17,409	(138,979)	20,163
Total Expenditures	612,576	829,442	626,722	(216,866)	202,720
Excess (Deficiency) of Revenues over (under) Expenditures	12,736	(204,130)	(139)	(216,866)	203,991
Other Financing Sources (Uses):					
Operating transfers in	-	13,515	139	13,515	(13,376)
Operating transfers out	(12,736)	-	-	12,736	-
Total Other Financing Sources (Uses)	(12,736)	13,515	139	26,251	(13,376)
Net Change in Fund Balances	-	(190,615)	-	(190,615)	190,615
Fund Balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	$ -	$ (190,615)	$ -	$ (190,615)	$ 190,615

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

STONE COUNTY SCHOOL DISTRICT

Required Supplementary Information

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 538,568	$ 538,568	$ 569,075	$ -	$ 30,507
Total Revenues	538,568	538,568	569,075	-	30,507
Expenditures:					
Instruction	341,303	409,186	365,305	(67,883)	43,881
Support services	197,265	201,849	193,108	(4,584)	8,741
Total Expenditures	538,568	611,035	558,413	(72,467)	52,622
Excess (Deficiency) of Revenues over (under) Expenditures	-	(72,467)	10,662	(72,467)	83,129
Other Financing Sources (Uses):					
Operating transfers in	-	-	650	-	650
Operating transfers out	-	(12,465)	(11,312)	(12,465)	1,153
Total Other Financing Sources (Uses)	-	(12,465)	(10,662)	(12,465)	1,803
Net Change in Fund Balances	-	(84,932)	-	(84,932)	84,932
Fund Balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	$ -	$ (84,932)	$ -	$ (84,932)	$ 84,932

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

STONE COUNTY SCHOOL DISTRICT

Required Supplementary Information

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 1,500	$ 2,131	$ 2,131	$ 631	$ -
Sixteenth section sources	200,325	152,943	152,942	(47,382)	(1)
Total Revenues	201,825	155,074	155,073	(46,751)	(1)
Expenditures:					
Sixteenth section	5,000	2,797	2,796	2,203	1
Total Expenditures	5,000	2,797	2,796	2,203	1
Excess (Deficiency) of Revenues over (under) Expenditures	196,825	152,277	152,277	(44,548)	-
Other Financing Sources (Uses):					
Operating transfers out	(491,000)	(253,044)	(253,044)	237,956	-
Total Other Financing Sources (Uses)	(491,000)	(253,044)	(253,044)	237,956	-
Net Change in Fund Balances	(294,175)	(100,767)	(100,767)	193,408	-
Fund Balances:					
July 1, 2013	1,314,853	1,314,853	1,314,853	-	-
June 30, 2014	$ 1,020,678	$ 1,214,086	$ 1,214,086	$ 193,408	$ -

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

Budgetary Comparison Schedule

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

STONE COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 245,940
National school lunch program	10.555	982,383
Total child nutrition cluster		1,228,323
Total passed-through Mississippi Department of Education		1,228,323
Passed-through Stone County:		
Schools and roads - grants to states	10.665	110,171
Total		110,171
Total U.S. Department of Agriculture		1,338,494
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	49,844
Total Federal Communications Commission		49,844
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	626,583
Career and technical education - basic grants to states	84.048	31,865
Twenty-first century community learning centers	84.287	156,939
Improving teacher quality-State Grants	84.367	160,420
Grants for enhanced assessment instruments	84.368	11,469
Subtotal		987,276
Special education cluster:		
Special education - grants to states	84.027	569,075
Special education - preschool grants	84.173	27,067
Total special education cluster		596,142
Total passed-through Mississippi Department of Education		1,583,418
Total U.S. Department of Education		1,583,418
U.S. Department of Health and Human Services		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	8,145
Total passed-through Mississippi Department of Education		8,145
Total U.S. Department of Health and Human Services		8,145
Total for All Federal Awards		$ 2,979,901

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.
4. Donated commodities of $112,807 are included in the National School Lunch Program.

STONE COUNTY SCHOOL DISTRICT

Supplementary Information

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

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	17,568,028	13,356,999	802,832	1,268,328	2,139,869
Other		4,807,659	1,484,319	286,558	55,731	2,981,051
Total	$	22,375,687	14,841,318	1,089,390	1,324,059	5,120,920
Total number of students *		2,472				
Cost per student	$	9,052	6,003	441	536	2,072

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

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

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

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

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

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

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

	2014	2013*	2012*	2011*
Revenues:				
Local sources	$ 5,195,736	$ 4,636,874	$ 5,134,563	$ 4,667,328
State sources	11,705,980	11,850,752	11,843,930	11,500,722
Federal sources	179,629	168,007	220,738	172,656
Total Revenues	17,081,345	16,655,633	17,199,231	16,340,706
Expenditures:				
Instruction	10,547,883	10,803,131	10,601,132	10,867,943
Support services	6,940,168	6,449,658	6,231,101	6,310,101
Noninstructional services	-	-	923	1,055
Sixteenth section	6,950	-	-	-
Debt service:				
Principal	-	-	-	54,824
Interest	-	-	-	2,877
Total Expenditures	17,495,001	17,252,789	16,833,156	17,236,800
Excess (Deficiency) of Revenues over (under) Expenditures	(413,656)	(597,156)	366,075	(896,094)
Other Financing Sources (Uses):				
Bonds and notes issued	572,000	570,000	-	-
Operating transfers in	306,661	185,303	311,013	3,361,278
Operating transfers out	(528,030)	(264,450)	(63,193)	(3,480,916)
Total Other Financing Sources (Uses)	350,631	490,853	247,820	(119,638)
Net Change in Fund Balances	(63,025)	(106,303)	613,895	(1,015,732)
Fund Balances:				
Beginning of period, as previously reported	2,820,641	2,926,944	2,203,519	3,219,251
Prior period adjustments	154,655	-	109,530	-
Beginning of period, as restated	2,975,296	2,926,944	2,313,049	3,219,251
End of Period	$ 2,912,271	$ 2,820,641	$ 2,926,944	$ 2,203,519

*SOURCE - PRIOR YEAR AUDIT REPORTS

STONE COUNTY SCHOOL DISTRICT

Other Information

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

	2014	2013*	2012*	2011*
Revenues:				
Local sources	$ 6,107,101	$ 5,681,451	$ 6,174,738	$ 5,661,103
State sources	12,343,064	12,476,523	12,746,934	12,374,863
Federal sources	2,979,900	2,871,867	3,646,406	4,365,219
Sixteenth section sources	165,757	332,183	268,885	304,828
Total Revenues	21,595,822	21,362,024	22,836,963	22,706,013
Expenditures:				
Instruction	12,179,942	12,269,581	12,866,503	13,638,303
Support services	8,104,521	7,606,784	7,448,236	7,727,962
Noninstructional services	1,511,645	1,486,489	1,452,538	1,465,294
Sixteenth section	25,293	39,829	45,934	32,822
Debt service:				
Principal	534,178	354,000	315,000	609,824
Interest	20,108	11,140	58,267	71,820
Other	-	18,182	2,000	1,700
Total Expenditures	22,375,687	21,786,005	22,188,478	23,547,725
Excess (Deficiency) of Revenues over (under) Expenditures	(779,865)	(423,981)	648,485	(841,712)
Other Financing Sources (Uses):				
Bonds and notes issued	572,000	570,000	-	-
Proceeds of refunding loans	-	1,247,000	-	-
Payment to refunded bond escrow agent	-	(1,228,818)	-	-
Payments held by QZAB debt escrow agent	-	-	-	16,750
Operating transfers in	1,258,512	454,807	378,106	3,640,643
Operating transfers out	(1,258,512)	(454,807)	(378,106)	(3,640,643)
Total Other Financing Sources (Uses)	572,000	588,182	-	16,750
Net Change in Fund Balances	(207,865)	164,201	648,485	(824,962)
Fund Balances:				
Beginning of period, as previously reported	5,215,582	5,058,474	4,282,529	5,102,196
Prior period adjustments	154,655	-	121,471	-
Beginning of period, as restated	5,370,237	5,058,474	4,404,000	5,102,196
Increase (Decrease) in reserve for inventory	(1,482)	(7,093)	5,989	5,295
End of Period	$ 5,160,890	$ 5,215,582	$ 5,058,474	$ 4,282,529

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

CUNNINGHAM CPAs, PLLC

Certified Public Accountants & Consultants

202 Church Street
Belzoni, Mississippi 39038
Office: (662) 247-2416
Fax: (662) 247-2420

10 South Bancroft Street
Fairhope, Alabama 36532
Office: (251) 929-7778
Fax: (251) 929-7779

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
Stone County School District
Wiggins, Mississippi

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 Stone County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Stone County School District's basic financial statements, and have issued our report thereon dated January 22, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Cunningham CPAs

Cunningham CPAs, PLLC

Belzoni, Mississippi

January 22, 2015

CUNNINGHAM CPAs, PLLC
Certified Public Accountants & Consultants

202 Church Street
Belzoni, Mississippi 39038
Office: (662) 247-2416
Fax: (662) 247-2420

10 South Bancroft Street
Fairhope, Alabama 36532
Office: (251) 929-7778
Fax: (251) 929-7779

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

Superintendent and School Board
Stone County School District
Wiggins, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Stone 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 Stone County School District's major federal programs for the year ended June 30, 2014. Stone 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 Stone 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 Stone County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Stone 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 Stone County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Stone 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 Stone County School District's internal control over compliance.

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

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

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

Cunningham CPAs

Cunningham CPAs, PLLC

Belzoni, Mississippi

January 22, 2015

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

CUNNINGHAM CPAs, PLLC

Certified Public Accountants & Consultants

202 Church Street
Belzoni, Mississippi 39038
Office: (662) 247-2416
Fax: (662) 247-2420

10 South Bancroft Street
Fairhope, Alabama 36532
Office: (251) 929-7778
Fax: (251) 929-7779

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

Superintendent and School Board
Stone County School District
Wiggins, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stone County School District as of and for the year ended June 30, 2014, which collectively comprise Stone County School District's basic financial statements and have issued our report thereon dated January 22, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements 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.

Cunningham CPAs

Cunningham CPAs, PLLC

Belzoni, Mississippi

January 22, 2015

STONE COUNTY SCHOOL DISTRICT

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

Section I: Summary of Auditor's Results

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4.	Internal control over major programs:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified?	None reported
5.	Type of auditor's report issued on compliance for major programs:	Unmodified
6.	Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No
7.	Identification of major programs:	
	A. Child Nutrition Cluster:	
	School Breakfast Program for Children CFDA #	10.553
	National School Lunch Program CFDA #	10.555
	B. Twenty First Century	
	CFDA #	84.287
8.	Dollar threshold used to distinguish between type A and type B programs:	$ 300,000
9.	Auditee qualified as a low-risk auditee?	Yes

STONE COUNTY SCHOOL DISTRICT

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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