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**TISHOMINGO COUNTY SPECIAL
MUNICIPAL SEPARATE SCHOOL DISTRICT**

**AUDITED
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2014

**The Sparks CPA Firm, P.C.
Certified Public Accountants**

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
IUKA, MISSISSIPPI
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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Tishomingo County Special Municipal Separate School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tishomingo County Special Municipal Separate School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Tishomingo County Special Municipal Separate 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.

Auditors' 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 auditors' 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 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 Tishomingo County Special Municipal Separate 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 4-12 and 38-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2015, on our consideration of the Tishomingo County Special Municipal Separate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tishomingo County Special Municipal Separate School District's internal control over financial reporting and compliance.

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, AL
March 27, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

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

FINANCIAL HIGHLIGHTS

- Total net position for 2014 decreased \$2,310,658, including a prior period adjustment of \$(540), which represents a 7.70% decrease from fiscal year 2013. Total net position for 2013 decreased \$2,588,308, including a prior period adjustment of \$2,752, which represents a 7.94% decrease from fiscal year 2012.
- General revenues amounted to \$22,550,206 and \$21,998,102, or 83.69% and 83.28% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,393,393, or 16.31% of total revenues for 2014, and \$4,417,733, or 16.72% of total revenues for 2013.
- The District had \$29,253,717 and \$29,006,895 in expenses for fiscal years 2014 and 2013; only \$4,393,393 for 2014 and \$4,417,733 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$22,550,206 for 2014 and \$21,998,102 for 2013 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$21,309,358 in revenues and \$23,211,872 in expenditures for 2014, and \$20,747,608 in revenues and \$23,762,870 in expenditures in 2013. The General Fund's fund balance decreased by \$2,054,554, from 2013 to 2014, and decreased by \$2,228,452, from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$938,583, including a prior period adjustment of \$540, for 2014 and decreased by \$169,328, including a prior period adjustment of \$2,752, for 2013. The decrease for 2014 was due to the net effect of the addition of assets coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$444,047 for 2014 and decreased \$261,700 for 2013. This decrease for 2014 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$2,773 for 2014 and increased by \$5,720 for 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

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

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

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$27,694,796 as of June 30, 2014.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended 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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Current assets	\$ 7,209,958	\$ 10,682,109	(32.50) %
Restricted assets	1,044,955	830,993	25.75 %
Capital assets, net	24,957,027	25,895,610	(3.62) %
Total assets	<u>33,211,940</u>	<u>37,408,712</u>	(11.22) %
Current liabilities	123,633	1,565,700	(92.10) %
Long-term debt outstanding	5,393,511	5,837,558	(7.61) %
Total liabilities	<u>5,517,144</u>	<u>7,403,258</u>	(25.48) %
Net position:			
Net investment in capital assets	20,223,592	20,878,655	(3.14) %
Restricted	2,058,538	1,914,622	7.52 %
Unrestricted	5,412,666	7,212,177	(24.95) %
Total net position	<u>\$ 27,694,796</u>	<u>\$ 30,005,454</u>	(7.70) %

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- The decrease in net capital assets in the amount of \$938,583.
- The principal retirement of \$446,820 of long-term debt.
- The increase of \$2,773 in compensated absences

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$26,943,599 and \$26,415,835, respectively. The total cost of all programs and services was \$29,253,717 for 2014 and \$29,006,895 for 2013.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

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

Table 2
Changes in Net
Position

	Year Ended June 30, 2014	Year Ended June 30, 2013	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,079,675	\$ 1,113,267	(3.02) %
Operating grants and contributions	3,313,718	3,304,466	0.28 %
General revenues:			
Property taxes	5,769,685	5,599,963	3.03 %
Grants and contributions not restricted	16,516,436	16,084,198	2.69 %
Unrestricted investment earnings	8,947	21,129	(57.66) %
Other	234,055	292,812	(20.07) %
Gain on sale of assets	21,083		N/A
Total revenues	<u>26,943,599</u>	<u>26,415,835</u>	2.00 %
Expenses:			
Instruction	17,441,012	17,004,615	2.57 %
Support services	9,698,859	9,867,677	(1.71) %
Non-instructional	2,006,396	2,021,982	(0.77) %
Interest on long-term liabilities	107,450	112,621	(4.59) %
Total expenses	<u>29,253,717</u>	<u>29,006,895</u>	0.85 %
Increase (Decrease) in net position	<u>(2,310,118)</u>	<u>(2,591,060)</u>	10.84 %
Net Position, July 1, as previously reported	30,005,454	32,593,762	(7.94) %
Prior Period Adjustment	(540)	2,752	(119.62) %
Net Position, July 1, as restated	<u>30,004,914</u>	<u>32,596,514</u>	(7.95) %
Net Position, June 30	<u>\$ 27,694,796</u>	<u>\$ 30,005,454</u>	(7.70) %

Governmental activities

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Table 3
Net Cost of Governmental
Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ 17,441,012	\$ 17,004,615	2.57 %
Support services	9,698,859	9,867,677	(1.71) %
Non-instructional	2,006,396	2,021,982	(0.77) %
Interest on long-term liabilities	107,450	112,621	(4.59) %
Total expenses	\$ 29,253,717	\$ 29,006,895	0.85 %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ (15,165,718)	\$ (14,655,884)	3.48 %
Support services	(9,698,859)	(9,861,525)	(1.65) %
Non-instructional	111,703	40,868	173.33 %
Interest on long-term liabilities	(107,450)	(112,621)	(4.59) %
Total net (expense) revenue	\$ (24,860,324)	\$ (24,589,162)	1.10 %

- Net cost of governmental activities (\$24,860,324 for 2014 and \$24,589,162 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$5,769,685 for 2014 and \$5,599,963 for 2013) and state and federal revenues (\$16,516,436 for 2014 and \$16,084,198 for 2013)
- Investment earnings amounted to \$8,947 for 2014 and \$21,129 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 \$8,156,811, a decrease of \$1,816,628 which includes a decrease in inventory of \$9,754. \$3,813,381 or 46.75% 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 \$4,343,430 or 53.25% 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.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$2,054,554. The fund balance of Other Governmental Funds showed an increase in the amount of \$157,800. The increase/decrease in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Food Service Fund \$	90,415
Title I Fund	no increase or decrease
EHA Part B Fund \$	(535)

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were \$40,974,570, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment and any intangible assets. This amount represents an increase of \$132,850 from 2013. Total accumulated depreciation as of June 30, 2014, was \$16,017,543, which includes a prior period adjustment of \$(540), and total depreciation expense for the year was \$1,123,202, resulting in total net capital assets of \$24,957,027.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2014	June 30, 2013	Percentage Change
	\$	\$	
Land	583,235	550,735	5.90 %
Construction in progress	56,952		N/A %
Buildings	18,419,693	18,957,382	(2.84) %
Building improvements	4,127,079	4,364,066	(5.43) %
Improvements other than buildings	527,950	550,142	(4.03) %
Mobile equipment	890,927	1,004,728	(11.33) %
Furniture and equipment	351,191	468,557	(25.05) %
Total	\$ 24,957,027	\$ 25,895,610	(3.62) %

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

Debt Administration. At June 30, 2014, the District had \$5,393,511 in outstanding long-term debt, of which \$469,893 is due within one year. The liability for compensated absences increased \$2,773 from the prior year. The District made principal payments on long-term debt in the amount of \$446,820.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2014

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Three mill note payable	1,385,000	1,485,000	(6.73) %
Obligations under capital leases	629,313	858,884	(26.73) %
Obligations under energy efficiency lease	143,599	260,848	(44.95) %
Qualified school construction bonds	3,000,000	3,000,000	0.00 %
Compensated absences payable	235,599	232,826	1.19 %
Total	\$ <u>5,393,511</u>	\$ <u>5,837,558</u>	(7.61) %

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

CURRENT ISSUES

The Tishomingo County Special Municipal Separate School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

Enrollment for the 2013-2014 school year decreased by .35% to 3,169 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Tishomingo County Special Municipal Separate School District, 1620 Paul Edmondson Drive, Iuka, MS 38852.

FINANCIAL STATEMENTS

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Statement of Net Position
June 30, 2014

		Governmental Activities
Assets		
Cash and cash equivalents	\$	6,538,749
Investments		65,065
Due from other governments		571,943
Inventories		34,201
Restricted assets		1,044,955
Capital assets, non-depreciable:		
Land		583,235
Construction in progress		56,952
Capital assets, net of accumulated depreciation:		
Buildings		18,419,693
Building improvements		4,127,079
Improvements other than buildings		527,950
Mobile equipment		890,927
Furniture and equipment		351,191
Total Assets		33,211,940
Liabilities		
Accounts payable and accrued liabilities		81,736
Unearned revenue		16,366
Interest payable on long-term liabilities		25,531
Long-term liabilities, due within one year:		
Capital related liabilities		304,596
Non-capital related liabilities		165,297
Long-term liabilities, due beyond one year:		
Capital related liabilities		4,428,839
Non-capital related liabilities		494,779
Total Liabilities		5,517,144
Net Position		
Net investment in capital assets		20,223,592
Restricted for:		
Expendable:		
School-based activities		949,018
Debt service		1,043,430
Unemployment benefits		66,090
Unrestricted		5,412,666
Total Net Position	\$	27,694,796

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 17,441,012	626,559	1,648,735		(15,165,718)
Support services	9,698,859				(9,698,859)
Non-instructional	2,006,396	453,116	1,664,983		111,703
Interest on long-term liabilities	107,450				(107,450)
Total Governmental Activities	\$ 29,253,717	1,079,675	3,313,718		(24,860,324)
General Revenues:					
Taxes:					
General purpose levies					
Debt purpose levies					
Unrestricted grants and contributions:					
State					
Federal					
Unrestricted investment earnings					
Other					
Gain on sale of assets					
Total General Revenues					
Change in Net Position					(2,310,118)
Net Position - Beginning, as previously reported					30,005,454
Prior Period Adjustment					(540)
Net Position - Beginning, as restated					30,004,914
Net Position - Ending					\$ 27,694,796

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2014

	Major Fund					Total Governmental Funds
	General Fund	Food Service Fund	Title I Fund	EHA Part B Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 5,611,595	825,896			546,213	6,983,704
Cash with fiscal agent					600,000	600,000
Investments					65,065	65,065
Due from other governments	318,144		140,339	44,004	69,456	571,943
Due from other funds	207,110	18,847				225,957
Inventories		34,201				34,201
Total Assets	\$ 6,136,849	878,944	140,339	44,004	1,280,734	8,480,870
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 64,107	27	2,862		14,740	81,736
Due to other funds			137,477	44,004	44,476	225,957
Unearned revenue					16,366	16,366
Total Liabilities	64,107	27	140,339	44,004	75,582	324,059
Fund Balances:						
Nonspendable:						
Inventory		34,201				34,201
Restricted:						
Debt service					1,068,961	1,068,961
Unemployment benefits					66,090	66,090
Other purposes		844,716			70,101	914,817
Assigned:						
District maintenance	2,060,319					2,060,319
Student activities	199,042					199,042
Unassigned	3,813,381					3,813,381
Total Fund Balances	6,072,742	878,917			1,205,152	8,156,811
Total Liabilities and Fund Balances	\$ 6,136,849	878,944	140,339	44,004	1,280,734	8,480,870

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014

		Amount
Total fund balances - for governmental funds	\$	8,156,811
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	\$	583,235
Construction in progress		56,952
Buildings		29,363,436
Building improvements		5,924,680
Improvements other than buildings		1,189,146
Mobile equipment		2,418,901
Furniture and equipment		1,438,220
Accumulated depreciation		<u>(16,017,543)</u>
		24,957,027
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:		
Notes payable		(1,385,000)
Capital lease obligations		(772,912)
Qualified school construction bond		(3,000,000)
Compensated absences		(235,599)
Accrued interest payable		<u>(25,531)</u>
		<u>(5,419,042)</u>
Net position of governmental activities	\$	<u>27,694,796</u>

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	Major Funds					Total Governmental Funds
	General Fund	Food Service Fund	Title I Fund	EHA Part B Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 6,206,057	466,537			407,194	7,079,788
State sources	14,044,141	18,008			1,646,399	15,708,548
Federal sources	1,059,160	1,428,599	634,402	676,018	323,426	4,121,605
Total Revenues	21,309,358	1,913,144	634,402	676,018	2,377,019	26,909,941
Expenditures:						
Instruction	14,426,798		286,490	430,984	1,682,042	16,826,314
Support services	8,210,196	45,334	247,251	244,734	539,382	9,286,897
Noninstructional services	176,633	1,774,029	13,344	835	28,544	1,993,385
Facilities acquisition and construction	32,800				56,652	89,452
Debt service:						
Principal	346,820				100,000	446,820
Interest	18,625				89,331	107,956
Total Expenditures	23,211,872	1,819,363	547,085	676,553	2,495,951	28,750,824
Excess (Deficiency) of Revenues over Expenditures	(1,902,514)	93,781	87,317	(535)	(118,932)	(1,840,883)
Other Financing Sources (Uses):						
Insurance loss recoveries	3,573					3,573
Sale of other property	30,297	139				30,436
Operating transfers in					483,324	483,324
Operating transfers out	(185,910)	(3,505)	(87,317)		(206,592)	(483,324)
Total Other Financing Sources (Uses)	(152,040)	(3,366)	(87,317)		276,732	34,009
Net Change in Fund Balances	(2,054,554)	90,415		(535)	157,800	(1,806,874)
Fund Balances:						
July 1, 2013	8,127,296	798,256		535	1,047,352	9,973,439
Increase (Decrease) in reserve for inventory June 30, 2014	6,072,742	(9,754)			1,205,152	(9,754)
	<u>\$ 6,072,742</u>	<u>878,917</u>			<u>1,205,152</u>	<u>8,156,811</u>

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
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

		Amount
Net change in fund balances - total governmental funds	\$	(1,806,874)
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlays 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	\$	185,511
Depreciation expense		(1,123,202)
		(937,691)
2. Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Donated Assets		9,000
3. 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.		
		(9,352)
4. This 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.		
Payments of debt principal	\$	446,820
Accrued interest payable		506
		447,326
5. Some items reported in the statement of activities do not 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		(2,773)
Change in inventory reserve		(9,754)
Change in net position of governmental activities	\$	(2,310,118)

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2014

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>1,275,271</u>
Total Assets	<u><u>1,275,271</u></u>
Liabilities	
Accounts payable and accrued liabilities	1,166,493
Due to student clubs	<u>108,778</u>
Total Liabilities	\$ <u><u>1,275,271</u></u>

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

For financial reporting purposes, Tishomingo County Special Municipal Separate 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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

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 is 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.

Food Service Fund – The food service fund accounts for the food service operation of the schools for the regular school year.

Title I Fund – Accounts for the funds associated with Title I federal grant funds.

EHA Part B Fund – Accounts for the funds associated with EHA Part B federal grants funds.

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

The District's fiduciary funds include the following:

Payroll Clearing – This fund is used as a clearing account for payroll services.

A/P Clearing – This fund is used as a clearing account for accounts payable services.

Student Club Funds – These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

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 Project 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.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

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.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and Payables

Activity 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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

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.

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.

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.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

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

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

8. Long-term Liabilities and Bond Discounts/Premiums

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

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

9. Fund Balances

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

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

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

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

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

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

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

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

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

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

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

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 the financial institutions reported in the governmental funds and fiduciary funds was \$7,648,769 (which includes \$65,065 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$1,275,271, respectively.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2014, none of the district's bank balance of \$8,924,040 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$600,000.

Investments

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Certificate of Deposit	Not rated	1 year	\$ 65,065
Total			\$ <u>65,065</u>

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

Credit Risk. State law limits 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.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

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

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2014, the district had no investments requiring such disclosure.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 137,477
General Fund	EHA Part B Fund	44,004
General Fund	Other governmental funds	25,629
Food Service Fund	Other governmental funds	18,847
Total		\$ 225,957

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 185,910
Food Service Fund	Other governmental funds	3,505
Title I Fund	Other governmental funds	87,317
Other governmental funds	Other governmental funds	206,592
Total		\$ 483,324

The primary purpose of inter-fund transfers was to provide funds for daily operations. All transfers were routine and consistent with the activities of the fund making the transfer.

Note 4 – Restricted Assets

The restricted assets represent the cash balances, totaling \$1,044,955 of debt service funds whose balances are legally restricted and may not be used except for their restricted purposes. Included in the restricted assets balance is the cash with fiscal agent balance of \$600,000 of the QSCB Bond Retirement Fund.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 5 - Capital Assets

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

	<u>Balance 7/1/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Balance 6/30/2014</u>
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 550,735	\$ 32,500	\$	\$	\$ 583,235
Construction in progress		56,952			56,952
Total non-depreciable capital assets	<u>550,735</u>	<u>89,452</u>			<u>640,187</u>
<u>Depreciable capital assets:</u>					
Buildings	29,363,436				29,363,436
Building improvements	5,924,680				5,924,680
Improvements other than buildings	1,189,146				1,189,146
Mobile equipment	2,455,972	19,000	56,071		2,418,901
Furniture and equipment	1,357,751	86,059	5,590		1,438,220
Total depreciable capital assets	<u>40,290,985</u>	<u>105,059</u>	<u>61,661</u>		<u>40,334,383</u>
<u>Less accumulated depreciation for:</u>					
Buildings	10,406,054	537,689			10,943,743
Building improvements	1,560,614	236,987			1,797,601
Improvements other than buildings	639,004	22,192			661,196
Mobile equipment	1,451,244	126,654	50,464	540	1,527,974
Furniture and equipment	889,194	199,680	1,845		1,087,029
Total accumulated depreciation	<u>14,946,110</u>	<u>1,123,202</u>	<u>52,309</u>	<u>540</u>	<u>16,017,543</u>
Total depreciable capital assets, net	<u>25,344,875</u>	<u>(1,018,143)</u>	<u>9,352</u>	<u>(540)</u>	<u>24,316,840</u>
Governmental activities capital assets, net	<u>\$ 25,895,610</u>	<u>\$ (928,691)</u>	<u>\$ 9,352</u>	<u>\$ (540)</u>	<u>\$ 24,957,027</u>

The adjustment to capital assets is to correct beginning accumulated depreciation.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental Activities:	
Instruction	\$ 617,514
Support services	421,963
Non-instructional	83,725
Total Depreciation Expense	<u>\$ 1,123,202</u>

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

Construction in progress in composed of:

	Spent to June 30, 2014	Remaining Commitment
Governmental Activities:		
Belmont Classroom Addition	\$ 56,952	\$ 13,096
Total construction in progress	\$ 56,952	\$ 13,096

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. Three mill notes payable	\$ 1,485,000		\$ 100,000	\$ 1,385,000	\$ 105,000
B. Obligations under capital lease	858,884		229,571	629,313	232,561
C. Obligations under energy efficiency lease	260,848		117,249	143,599	132,332
D. Qualified school construction bond series 2009-B	3,000,000			3,000,000	
E. Compensated absences payable	232,826	2,773		235,599	
Total	\$ 5,837,558	\$ 2,773	\$ 446,820	\$ 5,393,511	\$ 469,893

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note payable, series 2009	4.03%	11/15/2009	9/01/2024	1,600,000	1,385,000
Total				\$ 1,600,000	\$ 1,385,000

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

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

Three mill notes payable issue of 11/15/2009.

Year Ending June 30	Principal	Interest	Total
2015	\$ 105,000	\$ 53,700	\$ 158,700
2016	110,000	49,368	159,368
2017	115,000	44,834	159,834
2018	115,000	40,199	155,199
2019	120,000	35,464	155,464
2020-2024	700,000	96,720	796,720
2025	120,000	2,418	122,418
Total	<u>\$ 1,385,000</u>	<u>\$ 322,703</u>	<u>\$ 1,707,703</u>

This debt will be retired from the 3 Mill 09 Fund.

B. Obligations under capital lease

The school district has entered into a lease agreement as lessee for financing the acquisition of various technology upgrades at a cost of \$794,059 with a down payment of \$0. This lease qualifies as a capital lease for accounting purposes.

The school district has entered into a lease agreement as lessee for financing the acquisition of 300 computers at a cost of \$380,688 with a down payment of \$0. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Cisco Lease	5.89%	1/21/2013	1/21/2017	\$ 794,059	\$ 476,365
2. Apple, Inc. Lease	0.90%	4/2/2012	4/2/2016	380,688	152,948
Total				<u>\$ 1,174,747</u>	<u>\$ 629,313</u>

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

1. Cisco Lease dated 1/21/2013

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2015	\$ 156,430	7,145	163,575
2016	158,777	4,799	163,576
2017	161,158	2,418	163,576
Total	<u>\$ 476,365</u>	<u>\$ 14,362</u>	<u>\$ 490,727</u>

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

This debt will be retired from the Local Technology Fund.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

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

2. Apple, Inc. Lease dated 1/21/2013

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2015	\$ 76,131	1,376	77,507
2016	76,817	691	77,508
Total	<u>\$ 152,948</u>	<u>\$ 2,067</u>	<u>\$ 155,015</u>

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

This debt will be retired from the Local Technology Fund.

The following is a schedule of total obligation under capital leases for all issues:

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2015	\$ 232,561	8,521	241,082
2016	235,594	5,490	241,084
2017	161,158	2,418	163,576
Total	<u>\$ 629,313</u>	<u>\$ 16,429</u>	<u>\$ 645,742</u>

C. Obligations under energy efficiency lease

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Obligations under energy efficiency lease	4.00%	7/3/2003	7/03/2015	\$ 1,248,925	\$ 143,599
Total				<u>\$ 1,248,925</u>	<u>\$ 143,599</u>

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2015	\$ 132,332	3,335	135,667
2016	11,267	38	11,305
Total	<u>\$ 143,599</u>	<u>\$ 3,373</u>	<u>\$ 146,972</u>

This debt will be retired from the District Maintenance Fund.
An energy efficiency lease agreement dated July 3, 2003, was executed by and between the district, the lessee, and LaSalle Bank National Association, the lessor.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

The agreement authorized the borrowing of \$1,248,925 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed ten (10) years.

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

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

D. Qualified school construction bonds payable

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Qualified school construction bond series 2009-B	1.05%	12/04/09	9/15/24	\$ 3,000,000	\$ 3,000,000
Total				<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

E. Compensated absences payable.

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

Note 7 - Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$2,587,174, \$ 2,245,734, and \$1,914,740, respectively, which equaled the required contributions for each year.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 8 – Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

Exhibit B – Statement of Activities

Explanation	Amount
1. To correct accumulated depreciation	\$ 540
Total	\$ 540

Note 9 - 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 10 - Risk Management

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

Participation in Public Entity Risk Pool

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

Note 11 - Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCB's) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount of deposit at June 30, 2014 was \$600,000. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2015	\$	205,000
2016		208,000
2017		209,000
2018		212,000
2019		215,000
2020-2024		1,110,000
2025		241,000
Total	\$	<u>2,400,000</u>

Note 12 – 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 Tishomingo County Special Municipal Separate School District evaluated the activity of the district through March 27, 2015 (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

- Approved low bid for HiTech Athletic Surface in the amount of \$25,000 for resurfacing tennis courts at Tishomingo County High School.
- Approved purchase of land in Belmont for \$17,000.
- Approved four year Apple lease in the amount of \$41,878 for two MacBook Carts containing 20 MacBooks each.
- Emergency purchase in the amount of \$135,145 for the repair and replace of Tishomingo County High Schools gym floor due to water leak.
- Approved low bid from Hotel & Restaurant Supply, in the amount of \$71,650 for purchase of dishwashers for various schools.

REQUIRED SUPPLEMENTARY INFORMATION

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Budgetary Comparison Schedule General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 6,063,324	6,093,743	6,206,057	30,419	112,314
State sources	13,821,144	14,030,483	14,044,141	209,339	13,658
Federal sources	1,135,000	1,072,818	1,059,160	(62,182)	(13,658)
Total revenues	<u>21,019,468</u>	<u>21,197,044</u>	<u>21,309,358</u>	<u>177,576</u>	<u>112,314</u>
Expenditures					
Instruction	14,356,428	14,500,193	14,426,798	(143,765)	73,395
Support services	7,825,596	8,277,471	8,210,196	(451,875)	67,275
Noninstructional services	173,858	172,214	176,633	1,644	(4,419)
Facilities acquisition and construction		32,500	32,800	(32,500)	-300
Debt Service:	353,355			353,355	
Principal	23,729	355,705	346,820	(331,976)	8,885
Interest		9,739	18,625	(9,739)	(8,886)
Total expenditures	<u>22,732,966</u>	<u>23,347,822</u>	<u>23,211,872</u>	<u>(614,856)</u>	<u>135,950</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,713,498)</u>	<u>(2,150,778)</u>	<u>(1,902,514)</u>	<u>(437,280)</u>	<u>248,264</u>
Other Financing Sources (Uses)					
Sale of other property	100			(100)	
Sale of transportation equipment		30,297	30,297	30,297	
Insurance recoveries	1,000	3,573	3,573	2,573	
Other sources	100			(100)	
Operating transfers in	2,925,420	6,823,850		3,898,430	(6,823,850)
Operating transfers out	(2,776,869)	(7,607,303)	(185,910)	(4,830,434)	7,421,393
Total other financing sources (uses)	<u>149,751</u>	<u>(749,583)</u>	<u>(152,040)</u>	<u>(899,334)</u>	<u>597,543</u>
Net change in fund balances	<u>(1,563,747)</u>	<u>(2,900,361)</u>	<u>(2,054,554)</u>	<u>(1,336,614)</u>	<u>845,807</u>
Fund balances:					
July 1, 2013	<u>7,919,703</u>	<u>8,128,178</u>	<u>8,127,296</u>	<u>208,475</u>	<u>(882)</u>
June 30, 2014	<u>\$ 6,355,956</u>	<u>5,227,817</u>	<u>6,072,742</u>	<u>(1,128,139)</u>	<u>844,925</u>

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Budgetary Comparison Schedule Food Service Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 473,000	473,000	466,537		(6,463)
State sources	30,000	30,000	18,008		(11,992)
Federal sources	1,101,000	1,101,000	1,428,599		327,599
Total revenues	<u>1,604,000</u>	<u>1,604,000</u>	<u>1,913,144</u>		<u>309,144</u>
Expenditures					
Support services	53,400	78,650	45,334	(25,250)	33,316
Noninstructional services	1,672,496	1,960,419	1,774,029	(287,923)	186,390
Total expenditures	<u>1,725,896</u>	<u>2,039,069</u>	<u>1,819,363</u>	<u>(313,173)</u>	<u>219,706</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(121,896)</u>	<u>(435,069)</u>	<u>93,781</u>	<u>(313,173)</u>	<u>528,850</u>
Other Financing Sources (Uses)					
Sale of other property			139		139
Operating transfers out			(3,505)		(3,505)
Total other financing sources (uses)			<u>(3,366)</u>		<u>(3,366)</u>
Net change in fund balances	<u>(121,896)</u>	<u>(435,069)</u>	<u>90,415</u>	<u>(313,173)</u>	<u>525,484</u>
Fund balances:					
July 1, 2013	<u>400,000</u>	<u>798,256</u>	<u>798,256</u>	<u>398,256</u>	
Increase (Decrease) in reserve for inventory June 30, 2014	<u>\$ 278,104</u>	<u>363,187</u>	<u>878,917</u>	<u>85,083</u>	<u>(9,754)</u> <u>515,730</u>

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Budgetary Comparison Schedule Title I Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 703,055	741,019	634,402	37,964	(106,617)
Total revenues	<u>703,055</u>	<u>741,019</u>	<u>634,402</u>	<u>37,964</u>	<u>(106,617)</u>
Expenditures					
Instruction	264,833	362,301	286,490	(97,468)	75,811
Support services	317,268	290,486	247,251	26,782	43,235
Noninstructional services	32,394	32,712	13,344	(318)	19,368
Total expenditures	<u>614,495</u>	<u>685,499</u>	<u>547,085</u>	<u>(71,004)</u>	<u>138,414</u>
Excess (deficiency) of revenues over (under) expenditures	<u>88,560</u>	<u>55,520</u>	<u>87,317</u>	<u>(33,040)</u>	<u>31,797</u>
Other Financing Sources (Uses)					
Operating transfers out	(88,560)	(97,719)	(87,317)	(9,159)	10,402
Total other financing sources (uses)	<u>(88,560)</u>	<u>(97,719)</u>	<u>(87,317)</u>	<u>(9,159)</u>	<u>10,402</u>
Net change in fund balances		<u>(42,199)</u>		<u>(42,199)</u>	<u>42,199</u>
Fund balances:					
July 1, 2013					
June 30, 2014	\$	<u>(42,199)</u>		<u>(42,199)</u>	<u>42,199</u>

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Budgetary Comparison Schedule EHA Part B Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$				
State sources					
Federal sources	808,715	656,042	676,018	(152,673)	19,976
Total revenues	<u>808,715</u>	<u>656,042</u>	<u>676,018</u>	<u>(152,673)</u>	<u>19,976</u>
Expenditures					
Instruction	493,745	417,319	430,984	76,426	(13,665)
Support services	312,970	237,723	244,734	75,247	(7,011)
Noninstructional services	2,000	1,000	835	1,000	165
Total expenditures	<u>808,715</u>	<u>656,042</u>	<u>676,553</u>	<u>152,673</u>	<u>(20,511)</u>
Excess (deficiency) of revenues over (under) expenditures			<u>(535)</u>		<u>(535)</u>
Net change in fund balances			<u>(535)</u>		<u>(535)</u>
Fund balances:					
July 1, 2013		<u>535</u>	<u>535</u>	<u>535</u>	
June 30, 2014	\$	<u>535</u>	<u>535</u>	<u>535</u>	<u>(535)</u>

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2014

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTARY INFORMATION

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School Breakfast Program	10.553	\$ 339,808
National School Lunch Program	10.555	1,032,090
Summer Food Service	10.559	27,953
Total Child Nutrition Cluster		<u>1,399,851</u>
Total passed through the Mississippi Department of Education		<u>1,399,851</u>
Total U.S. Department of Agriculture		<u><u>1,399,851</u></u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	169,407
Total Federal Communications Commission		<u>169,407</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	634,402
Career and technical education-basic grants to states	84.048	33,927
Rural education	84.358	61,951
English language acquisition grants	84.365	11,226
Improving teacher quality state grants	84.367	160,033
Subtotal		<u>901,539</u>
Special education cluster:		
Special education-grants to states	84.027	721,739
Special education-preschool grants	84.173	25,124
Total special education cluster		<u>746,863</u>
Total passed through the Mississippi Department of Education		<u>1,648,402</u>
Total U.S. Department of Education		<u><u>1,648,402</u></u>
Total Federal Awards		<u><u>\$ 3,217,660</u></u>

NOTES TO SCHEDULE

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

The accompanying notes to the Schedule of Expenditures of Federal Awards is an integral part of this schedule.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
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	\$ 22,316,608	17,225,011	792,692	1,727,080	2,571,825
Other	6,434,216	1,817,059	252,421	29,812	4,334,924
Total	\$ 28,750,824	19,042,070	1,045,113	1,756,892	6,906,749
 Total number of students *	 3,169				
 Cost per student \$	 9,073	 6,009	 330	 554	 2,179

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 Administrative Categories.

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

OTHER INFORMATION

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund Last Four Years

UNAUDITED

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 6,206,057	\$ 6,057,459	\$ 5,930,329	\$ 5,635,105
State sources	14,044,141	13,525,784	13,884,523	13,807,451
Federal sources	1,059,160	1,164,365	1,135,580	1,354,500
Total Revenues	21,309,358	20,747,608	20,950,432	20,797,056
Expenditures:				
Instruction	14,426,798	14,219,305	13,655,931	11,533,355
Support services	8,210,196	8,765,550	7,001,757	6,854,184
Noninstructional services	176,633	187,251	110,063	102,928
Facilities acquisition and construction	32,800	225,319		
Debt service:				
Principal	346,820	350,840	205,254	113,171
Interest	18,625	14,605	19,226	22,495
Total Expenditures	23,211,872	23,762,870	20,992,231	18,626,133
Excess (Deficiency) of Revenues over (under) Expenditures	(1,902,514)	(3,015,262)	(41,799)	2,170,923
Other Financing Sources (Uses):				
Proceeds of loans		794,059	380,688	681
Insurance loss recoveries	3,573		4,116	
Sale of other property	30,297			
Operating transfers out	(185,910)	(7,249)		(910,660)
Total Other Financing Sources (Uses)	(152,040)	786,810	384,804	(909,979)
Net Change in Fund Balances	(2,054,554)	(2,228,452)	343,005	1,260,944
Fund Balances:				
Beginning of period	8,127,296	10,355,748	10,012,743	8,751,799
End of Period	\$ 6,072,742	8,127,296	10,355,748	10,012,743

*SOURCE - PRIOR YEAR AUDIT REPORTS

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds Last Four Years

UNAUDITED

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 7,079,788	\$ 7,026,383	\$ 6,948,484	\$ 6,673,549
State sources	15,708,548	15,118,027	15,475,394	14,535,139
Federal sources	4,121,605	4,270,637	4,769,572	6,557,588
Total Revenues	26,909,941	26,415,047	27,193,450	27,766,276
Expenditures:				
Instruction	16,826,314	16,430,987	16,269,823	15,528,152
Support services	9,286,897	10,049,578	8,414,810	8,078,895
Noninstructional services	1,993,385	1,969,396	2,234,932	2,235,469
Facilities acquisition and construction	89,452	266,443	17,213	1,619,865
Debt service:				
Principal	446,820	538,079	325,201	632,981
Interest	107,956	110,660	128,925	157,602
Total Expenditures	28,750,824	29,365,143	27,390,904	28,252,964
Excess (Deficiency) of Revenues over (under) Expenditures	(1,840,883)	(2,950,096)	(197,454)	(486,688)
Other Financing Sources (Uses):				
Proceeds of loans		794,059	380,688	681
Insurance loss recoveries	3,573	788	4,116	
Sale of other property	30,436			
Operating transfers in	483,324	295,814	284,799	921,594
Operating transfers out	(483,324)	(295,814)	(284,799)	(921,594)
Total Other Financing Sources (Uses)	34,009	794,847	384,804	681
Net Change in Fund Balances	(1,806,874)	(2,155,249)	187,350	(486,007)
Fund Balances:				
Beginning of period	9,973,439	12,128,758	11,934,985	12,409,552
Increase (Decrease) in reserve for inventory	(9,754)	(70)	6,423	11,440
End of Period	\$ 8,156,811	\$ 9,973,439	\$ 12,128,758	\$ 11,934,985

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

**INDEPENDENT AUDITORS' 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
Tishomingo County Special Municipal Separate School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tishomingo County Special Municipal Separate School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Tishomingo County Special Municipal Separate School District's basic financial statements, and have issued our report thereon dated March 27, 2015.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

Purpose of this Report

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

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
March 27, 2015

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

Superintendent and School Board
Tishomingo County Special Municipal Separate School District

Report on Compliance for Each Major Federal Program

We have audited Tishomingo County Special Municipal Separate 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 Tishomingo County Special Municipal Separate School District's major federal programs for the year ended June 30, 2014. Tishomingo County Special Municipal Separate School District's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Tishomingo County Special Municipal Separate 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 Tishomingo County Special Municipal Separate 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 Tishomingo County Special Municipal Separate School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Tishomingo County Special Municipal Separate 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002. Our opinion on each major federal program is not modified with respect to these matters.

Tishomingo County Special Municipal Separate School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and

corrective action plan. Tishomingo County Special Municipal Separate School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Internal Control Over Compliance

Management of Tishomingo County Special Municipal Separate 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 Tishomingo County Special Municipal Separate 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 Tishomingo County Special Municipal Separate School District's internal control over compliance.

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002 to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-003 to be a significant deficiency.

Tishomingo County Special Municipal Separate School District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Tishomingo County Special Municipal Separate School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
March 27, 2015

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

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

Superintendent and School Board
Tishomingo County Special Municipal Separate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tishomingo County Special Municipal Separate School District as of and for the year ended June 30, 2014, which collectively comprise Tishomingo County Special Municipal Separate School District's basic financial statements and have issued our report thereon dated March 27, 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.

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
March 27, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section 1: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditors' report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | None reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified? | Yes |
| 5. | Type of auditors' report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |
| 7. | Identification of major programs: | |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
Child Nutrition	
Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service
Special Education	
Cluster	
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE 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

Material weakness in internal control over compliance / noncompliance

2014-001 Federal Program: Special Education Cluster, 84.027, 84.173

Compliance Requirement: Allowable costs/cost principles, Reporting

Criteria

The Special Education Director is responsible for properly maintaining the budget for the Special Education program. The budget is necessary for ensuring that program funds are spent as approved. The Special Education Director is also responsible for ensuring that approved original and amended budgets are submitted to the Mississippi Department of Education per the application guidelines.

Condition

The expenditures for the Special Education programs did not align with the last approved amended budget.

Questioned costs

The amounts of the known questioned costs are \$29,836.

Effect

Year end expenditures by budgeted line item were compared to the last budget amendment approved by the board and the Mississippi Department of Education. Five instances of actual expenditures exceeding approved budgeted expenditures were noted.

Cause

The Special Education Director did not timely review the budget to actual expenditures and adjust the budgets accordingly to reflect the needs of the program.

Recommendation

The district should implement control procedures to ensure that budget amendments are made and reported per Mississippi Department of Education guidelines and that costs do not exceed budgeted amounts.

Auditee Response

1. The Special Education Director is responsible for the planning, implementation, and oversight of the Special Education budget. This responsibility shall not be delegated to anyone else. The role of the Financial Director is to analyze the budget and offer corrections/suggestions per the Financial Director's job description in Board Policy.
2. A report prepared by the Special Education Director on the status of the Special Education budget shall be given to the Financial Director and the Superintendent on the first Friday of each month. This report should show each category of the budget (including any state/federal awards), expenditures (including outstanding), revenue, and month- and year-to-date spending versus the proposed month- and year-to-date budget.
3. The Special Education Director shall meet monthly (the first Friday of the month) with the Financial Director and Superintendent to analyze the Special Education budget, its trends, and future plans. Documentation of this meeting shall occur with the date, items discussed, and signatures of each attending party on the Special Education Budget Report.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

4. The Special Education Director is responsible for submitting amendments as needed to MDE and any other required agency. Proof of this submittal must be presented to the Financial Director and the Superintendent in writing and with proper documentation when amendments are required and made.

Material weakness in internal control over compliance / noncompliance

2014-002 Federal Program: Special Education Cluster, 84.027, 84.173

Compliance Requirement: Cash Management

Criteria

The district did not timely return unused funds to the Mississippi Department of Education.

Condition

The district received additional 84.027 discretionary Special Education funds that were not used. According to the Mississippi Department of Education these funds are only obligated for one year and should be returned by July 15th following the fiscal year end. The district did not return these funds to the Mississippi Department of Education timely.

Effect

The funds were returned to the Mississippi Department of Education five months after the required deadline.

Cause

A lack of internal control and oversight by the Special Education Director led to these funds not being returned timely.

Recommendation

The district should implement controls to ensure the proper monitoring of program funds and that funds are returned by specified deadlines.

Auditee Response

1. Any future application for grants and any grants procured through the district's Special Education department shall be communicated to the Financial Director and the Superintendent.
2. The Special Education Director is responsible for the planning, implementation, and oversight of the Special Education budget. This responsibility shall not be delegated to anyone else. The role of the Financial Director is to analyze the budget and offer corrections/suggestions per the Financial Director's job description in Board Policy.
3. A report prepared by the Special Education Director on the status of the Special Education budget shall be given to the Financial Director and the Superintendent on the first Friday of each month. This report should show each category of the budget (including any state/federal awards), expenditures (including outstanding), revenue, and month- and year-to-date spending versus the proposed month- and year-to-date budget.
4. The Special Education Director shall meet monthly (the first Friday of the month) with the Financial Director and Superintendent to analyze the Special Education budget, its trends, and future plans. Documentation of this meeting shall occur with the date, items discussed, and signatures of each attending party on the Special Education Budget Report.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Significant deficiency in internal control over compliance

2014-003 Federal Program: Special Education Cluster, 84.027, 84.173

Compliance Requirement: Allowable costs/cost principles

Criteria

Proper time and effort distribution records need to be maintained for each employee. These records should document the portion of time and effort dedicated to the federal program or cost objective and each other program or cost objective by other revenue sources.

Condition

Review of the individual time and effort documentation for individuals that work on more than one cost objective was performed. During testing it was noted that 5 out of 12 months tested for the Special Education Director did not identify a cost objective for the time recorded.

Effect

Without proper documentation of time and effort distribution, it is impossible to determine if an employee was paid more from the Special Education program than time actually worked on its cost objective.

Cause

There is a lack of internal controls to ensure that proper time and effort documentation is properly maintained.

Recommendation

The district should implement procedures to ensure that time and effort documentation properly reflects the time worked on each cost objective.

Auditee Response

1. The Special Education Director shall maintain record of time and effort with cost objectives properly identified weekly in order to correctly report on a monthly basis. This record shall be signed each week by the Financial Director on the date designated by that office.
2. The Special Education Director shall submit documentation of maintenance of proper time and effort distribution monthly to the Superintendent for signature and review. This shall be done on the last working day of each month. Copies of weekly monitoring by the Financial Director shall be provided to the Superintendent by the Special Education Director with the monthly report.

TISHOMINGO COUNTY SCHOOL DISTRICT
Auditee's Corrective Action Plan
JUNE 30, 2014

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

- 2014-001 a. Name of Contact Person Responsible for Corrective Action
- Name: Christie Holly
Title: Superintendent
Phone Number: 662-423-3206
- b. Corrective Action Planned:
1. The Special Education Director is responsible for the planning, implementation, and oversight of the Special Education budget. This responsibility shall not be delegated to anyone else. The role of the Financial Director is to analyze the budget and offer corrections/suggestions per the Financial Director's job description in Board Policy.
 2. A report prepared by the Special Education Director on the status of the Special Education budget shall be given to the Financial Director and the Superintendent on the first Friday of each month. This report should show each category of the budget (including any state/federal awards), expenditures (including outstanding), revenue, and month- and year-to-date spending versus the proposed month- and year-to-date budget.
 3. The Special Education Director shall meet monthly (the first Friday of the month) with the Financial Director and Superintendent to analyze the Special Education budget, its trends, and future plans. Documentation of this meeting shall occur with the date, items discussed, and signatures of each attending party on the Special Education Budget Report.
 4. The Special Education Director is responsible for submitting amendments as needed to MDE and any other required agency. Proof of this submittal must be presented to the Financial Director and the Superintendent in writing and with proper documentation when amendments are required and made.
- c. Anticipated Completion Date:
- March 16, 2015
- 2014-002 a. Name of Contact Person Responsible for Corrective Action
- Name: Christie Holly
Title: Superintendent
Phone Number: 662-423-3206
- b. Corrective Action Planned:
1. Any future application for grants and any grants procured through the district's Special Education department shall be communicated to the Financial Director and the Superintendent.
 2. The Special Education Director is responsible for the planning, implementation, and oversight of the Special Education budget. This responsibility shall not be delegated to anyone else. The role of the Financial Director is to analyze the budget and offer corrections/suggestions per the Financial Director's job description in Board Policy.

**TISHOMINGO COUNTY SCHOOL DISTRICT
Auditee's Corrective Action Plan
JUNE 30, 2014**

3. A report prepared by the Special Education Director on the status of the Special Education budget shall be given to the Financial Director and the Superintendent on the first Friday of each month. This report should show each category of the budget (including any state/federal awards), expenditures (including outstanding), revenue, and month- and year-to-date spending versus the proposed month- and year-to-date budget.
4. The Special Education Director shall meet monthly (the first Friday of the month) with the Financial Director and Superintendent to analyze the Special Education budget, its trends, and future plans. Documentation of this meeting shall occur with the date, items discussed, and signatures of each attending party on the Special Education Budget Report.

c. Anticipated Completion Date:

March 16, 2015

2014-003

a. Name of Contact Person Responsible for Corrective Action

Name: Christie Holly
Title: Superintendent
Phone Number: 662-423-3206

b. Corrective Action Planned:

1. The Special Education Director shall maintain record of time and effort with cost objectives properly identified weekly in order to correctly report on a monthly basis. This record shall be signed each week by the Financial Director on the date designated by that office.
2. The Special Education Director shall submit documentation of maintenance of proper time and effort distribution monthly to the Superintendent for signature and review. This shall be done of the last working day of each month. Copies of weekly monitoring by the Financial Director shall be provided to the Superintendent by the Special Education Director with the monthly report.

c. Anticipated Completion Date:

March 16, 2015

Christie Holly
Superintendent