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YAZOO COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2014**

**Ardis D. Russell
Certified Public Accountant
Yazoo City, MS**

YAZOO COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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January 28, 2015

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Yazoo County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Yazoo County School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, as required by the Mississippi State Auditor's Office, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 basic 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 my opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 28, 2015, on my consideration of the Yazoo County School District's internal control over financial reporting and on my 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 my 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 Yazoo County School District's internal control over financial reporting and compliance.

Ardis D. Russell, CPA

Ardis D. Russell, CPA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

Total net position for 2014 increased \$480,514, including a prior period adjustment of \$8,539, which represents a 3% increase from fiscal year 2013. Total net position for 2013 increased \$146,484, including a prior period adjustment of \$78,398, which represents less than 1% increase from fiscal year 2012.

General revenues amounted to \$13,800,191 and \$13,439,505, or 80% and 81% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,542,621, or 20% of total revenues for 2014, and \$3,113,470, or 19% of total revenues for 2013.

The District had \$16,870,837 and \$16,484,889 in expenses for fiscal years 2014 and 2013; only \$3,542,621 for 2014 and \$3,113,470 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$13,800,191 for 2014 and \$13,439,505 for 2013 were adequate to provide for these programs.

Among major funds, the General Fund had \$12,278,542 in revenues and \$13,272,183 in expenditures for 2014, and \$11,939,986 in revenues and \$13,093,285 in expenditures for 2013. The General Fund's fund balance decreased by \$346,708 from 2013 to 2014, and decreased by \$345,926 from 2012 to 2013.

Capital assets, net of accumulated depreciation, decreased by \$298,834 for 2014 and increased by \$1,458,415 for 2013. The decrease for 2014 was due primarily to depreciation expense being greater than asset acquisition.

Long-term debt decreased by \$716,790 for 2014 and increased by \$825,288 for 2013. The liability for compensated absences decreased by \$3,854 for 2014 and decreased by \$21,413 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 supplemental information, supplemental information, and other information.

Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the District's net assets 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 years.

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, 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 fund's balance sheet and in the governmental fund's statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

Capital outlay spending results in capital assets on government-wide financial statements, but are recorded 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 \$15,559,132 as of June 30, 2014.

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

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

Table 1
Condensed Statement of Net Position

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage</u> <u>Change</u>
Current assets	\$3,552,952	\$3,527,896	0.71 %
Restricted assets	1,862,255	2,032,028	-8.35 %
Capital assets, net	<u>14,831,036</u>	<u>15,129,870</u>	-1.98 %
Total assets	<u>20,246,243</u>	<u>20,689,794</u>	-2.14 %

Table 1
Condensed Statement of Net Position

(continued)	2014	2013	Percentage Change
Current liabilities	147,089	354,364	-58.49 %
Long-term debt outstanding	<u>4,540,022</u>	<u>5,256,812</u>	-13.64 %
Total liabilities	<u>4,687,111</u>	<u>5,611,176</u>	-16.47 %
Net position:			
Net investment in capital assets	10,664,281	10,347,116	3.07 %
Restricted	3,269,170	2,859,904	14.31 %
Unrestricted	<u>1,625,681</u>	<u>1,871,598</u>	-13.14 %
Total net position	<u>\$15,559,132</u>	<u>\$15,078,618</u>	3.19 %

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

Decrease in net capital assets in the amount of \$298,834.

The principal retirement of \$788,963 of long-term debt..

Issued a \$76,027 shortfall note payable.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$17,342,812 and \$16,552,975, respectively. The total cost of all programs and services was \$16,870,837 for 2014 and \$16,484,889 for 2013.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2014	June 30, 2013	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$462,605	\$297,940	55.27 %
Operating grants and contributions	3,080,016	2,815,530	9.39 %
General revenues:			
Property taxes	5,285,331	5,050,293	4.65 %
Grants and contributions not restricted	7,110,979	7,232,271	-1.68 %
Investment earnings	41,447	63,476	-34.70 %
Sixteenth section sources	1,252,658	1,020,311	22.77 %
Other	<u>109,776</u>	<u>73,154</u>	50.06 %
Total revenues	<u>17,342,812</u>	<u>16,552,975</u>	4.77 %

Table 2
Changes in Net Position

(continued)	Year Ended		Percentage Change
	June 30, 2014	June 30, 2013	
Expenses:			
Instruction	7,518,962	7,587,266	-90 %
Support services	8,181,427	7,718,304	6.00 %
Non-instructional	977,260	925,666	5.57 %
Sixteenth section	84,426	71,463	18.14 %
Interest and other expenses on long-term liabilities	<u>108,762</u>	<u>182,190</u>	-40.30 %
Total expenses	<u>16,870,837</u>	<u>16,484,889</u>	2.34 %
Increase (Decrease) in net position	<u>471,975</u>	<u>68,086</u>	593.20 %
Net Position, July 1, as originally reported	15,078,618	14,932,134	.98 %
Prior period adjustments	<u>8,539</u>	<u>78,398</u>	
Net Position, July 1, as restated	<u>15,087,157</u>	<u>15,010,532</u>	.51 %
Net Position, June 30	<u>\$15,559,132</u>	<u>\$15,078,618</u>	3.19 %

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	June 30, 2014	June 30, 2013	
Instruction	\$7,518,962	\$7,587,266	-90 %
Support services	8,181,427	7,718,304	6.00 %
Non-instructional	977,260	925,666	5.57 %
Sixteenth section	84,426	71,463	18.14 %
Interest and other expenses on long-term liabilities	<u>108,762</u>	<u>182,190</u>	-40.30 %
Total expenses	<u>\$16,870,837</u>	<u>\$16,484,889</u>	2.34 %
	Net (Expense) Revenue		Percentage Change
	June 30, 2014	June 30, 2013	
Instruction	(\$6,442,090)	(\$6,398,970)	.67 %
Support services	(6,919,352)	(6,913,789)	0.08 %
Non-instructional	48,660	139,791	-65.19 %
Sixteenth section	93,328	(16,261)	673.94 %
Interest and other expenses on long-term liabilities	<u>(108,762)</u>	<u>(182,190)</u>	-40.30 %
Total net(expense) revenue	<u>(\$13,328,216)</u>	<u>(\$13,371,419)</u>	-0.32 %

Net cost of governmental activities (\$13,328,216 for 2014 and \$13,371,419 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$5,285,331 for 2014 and \$5,050,293 for 2013) and state

and federal revenues (\$7,110,979 for 2014 and \$7,232,271 for 2013). In addition, there was \$1,252,658 and \$1,020,311 in Sixteenth Section sources for 2014 and 2013, respectively.

Investment earnings amounted to \$41,447 for 2014 and \$63,476 for 2013.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,315,745, an increase of \$41,600, which includes a prior period adjustment of \$8,481 and a decrease in inventory of \$11,073. \$1,352,495 or 25% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$3,963,250 or 75% is either nonspendable, restricted, committed, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed, or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$346,708. The fund balance of Other Governmental Funds showed an increase in the amount of \$229,857, which includes a prior period adjustment of (\$3,570) and a decrease in reserve for inventory of \$11,073. The increase in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I -A Basic	no increase or decrease
Sixteenth Section Principal	\$158,451

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budget 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 \$21,726,693, including land, construction in progress, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$139,987 from 2013. Total accumulated depreciation as of June 30, 2014, was \$6,895,657, and total depreciation expense for the year was \$473,999, resulting in total net capital assets of \$14,831,036.

Table 4

	Capital Assets, Net of Accumulated Depreciation		Percentage Change
	June 30, 2014	June 30, 2013	
Land	\$413,786	\$413,786	0.00 %
Construction in progress	0	1,824,342	-100.00 %
Buildings	12,639,003	11,825,369	6.88 %
Building improvements	1,136,952	391,700	190.26 %
Improvements other than buildings	427,484	461,232	-7.32 %
Mobile equipment	113,616	143,618	-20.89 %
Furniture and equipment	100,195	69,823	43.50 %
Total	<u>\$14,831,036</u>	<u>\$15,129,870</u>	-1.98 %

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 \$4,540,022 in outstanding long-term debt, of which \$770,669 is due within one year. The liability for compensated absences decreased \$3,854 from the prior year.

The District maintains an AA bond rating.

Table 5

	Outstanding Long-Term Debt		Percentage Change
	June 30, 2014	June 30, 2013	
Refunding bonds, series 2012	\$1,671,000	\$1,982,000	-15.69 %
Limited tax note, series 2012	2,295,000	2,600,000	-11.73 %
Qualified school construction bonds payable	200,755	200,755	0.00 %
Shortfall notes payable	242,393	339,329	-28.57 %
Compensated absences payable	130,874	134,728	-2.86 %
Total	<u>\$4,540,022</u>	<u>\$5,256,812</u>	-13.64 %

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

CURRENT ISSUES

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

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

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

Enrollment for the 2013-2014 year decreased by 2% to 1690 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, or need additional information, contact the Superintendent's Office of the Yazoo County School District, 94 Panther Drive, Yazoo City, Mississippi 39194.

YAZOO COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

YAZOO COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2014

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents (Note 2)	\$3,073,953
Due from other governments	436,574
Other receivables, net	23,380
Inventories	19,045
Restricted assets	1,862,255
Capital assets, non-depreciable: (Note 5)	
Land	413,786
Capital assets, net of accumulated depreciation: (Note 5)	
Buildings	12,639,003
Building improvements	1,136,952
Improvements other than buildings	427,484
Mobile equipment	113,616
Furniture and equipment	<u>100,195</u>
 Total Assets	 <u>20,246,243</u>
Liabilities	
Accounts payable and accrued liabilities	99,462
Interest payable on long-term liabilities	47,627
Long-term liabilities (Due Within One Year): (Note 6)	
Capital related liabilities	630,000
Non-capital related liabilities	140,669
Long-term liabilities (Due Beyond One Year): (Note 6)	
Capital related liabilities	3,536,755
Non-capital related liabilities	<u>232,598</u>
Total Liabilities	<u>4,687,111</u>
Net Position	
Net investment in capital assets	10,664,281
Restricted for:	
Expendable:	
School-based activities	716,038
Debt service	522,889
Capital improvements	22,095
Forestry improvements	49,699
Unemployment benefits	32,191
Non-expendable:	
Sixteenth section	1,926,258
Unrestricted	<u>1,625,681</u>
Total Net Position	<u>\$15,559,132</u>

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

YAZOO COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2014

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$7,518,962	191,414	885,458	(6,442,090)
Support Services	8,181,427		1,262,075	(6,919,352)
Non-instructional	977,260	93,437	932,483	48,660
Sixteenth Section	84,426	177,754		93,328
Interest on				
Long-term Liabilities	<u>108,762</u>			<u>(108,762)</u>
Total government activities	<u>\$16,870,837</u>	<u>462,605</u>	<u>3,080,016</u>	<u>(13,328,216)</u>
General Revenues:				
Taxes:				
General Purpose Levies				4,827,477
Debt Purpose Levies				457,854
Unrestricted Grants and Contributions:				
State				7,005,187
Federal				105,792
Unrestricted Investment Earnings				41,447
Sixteenth Section Sources				1,252,658
Other				<u>109,776</u>
Total General Revenues				<u>13,800,191</u>
Change in Net Position				<u>471,975</u>
Net Position Beginning, as previously reported				15,078,618
Prior Period Adjustments				<u>8,539</u>
Net Position-Beginning-Restated				<u>15,087,157</u>
Net Position – Ending				<u>\$15,559,132</u>

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

YAZOO COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2014

Exhibit C

	<u>Major Funds</u>				Total Governmental Funds
	<u>General Fund</u>	<u>Title 1 - A Basic</u>	<u>Sixteenth Section Principal Fund</u>	<u>Other Governmental Funds</u>	
Assets					
Cash and cash equivalents	\$2,236,609	\$10,311	\$1,267,558	\$1,379,127	\$4,893,605
Cash with fiscal agents				42,603	42,603
Due from other governments	147,087	131,061	12,247	146,148	436,543
Other receivables, net	23,380				23,380
Due from other funds	245,618				245,618
Advances to other funds			646,453		646,453
Inventories				19,045	19,045
Total Assets	<u>\$2,652,694</u>	<u>\$141,372</u>	<u>\$1,926,258</u>	<u>\$1,586,923</u>	<u>\$6,307,247</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$7,293	\$10,311		\$81,858	\$99,462
Due to other funds		131,061		114,526	245,587
Advance from other funds	646,453				646,453
Total Liabilities	<u>653,746</u>	<u>141,372</u>	<u>0</u>	<u>196,384</u>	<u>991,502</u>
Fund Balances:					
Nonspendable:					
Inventory				19,045	19,045
Permanent fund purposes			1,926,258		1,926,258
Advances	646,453				646,453
Restricted:					
Debt service				570,516	570,516
Capital improvements				22,095	22,095
Forestry improvement purposes				49,699	49,699
Unemployment benefits				32,191	32,191
Committed:					
School food service				430,155	430,155
Assigned:					
School activities				266,838	266,838
Unassigned	1,352,495				1,352,495
Total Fund Balances	<u>1,998,948</u>	<u>0</u>	<u>1,926,258</u>	<u>1,390,539</u>	<u>5,315,745</u>
Total Liabilities and Fund Balances	<u>\$2,652,694</u>	<u>\$141,372</u>	<u>\$1,926,258</u>	<u>\$1,586,923</u>	<u>\$6,307,247</u>

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

YAZOO COUNTY SCHOOL DISTRICT
Governmental Funds

Exhibit C-1

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

	<u>Amount</u>
Total Fund Balance – governmental funds	\$5,315,745
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	413,786
Buildings	17,259,710
Building improvements	1,715,715
Improvements other than buildings	771,744
Mobile equipment	434,968
Furniture and equipment	1,130,770
Accumulated depreciation	<u>(6,895,657)</u>
	14,831,036
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds	(1,671,000)
Limited obligation bonds	(2,295,000)
QSCB loan plan	(200,755)
Notes payable	(242,393)
Accrued interest payable	(47,627)
Compensated absences	<u>(130,874)</u>
	<u>(4,587,649)</u>
Net position of governmental activities	<u>\$15,559,132</u>

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

YAZOO COUNTY SCHOOL DISTRICT

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

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.

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

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, or 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, and Investments.

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

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

Investments. Section 29-3-113 and 37-59-43, Miss Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits 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 interests in any open-end or closed-end any 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 bonds funds (Capital Projects), bond sinking funds, (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,893,605 and \$573,354, respectively.

YAZOO COUNTY SCHOOL DISTRICT

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

Custodian Credit Risk – Deposits. Custodian 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 formal deposit policy for custodian 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 institutions 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 \$6,002,807 was exposed to custodial credit risk.

Investments.

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Market</u>
U.S. Government SLGS	AA	1 to 5	<u>\$42,603</u>
Total			<u>\$42,603</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.

Custodian Credit Risk – Investments. Custodian 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 custodian credit risk. As of June 30, 2014, the district did not have any investments to which this would apply.

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

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
U. S. Government Securities SLGS	<u>\$42,603</u>	100%

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

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

A . Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title 1 - A Basic	\$131,061
	Other governmental funds	114,527
	Fiduciary funds	<u>30</u>
Total		<u>\$245,618</u>

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

YAZOO COUNTY SCHOOL DISTRICT

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

B. Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sixteenth section principal fund	General Fund	<u>\$646,453</u>
Sixteenth section principal loans payable		

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes on Fund Balances. This loan was made to build a four-classroom addition to the middle school. This would allow space for the sixth graders and alleviate the over-crowding at the two elementary schools.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$25,208	\$25,857	\$51,065
2016	26,216	24,850	51,066
2017	27,264	23,801	51,065
2018	28,355	22,710	51,065
2019	29,489	21,576	51,065
2020-2024	166,111	89,216	255,327
2025-2029	202,099	53,228	255,327
2030-2032	<u>141,711</u>	<u>11,485</u>	<u>153,196</u>
	<u>\$646,453</u>	<u>\$272,723</u>	<u>\$919,176</u>

C. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$37,219
Title I – Basic	General fund	12,865
16 th section principal fund	Other governmental funds	29,692
Other governmental funds	General fund	567,993
Other governmental funds	Title I – Basic	100,362
Other governmental funds	Other governmental funds	494,926
Other governmental funds	16 th section principal fund	<u>386</u>
Total		<u>\$1,243,443</u>

The primary purpose of interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded. The primary reason for the transfers out of the Title I, Basic fund and other governmental funds is the indirect cost allocation to the general fund.

Note 4 - Restricted Assets.

The restricted assets represent the cash balance, totaling \$1,267,558 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash balance totaling \$32,078 of the Construction Fund. In addition, the restricted assets represent the cash and investment balance, totaling \$405 and \$42,603, respectively, of the QSCB Bond Retirement Fund. Also, the restricted assets represent the cash balance, totaling \$126,360 and \$393,151, respectively, of the shortfall notes payable and the Limited Obligation Note Payable Fund. In addition, the restricted assets represent the cash balance, totaling \$100 of the 2012 Refunding Bonds Fund.

YAZOO COUNTY SCHOOL DISTRICT

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

Note 5 - Capital Assets.

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

	Balance <u>7-1-2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	Balance <u>6-30-2014</u>
Governmental Activities					
<u>Non-depreciable capital assets:</u>					
Land	\$ 413,786				\$ 413,786
Construction in progress	<u>1,824,342</u>		<u>(\$1,824,342)</u>		<u>0</u>
Total non-depreciable capital assets	<u>2,238,128</u>	<u>0</u>	<u>(1,824,342)</u>		<u>413,786</u>
<u>Depreciable capital assets:</u>					
Buildings	16,111,353	1,148,357			17,259,710
Building improvements	914,601	801,114			1,715,715
Improvements other than buildings	771,744				771,744
Mobile equipment	440,971	11,130	(17,133)		434,968
Furniture and equipment	<u>1,109,909</u>	<u>46,976</u>	<u>(26,115)</u>		<u>1,130,770</u>
Total depreciable capital assets	<u>19,348,578</u>	<u>2,007,577</u>	<u>(43,248)</u>		<u>21,312,907</u>
Less accumulated depreciation for:					
Buildings	4,285,984	334,723			4,620,707
Building improvements	522,901	55,862			578,763
Improvements other than buildings	310,512	33,748			344,260
Mobile equipment	311,948	24,824	(15,420)		321,352
Furniture & equipment	<u>1,025,491</u>	<u>24,842</u>	<u>(25,482)</u>	<u>5,724</u>	<u>1,030,575</u>
Total accumulated depreciation	<u>6,456,836</u>	<u>473,999</u>	<u>(40,902)</u>	<u>5,724</u>	<u>6,895,657</u>
Total depreciable capital assets, net	<u>12,891,742</u>	<u>1,533,578</u>	<u>(2,346)</u>	<u>(5,724)</u>	<u>14,417,250</u>
Governmental activities capital assets, net	<u>\$15,129,870</u>	<u>\$1,533,578</u>	<u>(\$1,826,688)</u>	<u>(\$5,724)</u>	<u>\$14,831,036</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental activities:	
Instruction	\$16,071
Support services	392,082
Non-instructional	<u>65,846</u>
Total depreciation expense – Governmental activities	<u>\$473,999</u>

Adjustments to capital assets consisted of the following:

Increase in accumulated depreciation as a result of capital asset previously junked returned to service (\$5,724)

YAZOO COUNTY SCHOOL DISTRICT

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

Note 6 - Long-term Liabilities.

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

	Balance 7-1-2013	Additions	Reductions	Balance 06/30/2014	Amounts Due Within One Year
A. Refunding bonds, series 2012	\$1,982,000		\$(311,000)	\$1,671,000	\$320,000
B. Limited tax note, series 2012	2,600,000		(305,000)	2,295,000	310,000
C. Qualified school construction bonds	200,755			200,755	0
D. Shortfall notes payable	339,329	\$76,027	(172,963)	242,393	140,669
E. Compensated absences payable	134,728		(3,854)	130,874	
Total	<u>\$5,256,812</u>	<u>\$76,027</u>	<u>(\$792,817)</u>	<u>\$4,540,022</u>	<u>\$770,669</u>

A. Refunding bonds, series 2012.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Refunding bonds, series 2012	2.05%	06/21/2012	06/21/2019	<u>\$2,306,000</u>	<u>\$1,671,000</u>
Total				<u>\$2,306,000</u>	<u>\$1,671,000</u>

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

Year Ending June 30	Principal	Interest	Total
2015	\$320,000	\$34,256	\$354,256
2016	328,000	27,695	355,695
2017	334,000	20,972	354,972
2018	343,000	14,124	357,124
2019	<u>346,000</u>	<u>7,093</u>	<u>353,093</u>
Total	<u>\$1,671,000</u>	<u>\$104,140</u>	<u>\$1,775,140</u>

This debt will be retired from the debt retirement fund.

B. Limited-Tax Note, Series 2012.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2012	1.95%	08/01/2012	08/01/2022	<u>\$2,600,000</u>	<u>\$2,295,000</u>
Total				<u>\$2,600,000</u>	<u>\$2,295,000</u>

YAZOO COUNTY SCHOOL DISTRICT

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

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

Year Ending June 30	Principal	Interest	Total
2015	\$310,000	\$44,752	354,752
2016	320,000	38,708	358,708
2017	265,000	32,468	297,468
2018	260,000	27,300	287,300
2019	260,000	22,230	282,230
2020-2023	<u>880,000</u>	<u>40,365</u>	<u>920,365</u>
Total	<u>\$2,295,000</u>	<u>\$205,823</u>	<u>\$2,500,823</u>

This debt will be retired from the debt retirement fund.

C. Qualified School Construction Bonds.

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds payable	0.65%	12/29/2009	09/15/2024	<u>\$200,755</u>	<u>\$200,755</u>
Total				<u>\$200,755</u>	<u>\$200,755</u>

This debt will be retired from the sinking fund.

D. Shortfall notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. 2011 Shortfall note	3.50%	10/11/2011	10/11/2014	\$194,426	\$67,282
2. 2012 Shortfall note	2.75%	09/10/2012	09/10/2015	146,618	99,084
3. 2013 Shortfall note	3.25%	08/22/2013	08/22/2016	<u>76,027</u>	<u>76,027</u>
Total				<u>\$417,071</u>	<u>\$242,393</u>

Details of the district's June 30, 2014 shortfall notes payable are as follows:

1. Shortfall notes payable issue of 10/11/2011:

Year Ending June 30	Principal	Interest	Total
2015	<u>\$67,282</u>	<u>\$2,388</u>	<u>\$69,670</u>
Total	<u>\$67,282</u>	<u>\$2,388</u>	<u>\$69,670</u>

This debt will be retired from the shortfall note retirement fund.

YAZOO COUNTY SCHOOL DISTRICT

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

2. Shortfall notes payable issue of 09/10/2012:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$48,861	\$2,763	\$51,624
2016	<u>50,223</u>	<u>1,400</u>	<u>51,623</u>
Total	<u>\$99,084</u>	<u>\$4,163</u>	<u>\$103,247</u>

This debt will be retired from the shortfall note retirement fund.

3. Shortfall notes payable issue of 08/22/2013:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$24,526	\$2,505	\$27,031
2016	25,334	1,697	27,031
2017	<u>26,167</u>	<u>864</u>	<u>27,031</u>
Total	<u>\$76,027</u>	<u>\$5,067</u>	<u>\$81,093</u>

This debt will be retired from the shortfall note retirement fund.

Total shortfall notes payable payments for all issues:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$140,669	\$7,656	\$148,325
2016	75,557	3,097	78,654
2017	<u>26,167</u>	<u>864</u>	<u>27,031</u>
Total	<u>\$242,393</u>	<u>\$11,617</u>	<u>\$254,010</u>

E. Compensated absences payable.

As more fully explained in Note 1(F)(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.

YAZOO COUNTY SCHOOL DISTRICT

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$1,331,228, \$1,202,688, and \$1,060,493, respectively, which equaled the required contributions for each year.

Note 8 - Sixteenth Section Lands.

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

<u>Year Ending June 30</u>	<u>Amount</u>
2015	\$550,562
2016	389,470
2017	292,594
2018	38,114
2019	41,301
2020-2024	103,764
2025-2029	36,530
2030-2034	31,635
2035-2039	1,197
Thereafter	<u>1,400</u>
Total	<u>\$1,486,567</u>

Note 9 - Prior Period Adjustments

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

Exhibit B – State of Activities

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
1. Title I, Basic	Correct fund code on prior year expenditures	(\$15,215)
2. General Fund	Correct fund code on prior year expenditures	15,384
3. General Fund	Correct coding on prior year expenditures	10,975
Other governmental funds	Correct coding on prior year expenditures	(2,663)
4. General Fund	Correct coding on prior year expenditures	<u>58</u>
Total		<u>\$8,539</u>

YAZOO COUNTY SCHOOL DISTRICT

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

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
1. Title 1, Basic	Correct fund code on prior year expenditures	(\$15,215)
2. General Fund	Correct fund code on prior year expenditures	15,384
3. General Fund	Correct coding on prior year expenditures	11,882
Other governmental funds	Correct coding on prior year expenditures	<u>(3,570)</u>
Total		<u>\$8,481</u>

Note 10 Contingencies.

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

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

Note 11- Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers’ Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to the member’s employees. The Mississippi Workers’ Compensation Commission requires that an indemnity agreement be executed by each member in a workers’ compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers’ compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers’ Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 12- Vocational School Consortium.

The school district entered into a Vocational Education Agreement dated August 9, 1956, creating the Yazoo City Vocational School. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Yazoo City School District and the Yazoo County School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent,

YAZOO COUNTY SCHOOL DISTRICT

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

providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Yazoo City School District has been designated as the fiscal agent for the Yazoo City Vocational School, and the operations of the consortium are included in its financial statements.

Note 13- Qualified School Construction Bonds.

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

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

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit with the escrow agent at June 30, 2014 was \$42,603. 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	<u>Amount</u>
2015	\$11,000
2016	11,000
2017	11,000
2018	16,000
2019	16,000
2020-2025	<u>93,755</u>
Total	<u>\$158,755</u>

Note 14 – Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Yazoo County School District evaluated the activity of the district through January 28, 2015, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

YAZOO COUNTY SCHOOL DISTRICT
Required Supplementary Information

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

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues					
Local Sources	\$4,952,873	\$5,104,832	\$5,104,831	\$151,959	\$(1)
State Sources	7,012,003	7,067,919	7,067,919	55,916	0
Federal Sources	<u>226,117</u>	<u>105,792</u>	<u>105,792</u>	<u>(120,325)</u>	<u>0</u>
Total Revenues	<u>12,190,993</u>	<u>12,278,543</u>	<u>12,278,542</u>	<u>87,550</u>	<u>(1)</u>
Expenditures					
Instruction	6,880,398	6,719,298	6,719,298	161,100	0
Support Services	6,759,718	6,516,105	6,516,105	243,613	0
Noninstructional Services					
Facilities Acquisition and Construction	0	9,952	9,952	(9,952)	0
Debt Service:					
Principal	0	26,828	26,828	(26,828)	
Interest	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>13,640,116</u>	<u>13,272,183</u>	<u>13,272,183</u>	<u>367,933</u>	<u>0</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,449,123)</u>	<u>(993,640)</u>	<u>(993,641)</u>	<u>455,483</u>	<u>(1)</u>
Other Financing Sources (Uses)					
Receipt of shortfall note	0	76,027	76,027	76,027	0
Operating transfers in	607,456	580,947	580,859	(26,509)	(88)
Operating transfers out	<u>(49,408)</u>	<u>(37,307)</u>	<u>(37,219)</u>	<u>12,101</u>	<u>88</u>
Total Other Financing Sources (Uses)	<u>558,048</u>	<u>619,667</u>	<u>619,667</u>	<u>61,619</u>	<u>0</u>
Net Change in Fund Balances	<u>(891,075)</u>	<u>(373,973)</u>	<u>(373,974)</u>	<u>517,102</u>	<u>(1)</u>
Fund Balances					
July 1, 2013, as previously reported	2,345,656	2,345,656	2,345,656	0	0
Prior Period Adjustments	<u>0</u>	<u>27,265</u>	<u>27,266</u>	<u>27,265</u>	<u>1</u>
July 1, 2013, as restated	<u>2,345,656</u>	<u>2,372,921</u>	<u>2,372,922</u>	<u>27,265</u>	<u>1</u>
June 30, 2014	<u>\$ 1,454,581</u>	<u>\$1,998,948</u>	<u>\$1,998,948</u>	<u>\$544,367</u>	<u>\$0</u>

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

YAZOO COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
 Title 1- A Basic
 For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u> (GAAP Basis)	<u>Variances</u> <u>Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues					
Federal Sources	<u>\$1,099,787</u>	<u>\$1,269,123</u>	<u>\$1,099,787</u>	<u>\$169,336</u>	<u>\$(169,336)</u>
Total Revenues	<u>1,099,787</u>	<u>1,269,123</u>	<u>1,099,787</u>	<u>169,336</u>	<u>(169,336)</u>
Expenditures					
Instruction	560,788	505,651	438,493	55,137	67,158
Support Services	875,813	811,906	720,790	63,907	91,116
Noninstructional Services	<u>25,837</u>	<u>21,792</u>	<u>12,786</u>	<u>4,045</u>	<u>9,006</u>
Total Expenditures	<u>1,462,438</u>	<u>1,339,349</u>	<u>1,172,069</u>	<u>123,089</u>	<u>167,280</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(362,651)</u>	<u>(70,226)</u>	<u>(72,282)</u>	<u>292,425</u>	<u>(2,056)</u>
Other Financing Sources (Uses)					
Operating transfers in	100,362	100,362	100,362	0	0
Operating transfers out	<u>(25,133)</u>	<u>(14,921)</u>	<u>(12,865)</u>	<u>10,212</u>	<u>2,056</u>
Total Other Financing Sources (Uses)	<u>75,229</u>	<u>85,441</u>	<u>87,497</u>	<u>10,212</u>	<u>2,056</u>
Net Change in Fund Balances	<u>(287,422)</u>	<u>15,215</u>	<u>15,215</u>	<u>302,637</u>	<u>0</u>
Fund Balances					
July 1, 2013	0	0	0	0	0
Prior Period Adjustments	<u>(15,215)</u>	<u>(15,215)</u>	<u>(15,215)</u>	<u>0</u>	<u>0</u>
June 30, 2014	<u>\$(302,637)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$302,637</u>	<u>\$0</u>

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

YAZOO COUNTY SCHOOL DISTRICT
Required Supplementary Information

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

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues					
Sixteenth Section Sources	<u>\$86,106</u>	<u>\$187,757</u>	<u>\$187,757</u>	<u>\$101,651</u>	<u>\$0</u>
Total Revenues	<u>86,106</u>	<u>187,757</u>	<u>187,757</u>	<u>101,651</u>	<u>0</u>
Expenditures					
Sixteenth Section	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (under) Expenditures	<u>86,106</u>	<u>187,757</u>	<u>187,757</u>	<u>101,651</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating Transfers In	229	386	386	157	0
Operating Transfers Out	<u>(5,000)</u>	<u>(29,692)</u>	<u>(29,692)</u>	<u>(24,692)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(4,771)</u>	<u>(29,306)</u>	<u>(29,306)</u>	<u>(24,535)</u>	<u>0</u>
Net Change in Fund Balances	81,335	158,451	158,451	77,116	0
Fund Balances					
July 1, 2013	<u>1,767,807</u>	<u>1,767,807</u>	<u>1,767,807</u>	<u>0</u>	<u>0</u>
June 30, 2014	<u>\$1,849,142</u>	<u>\$1,926,258</u>	<u>\$1,926,258</u>	<u>\$77,116</u>	<u>\$0</u>

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



YAZOO COUNTY 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 Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions.

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

SUPPLEMENTARY INFORMATION

YAZOO COUNTY SCHOOL DISTRICT
Supplementary Information

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$242,074
National school lunch program	10.555	<u>702,705</u>
Total child nutrition cluster		<u>944,779</u>
Total passed-through Mississippi Department of Education		
Total U. S. Department of Agriculture		<u>944,779</u>
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.xxx	<u>31,061</u>
Total U. S. Department of Defense		<u>31,061</u>
<u>Federal Communications Commission</u>		
Administrated through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	<u>74,731</u>
Total Federal Communications Commission		<u>74,731</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,174,749
Rural education	84.358	24,637
Improving teacher quality-state grants	84.367	<u>272,445</u>
Subtotal		<u>1,471,831</u>
Special education cluster:		
Special education-grants to states	84.027	384,458
Special education – preschool grants	84.173	<u>8,518</u>
Total special education cluster		<u>392,976</u>
Total passed-through Mississippi Department of Education		<u>1,864,807</u>
Total U.S. Department of Education		<u>1,864,807</u>
Total for all Federal Awards		<u>\$2,915,378</u>

NOTES TO SCHEDULE

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

Yazoo County School District
Supplementary Information

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$11,468,509	\$8,240,821	\$1,014,206	\$1,070,576	\$1,142,906
Other	<u>5,906,137</u>	<u>1,144,827</u>	<u>307,346</u>	<u>69,416</u>	<u>4,384,548</u>
Total	<u>\$17,374,646</u>	<u>\$9,385,648</u>	<u>\$1,321,552</u>	<u>\$1,139,992</u>	<u>\$5,527,454</u>
Total number of students*	<u>1,690</u>				
Cost per student	<u>\$10,281</u>	<u>\$5,554</u>	<u>\$782</u>	<u>\$674</u>	<u>\$3,271</u>

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

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

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

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

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

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

OTHER INFORMATION

YAZOO COUNTY SCHOOL DISTRICT
Other Information

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

	<u>2014</u>	<u>2013*</u>	<u>2012*</u>	<u>2011*</u>
Revenues:				
Local sources	\$5,104,831	\$4,786,495	\$ 4,676,172	\$ 4,362,615
State sources	7,067,919	7,020,704	6,943,978	6,532,673
Federal sources	105,792	132,787	129,104	127,551
Total Revenues	<u>12,278,542</u>	<u>11,939,986</u>	<u>11,749,254</u>	<u>11,022,839</u>
Expenditures:				
Instruction	6,719,298	6,555,700	6,646,962	5,655,721
Support services	6,516,105	6,443,744	5,595,036	5,570,185
Noninstructional services		1,581	2,329	2,441
Facilities acquisition and construction	9,952	73,589	100,684	
Other	26,828	18,671	1,276	
Total Expenditures	<u>13,272,183</u>	<u>13,093,285</u>	<u>12,346,287</u>	<u>11,228,347</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(993,641)</u>	<u>(1,153,299)</u>	<u>(597,033)</u>	<u>(205,508)</u>
Other Financing Sources (Uses):				
Proceeds of loans	76,027	146,618	194,424	175,199
Sale of transportation equipment				2,002
Insurance loss recoveries		11,049	32,410	131,252
Operating transfers in	580,859	1,371,933	509,049	490,478
Other financing uses	(37,219)			(9,462)
Operating transfers out		(709,927)	(39,131)	(6,805)
Total Other Financing Sources (Uses)	<u>619,667</u>	<u>819,673</u>	<u>696,752</u>	<u>782,664</u>
Net Change in Fund Balances	<u>(373,974)</u>	<u>(333,626)</u>	<u>99,719</u>	<u>577,156</u>
Fund Balances:				
Beginning of period, as originally reported	2,345,656	2,691,582	2,591,863	2,014,707
Prior period adjustments	27,266	(12,300)		
Beginning of period, as restated	<u>2,372,922</u>	<u>2,679,282</u>	<u>2,591,863</u>	<u>2,014,707</u>
End of Period	<u>\$1,998,948</u>	<u>\$2,345,656</u>	<u>\$ 2,691,582</u>	<u>\$ 2,591,863</u>

*Source-prior year audit reports

YAZOO COUNTY SCHOOL DISTRICT
Other Information

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

	<u>2014</u>	<u>2013*</u>	<u>2012*</u>	<u>2011*</u>
Revenues:				
Local sources	\$5,689,967	\$5,381,174	\$5,283,201	\$ 4,985,536
State sources	7,275,617	7,326,237	7,408,197	6,962,347
Federal sources	2,915,378	2,721,564	2,957,984	3,719,712
Sixteenth section sources	<u>1,461,849</u>	<u>1,113,076</u>	<u>1,594,832</u>	<u>1,317,748</u>
Total Revenues	<u>17,342,811</u>	<u>16,542,051</u>	<u>17,244,214</u>	<u>16,985,343</u>
Expenditures:				
Instruction	7,506,744	7,596,169	7,885,054	7,614,197
Support services	7,792,429	7,365,932	6,433,954	6,406,289
Noninstructional services	900,341	925,347	1,077,431	1,169,472
Sixteenth section	84,426	71,463	105,353	59,795
Facilities acquisition and construction	172,021	1,824,343	117,962	34,929
Debt Service:				
Principal	788,964	1,918,588	3,125,502	830,943
Interest	129,185	73,675	234,121	241,417
Other	<u>536</u>	<u>40,285</u>	<u>43,942</u>	<u>5,359</u>
Total Expenditures	<u>17,374,646</u>	<u>19,815,802</u>	<u>19,023,319</u>	<u>16,362,401</u>
Excess (Deficiency) of Revenues Over (under) Expenditures	<u>(31,835)</u>	<u>(3,273,751)</u>	<u>(1,779,105)</u>	<u>622,942</u>
Other Financing Sources (Uses):				
Proceeds of refunding bonds		2,600,000	2,306,000	
Proceeds of loans	76,027	146,618	194,424	175,199
Insurance loss recoveries		11,049	32,410	131,252
Sale of transportation equipment				2,002
Transfer from QSCB debt service agent				10,000
Operating transfers in	1,243,443	2,621,142	1,068,299	951,461
Other financing sources/uses				(10,362)
Operating transfers out	(1,243,443)	(2,621,142)	(1,068,299)	(951,461)
Payment to QSCB escrow agent				(10,000)
Total Other Financing Sources (Uses)	<u>76,027</u>	<u>2,757,667</u>	<u>2,532,834</u>	<u>298,091</u>
Net Change in Fund Balances	<u>44,192</u>	<u>(516,084)</u>	<u>753,729</u>	<u>921,033</u>
Fund Balances:				
Beginning of period, as originally reported	5,274,145	5,711,229	4,974,390	4,037,596
Prior period adjustments	<u>8,481</u>	<u>73,590</u>		
Beginning of period, as restated	<u>5,282,626</u>	<u>5,784,819</u>	<u>4,974,390</u>	<u>4,037,596</u>
Increase (Decrease) in reserve for inventory	<u>(11,073)</u>	<u>5,410</u>	<u>(16,890)</u>	<u>15,761</u>
End of period	<u>\$5,315,745</u>	<u>\$ 5,274,145</u>	<u>\$ 5,711,229</u>	<u>\$ 4,974,390</u>

*Source-prior year audit reports

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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Certified Public Accountants
Mississippi Society of
Certified Public Accountants

January 28, 2015

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL 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
Yazoo County School District

I 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 the Yazoo County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Yazoo County School District's basic financial statements, and have issued my report thereon dated January 28, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 Yazoo County School District's financial statements are free of material misstatement, I 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 my audit, and, accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ardis D. Russell, CPA

Ardis D. Russell, C.P.A.

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January 28, 2015

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

Superintendent and School Board
Yazoo County School District

Report on Compliance for Each Major Federal Program

I have audited the Yazoo County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Yazoo County School District's major federal programs for the year ended June 30, 2014. The Yazoo County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Yazoo County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 test basis, evidence about Yazoo County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Ardis D. Russell, C.P.A.

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

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January 28, 2015

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

Superintendent and School Board
Yazoo County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Yazoo County School District as of and for the year ended June 30, 2014, which collectively comprise Yazoo County School District's basic financial statements, and have issued my report thereon dated January 28, 2015. I conducted my 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, I 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 my audit and, accordingly, I do not express such an opinion.

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

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

The results of my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and my 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 and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ardis D. Russell, CPA
Ardis D. Russell, C.P.A.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YAZOO COUNTY SCHOOL DISTRICT

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

Section I: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued on the basic financial statements.	Unmodified
2.	Internal control over financial reporting:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified?	None Reported
3.	Noncompliance material to the financial statements noted?	No
	Federal Awards:	
4.	Internal control over major programs:	
	a. Material weakness(es) identified?	No
	b. Significant deficiency(ies) identified ?	None Reported
5.	Type of auditor's report issued on compliance for major programs:	Unmodified
6.	Any audit finding(s) disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?	No
7.	Identification of major programs:	
	A. Title I – Grants to local educational agencies:	
	CFDA#	84.010
	B. Special Education Cluster:	
	CFDA#	84.027
	CFDA#	84.173
8.	Dollar threshold used to distinguish between type A and type B programs:	\$300,000
9.	Auditee qualified as low-risk auditee?	Yes
10.	Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section 315(b) of OMB Circular A-133?	No

Section II: Financial Statement Findings

The results of my tests did not disclose any findings related to the financial statements that are required to be reported by Government Audit Standards.

Section III: Federal Award Findings and Questioned Costs

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