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EAST TALLAHATCHIE SCHOOL DISTRICT  
Audited Financial Statements  
For the Year Ended June 30, 2013

EAST TALLAHATCHIE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
East Tallahatchie School District  
Charleston, Mississippi

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Tallahatchie School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the East Tallahatchie School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the East Tallahatchie School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-14 and 39-42 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 East Tallahatchie School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2014, on our consideration of the East Tallahatchie School District's internal control over financial reporting and

on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Tallahatchie School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cunningham CPAs". The signature is written in dark ink on a light-colored background.

Cunningham CPAs, PLLC

Belzoni, Mississippi

March 7, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST TALLAHATCHIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

The following discussion and analysis of East Tallahatchie School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. 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 2013 decreased \$1,257,147, which includes a prior period adjustment of (\$41,574), which represents a 22% decrease from fiscal year 2012. Total net position for 2012 decreased \$88,918, including a prior period adjustment of (\$24,200), which represents a 2% decrease from fiscal year 2011.
- General revenues amounted to \$7,729,698 and \$7,884,888, or 75% and 71% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,621,736, or 25% of total revenues for 2013, and \$3,219,563, or 29% of total revenues for 2012.
- The District had \$11,567,057 and \$11,169,195 in expenses for fiscal years 2013 and 2012; only \$2,621,736 for 2013 and \$3,219,563 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$7,729,698 for 2013 were not adequate to provide for these programs and \$7,884,888 for 2012 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$7,547,291 in revenues and \$8,685,102 in expenditures for 2013, and \$7,769,181 in revenues and \$7,909,148 in expenditures in 2012. The General Fund's fund balance decreased by \$1,280,167, including a prior period adjustment of (\$97,134) from 2012 to 2013, and decreased by \$71,928 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$48,432, including a prior period adjustment of \$72,050, for 2013 and increased by \$581,644 for 2012. The increase for 2013 was due to current additions coupled with the increase in accumulated depreciation and the effects of the prior period adjustment.
- Long-term debt had no change for 2013 and had no change for 2012. The liability for compensated absences increased by \$4,196 for 2013 and increased by \$8,415 for 2012.

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

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

EAST TALLAHATCHIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

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

EAST TALLAHATCHIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

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 and exceeded liabilities by \$4,382,895 as of June 30, 2013.

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.

EAST TALLAHATCHIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

**Table 1**  
**Condensed Statement of Net Position**

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 2,787,306	\$ 4,333,398	-35.68 %
Restricted assets	439,575	245,348	79.16 %
Capital assets, net	3,092,206	3,043,774	1.59 %
<b>Total assets</b>	<b>6,319,087</b>	<b>7,622,520</b>	<b>-17.10 %</b>
Current liabilities	712,695	763,177	-6.61 %
Long-term debt outstanding	1,223,497	1,219,301	0.34 %
<b>Total liabilities</b>	<b>1,936,192</b>	<b>1,982,478</b>	<b>-2.33 %</b>
<b>Net position:</b>			
Net investment in capital assets	1,914,206	1,865,774	2.60 %
Restricted	956,972	940,163	1.79 %
Unrestricted	1,511,717	2,834,105	-46.66 %
<b>Total net position</b>	<b>\$ 4,382,895</b>	<b>\$ 5,640,042</b>	<b>-22.29 %</b>

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

- Increase in net capital assets in the amount of \$48,432.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$10,351,434 and \$11,104,477, respectively. The total cost of all programs and services was \$11,567,057 for 2013 and \$11,169,195 for 2012.

EAST TALLAHATCHIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

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

	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 298,293	\$ 354,732	(15.91) %
Operating grants and contributions	2,323,443	2,824,711	(17.75) %
Capital grants and contributions	-	40,120	(100.00) %
General revenues:			
Property taxes	1,234,859	1,329,963	(7.15) %
Grants and contributions not restricted	6,050,284	6,206,624	(2.52) %
Investment earnings	6,136	7,574	(18.99) %
Sixteenth section sources	397,828	337,613	17.84 %
Other	40,591	3,114	1,203.50 %
<b>Total revenues</b>	<b><u>10,351,434</u></b>	<b><u>11,104,451</u></b>	<b>(6.78) %</b>
<b>Expenses:</b>			
Instruction	6,888,154	6,794,482	1.38 %
Support services	3,886,813	3,588,040	8.33 %
Non-instructional	778,839	770,198	1.12 %
Sixteenth section	2,160	2,850	(24.21) %
Interest on long-term liabilities and other debt service costs	11,091	13,625	(18.60) %
<b>Total expenses</b>	<b><u>11,567,057</u></b>	<b><u>11,169,195</u></b>	<b>3.56 %</b>
<b>Transfers:</b>			
Transfers in	50	26	92.31 %
<b>Increase (Decrease) in net position</b>	<b><u>(1,215,573)</u></b>	<b><u>(64,718)</u></b>	<b>(1,778.26) %</b>
<b>Net Position, July 1, as previously reported</b>	<b><u>5,640,042</u></b>	<b><u>5,728,960</u></b>	<b>(1.55) %</b>
<b>Prior Period Adjustment</b>	<b><u>(41,574)</u></b>	<b><u>(24,200)</u></b>	<b>71.79 %</b>
<b>Net Position, July 1, as restated</b>	<b><u>5,598,468</u></b>	<b><u>5,704,760</u></b>	<b>(1.86) %</b>
<b>Net Position, June 30</b>	<b><u>\$ 4,382,895</u></b>	<b><u>\$ 5,640,042</u></b>	<b>(22.29) %</b>

**Governmental activities**

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

EAST TALLAHATCHIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

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

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 6,888,154	\$ 6,794,482	1.38 %
Support services	3,886,813	3,588,040	8.33 %
Non-instructional	778,839	770,198	1.12 %
Sixteenth section	2,160	2,850	(24.21) %
Interest on long-term liabilities and other debt service costs	11,091	13,625	(18.60) %
<b>Total expenses</b>	<b>\$ 11,567,057</b>	<b>\$ 11,169,195</b>	<b>3.56 %</b>

  

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (5,647,387)	\$ (4,837,385)	16.74 %
Support services	(3,233,224)	(3,057,632)	5.74 %
Non-instructional	(51,459)	(38,140)	34.92 %
Sixteenth section	(2,160)	(2,850)	(24.21) %
Interest on long-term liabilities and other debt service costs	(11,091)	(13,625)	(18.60) %
<b>Total net (expense) revenue</b>	<b>\$ (8,945,321)</b>	<b>\$ (7,949,632)</b>	<b>12.52 %</b>

- Net cost of governmental activities (\$8,945,321 for 2013 and \$7,949,632 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$1,234,859 for 2013 and \$1,329,963 for 2012) and state and federal revenues (\$6,050,284 for 2013 and \$6,206,624 for 2012). In addition, there was \$397,828 and \$337,613 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$6,136 for 2013 and \$7,574 for 2012.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,521,422, a decrease of \$1,284,993, including a prior period adjustment of (\$97,134) and which includes an increase in inventory of \$786. \$1,518,214 or 60% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,003,208 or 40% 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.

EAST TALLAHATCHIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

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 \$1,280,167, including a prior period adjustment of (\$97,134). The fund balance of Other Governmental Funds showed a decrease in the amount of \$104,582, including an increase in reserve for inventory of \$786, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Sixteenth section interest fund	\$ (670)
QSCB debt service fund	\$ 100,426

**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, 2013, the District's total capital assets were \$6,715,482, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$20,080 from 2012. Total accumulated depreciation as of June 30, 2013, was \$3,623,276, and total depreciation expense for the year was \$200,056, resulting in total net capital assets of \$3,092,206.

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Change</u>
Land	\$ 50,956	\$ 58,456	(12.83) %
Buildings	1,679,875	1,689,028	(0.54) %
Building improvements	363,093	318,035	14.17 %
Improvements other than buildings	394,014	419,278	(6.03) %
Mobile equipment	556,748	522,540	6.55 %
Furniture and equipment	47,520	36,437	30.42 %
<b>Total</b>	<b>\$ 3,092,206</b>	<b>\$ 3,043,774</b>	<b>1.59 %</b>

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

EAST TALLAHATCHIE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

**Debt Administration.** At June 30, 2013, the District had \$1,223,497 in outstanding long-term debt, of which none is due within one year. The liability for compensated absences increased \$4,196 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Qualified school construction bonds payable	\$ 1,178,000	\$ 1,178,000	0.00 %
Compensated absences payable	45,497	41,301	10.16 %
<b>Total</b>	<b><u>1,223,497</u></b>	<b><u>1,219,301</u></b>	<b>0.34 %</b>

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

**CURRENT ISSUES**

The East Tallahatchie School District is financially stable. The District is proud of its community support of the public schools.

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

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the East Tallahatchie School District, 411 East Chestnut Street, Charleston, MS 38921.

FINANCIAL STATEMENTS

**EAST TALLAHATCHIE SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2013**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 2,512,742
Investments	48,310
Due from other governments	217,549
Inventories	8,705
Restricted assets	439,575
Capital assets, non-depreciable:	
Land	50,956
Capital assets, net of accumulated depreciation:	
Buildings	1,679,875
Building improvements	363,093
Improvements other than buildings	394,014
Mobile equipment	556,748
Furniture and equipment	47,520
Total Assets	6,319,087
<b>Liabilities</b>	
Accounts payable and accrued liabilities	705,459
Interest payable on long-term liabilities	7,236
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,178,000
Non-capital related liabilities	45,497
Total Liabilities	1,936,192
<b>Net Position</b>	
Net investment in capital assets	1,914,206
Restricted for:	
Expendable:	
School-based activities	458,687
Debt service	425,829
Forestry improvements	14,331
Unemployment benefits	48,310
Expendable:	
Sixteenth section	9,815
Unrestricted	1,511,717
Total Net Position	\$ 4,382,895

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

**EAST TALLAHATCHIE SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

**For the Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Instruction	\$ 6,888,154	\$ 257,387	\$ 983,380	\$ -	\$ (5,647,387)
Support services	3,886,813	-	653,589	-	(3,233,224)
Non-instructional	778,839	40,906	686,474	-	(51,459)
Sixteenth section	2,160	-	-	-	(2,160)
Interest on long-term liabilities and other debt service costs	11,091	-	-	-	(11,091)
<b>Total Governmental Activities</b>	<b>\$ 11,567,057</b>	<b>\$ 298,293</b>	<b>\$ 2,323,443</b>	<b>\$ -</b>	<b>\$ (8,945,321)</b>

**General Revenues:**

**Taxes:**

General purpose levies 1,112,169

Debt purpose levies 122,690

**Unrestricted grants and contributions:**

State 5,966,849

Federal 83,435

Unrestricted investment earnings 6,136

Sixteenth section sources 397,828

Other 40,591

**Total General Revenues** 7,729,698

Transfers in 50

**Total General Revenues and Transfers** 7,729,748

Change in Net Position (1,215,573)

Net Position - Beginning, as previously reported 5,640,042

Prior Period Adjustments (41,574)

Net Position - Beginning, as restated 5,598,468

Net Position - Ending \$ 4,382,895

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

**EAST TALLAHATCHIE SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
**June 30, 2013**

**Exhibit C**

	Major Funds				Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	QSCB Debt Service Fund	Other Governmental Funds	
<b>Assets</b>					
Cash and cash equivalents	\$ 2,038,054	\$ 357,103	\$ 87,628	\$ 117,585	\$ 2,600,370
Investments	-	-	342,132	58,125	400,257
Due from other governments	81,646	-	3,305	132,551	217,502
Due from other funds	47	-	-	-	47
Advances	39,000	-	-	-	39,000
Inventories	-	-	-	8,705	8,705
<b>Total Assets</b>	<b>\$ 2,158,747</b>	<b>\$ 357,103</b>	<b>\$ 433,065</b>	<b>\$ 316,966</b>	<b>\$ 3,265,881</b>
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 579,998	\$ 11	\$ -	\$ 125,450	\$ 705,459
Advances	-	-	-	39,000	39,000
<b>Total Liabilities</b>	<b>579,998</b>	<b>11</b>	<b>-</b>	<b>164,450</b>	<b>744,459</b>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	-	-	-	8,705	8,705
Permanent fund principal	-	-	-	9,815	9,815
Advances	39,000	-	-	-	39,000
<b>Restricted:</b>					
Debt service	-	-	433,065	-	433,065
Grant activities	-	-	-	71,355	71,355
Forestry improvement purposes	-	-	-	14,331	14,331
Unemployment benefits	-	-	-	48,310	48,310
<b>Assigned:</b>					
School based activities	21,535	-	-	-	21,535
Sixteenth section	-	357,092	-	-	357,092
<b>Unassigned</b>	<b>1,518,214</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,518,214</b>
<b>Total Fund Balances</b>	<b>1,578,749</b>	<b>357,092</b>	<b>433,065</b>	<b>152,516</b>	<b>2,521,422</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,158,747</b>	<b>\$ 357,103</b>	<b>\$ 433,065</b>	<b>\$ 316,966</b>	<b>\$ 3,265,881</b>

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

**EAST TALLAHATCHIE SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2013**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 2,521,422

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	\$	50,956	
Buildings		3,325,455	
Building improvements		438,490	
Improvements other than buildings		794,470	
Mobile equipment		1,658,345	
Furniture and equipment		447,766	
Accumulated depreciation		<u>(3,623,276)</u>	3,092,206

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:

Quality school construction bonds		(1,178,000)	
Compensated absences payable		(45,497)	
Accrued interest payable		<u>(7,236)</u>	<u>(1,230,733)</u>

**Net position of governmental activities** \$ 4,382,895

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

**EAST TALLAHATCHIE SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D**

For the Year Ended June 30, 2013

	Major Funds				
	General Fund	Sixteenth Section Interest Fund	QSCB Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Local sources	\$ 1,409,104	\$ 1,642	\$ 111,617	\$ 57,515	\$ 1,579,878
State sources	6,054,752	-	-	217,652	6,272,404
Federal sources	83,435	-	-	2,017,889	2,101,324
Sixteenth section sources	-	397,828	-	-	397,828
<b>Total Revenues</b>	<b>7,547,291</b>	<b>399,470</b>	<b>111,617</b>	<b>2,293,056</b>	<b>10,351,434</b>
<b>Expenditures:</b>					
Instruction	5,491,691	-	-	1,252,227	6,743,918
Support services	3,193,012	-	-	782,979	3,975,991
Noninstructional services	399	-	-	785,937	786,336
Sixteenth section	-	140	-	2,160	2,300
Facilities acquisition and construction	-	-	-	31,052	31,052
Debt service:					
Interest	-	-	11,191	-	11,191
<b>Total Expenditures</b>	<b>8,685,102</b>	<b>140</b>	<b>11,191</b>	<b>2,854,355</b>	<b>11,550,788</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(1,137,811)	399,330	100,426	(561,299)	(1,199,354)
<b>Other Financing Sources (Uses):</b>					
Sale of other property	2,650	-	-	-	2,650
Sale of transportation equipment	8,009	-	-	-	8,009
Operating transfers in	403,981	-	-	559,861	963,842
Operating transfers out	(459,862)	(400,000)	-	(103,930)	(963,792)
<b>Total Other Financing Sources (Uses)</b>	<b>(45,222)</b>	<b>(400,000)</b>	<b>-</b>	<b>455,931</b>	<b>10,709</b>
<b>Net Change in Fund Balances</b>	<b>(1,183,033)</b>	<b>(670)</b>	<b>100,426</b>	<b>(105,368)</b>	<b>(1,188,645)</b>
<b>Fund Balances:</b>					
July 1, 2012, as originally reported	2,858,916	357,762	332,639	257,098	3,806,415
Prior period adjustment	(97,134)	-	-	-	(97,134)
July 1, 2012, as restated	2,761,782	357,762	332,639	257,098	3,709,281
Increase in reserve for inventory	-	-	-	786	786
<b>June 30, 2013</b>	<b>\$ 1,578,749</b>	<b>\$ 357,092</b>	<b>\$ 433,065</b>	<b>\$ 152,516</b>	<b>\$ 2,521,422</b>

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

**EAST TALLAHATCHIE SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2013**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ (1,188,645)

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 211,819	
Depreciation expense	<u>(200,056)</u>	11,763
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(35,381)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Accrued interest payable	<u>100</u>	100
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	(4,196)	
Change in inventory reserve	<u>786</u>	<u>(3,410)</u>
<b>Change in net position of governmental activities</b>		<u><u>\$ (1,215,573)</u></u>

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

**EAST TALLAHATCHIE SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Fiduciary Net Position**

**Exhibit E**

**June 30, 2013**

	Private- Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 29,152
Investments	20,000	-
Due from other governments	-	760
Total Assets	20,000	\$ 29,912
<b>Liabilities</b>		
Accounts payable and accrued liabilities	-	\$ 4,412
Due to student clubs	-	25,453
Advances	-	-
Due to other funds	-	47
Total Liabilities	-	\$ 29,912
<b>Net Position</b>		
Reserved for endowments	20,000	
Total Net Position	\$ 20,000	

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

**EAST TALLAHATCHIE SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2013**

**Exhibit F**

	Private-Purpose Trust Funds
<b>Additions</b>	
Investment income	\$ 50
Total Additions	<u>50</u>
<b>Deductions</b>	
Transfers out	50
Total Deductions	<u>50</u>
Change in Net Assets	<u>-</u>
<b>Net Position</b>	
July 1, 2012	<u>20,000</u>
June 30, 2013	<u>\$ 20,000</u>

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

# EAST TALLAHATCHIE SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2013

### **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. Basis of Presentation**

In July 2011, the GASB issued GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is effective for periods beginning after December 15, 2011. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

In April 2012, the GASB issued GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for periods beginning after December 15, 2012, with earlier implementation encouraged. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

Implementation of the above GASB statements resulted in a prior period adjustment of \$16,490 to remove previously deferred bond issue costs.

#### **B. 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, East Tallahatchie 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.

#### **C. 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.

EAST TALLAHATCHIE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

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

QSCB Debt Service Fund – This fund accounts the sinking fund activities of the qualified school construction bonds.

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

The District's fiduciary funds include the following:

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

Accounts Payable Clearing Fund – This fund serves as a clearing fund for accounts payable type transactions.

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.

# EAST TALLAHATCHIE SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2013

Scholarship Funds – These funds are used to account for the contributions to and scholarships awarded from the district's scholarship funds.

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

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

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

### FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

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.

## **D. 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

EAST TALLAHATCHIE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

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

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

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

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

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

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

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

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

**E. Encumbrances**

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any

EAST TALLAHATCHIE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

7. 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, Deferred Debt Expense, 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. Under GASB 65, issuance costs are reported as expenditures.

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.

## EAST TALLAHATCHIE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2013

#### 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, assigned or unassigned. Following are descriptions of fund classifications used by the district:

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

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

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

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

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

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

**Note 2 – Cash and Cash Equivalents and Investments**

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

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

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

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,600,370 and \$29,152, 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.

EAST TALLAHATCHIE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

Investments

As of June 30, 2013, the district had the following investments:

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Certificate of deposit - Governmental funds		1 to 5	\$ 58,125
Certificate of deposit - Fiduciary funds		1 to 5	20,000
Construction bonds common trust fund 2012-A	Unrated	Less than 1	342,132
Total			<u>\$ 420,257</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.

*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, 2013, 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, 2013, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Certificates of deposit - Governmental funds	\$ 58,125	14%
Certificates of deposit - Fiduciary funds	20,000	5%
Construction bond common trust fund 2012-A	342,132	81%
Total	<u>\$ 420,257</u>	<u>100%</u>

EAST TALLAHATCHIE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

**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	Fiduciary funds	\$ 47
Total		<u>\$ 47</u>

The purpose of the inter-fund loans was for normal business operations.

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

Receivable Fund	Payable Fund	Amount
General fund	Other governmental funds	\$ 39,000
Total		<u>\$ 39,000</u>

Advances were for cash flow purposes.

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 459,862
Sixteenth section interest fund	General Fund	400,000
Other governmental funds	General Fund	3,931
	Other governmental funds	99,999
Fiduciary	General Fund	50
Total		<u>\$ 963,842</u>

The primary purpose of the interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded. The primary reason for the transfer out of the other governmental funds is the indirect cost allocation from the general fund. The primary reason for the transfer from the sixteenth section interest fund to the general fund was for basic operations.

**Note 4 – Restricted Assets**

The restricted assets represent the investment balance, totaling \$9,815 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 and investment balance, totaling \$87,628 and \$342,132 respectively, of the QSCB debt service fund.

EAST TALLAHATCHIE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

**Note 5 – Capital Assets**

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

	Balance 7/1/2012	Increases	Decreases	Adjustments	Balance 6/30/2013
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 58,456	\$ -	\$ -	\$ (7,500)	\$ 50,956
Total non-depreciable capital assets	58,456	-	-	(7,500)	50,956
<u>Depreciable capital assets:</u>					
Buildings	3,285,949	39,506	-	-	3,325,455
Building improvements	375,892	62,598	-	-	438,490
Improvements other than buildings	794,470	-	-	-	794,470
Mobile equipment	1,794,608	83,000	(353,122)	133,859	1,658,345
Furniture and equipment	386,027	26,715	(6,958)	41,982	447,766
Total depreciable capital assets	6,636,946	211,819	(360,080)	175,841	6,664,526
<u>Less accumulated depreciation for:</u>					
Buildings	1,596,921	48,659	-	-	1,645,580
Building improvements	57,857	17,540	-	-	75,397
Improvements other than buildings	375,192	25,264	-	-	400,456
Mobile equipment	1,272,068	92,611	(317,811)	54,729	1,101,597
Furniture and equipment	349,590	15,982	(6,888)	41,562	400,246
Total accumulated depreciation	3,651,628	200,056	(324,699)	96,291	3,623,276
Total depreciable capital assets, net	2,985,318	11,763	(35,381)	79,550	3,041,250
Governmental activities capital assets, net	\$ 3,043,774	\$ 11,763	\$ (35,381)	\$ 72,050	\$ 3,092,206

Adjustments were made in order to balance to the subsidiary ledger for items not correctly recorded in prior periods.

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 140,040
Support services	40,011
Non-instructional	20,005
Total depreciation expense - Governmental activities	\$ 200,056

EAST TALLAHATCHIE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. Quality school construction bonds payable	\$ 1,178,000	\$ -	\$ -	\$ 1,178,000	-
B. Compensated absences payable	41,301	4,196	-	45,497	-
Total	1,219,301	4,196	-	1,223,497	-

**A. Quality 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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Quality school construction bonds	0.95%	11/6/2009	11/6/2019	\$ 1,178,000	\$ 1,178,000
Total				\$ 1,178,000	\$ 1,178,000

**B. 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.

**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, 2013 was 14.26% 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, 2013, 2012 and 2011 were \$937,980, \$821,203 and \$758,030, respectively, which equaled the required contributions for each year.

## EAST TALLAHATCHIE SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2013

#### **Note 8 – 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 9 – Risk Management**

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

##### Participation in Public Entity Risk Pool

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

#### **Note 10 – Sixteenth Section Lands**

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

Year Ending June 30	Amount
2014	\$ 333,218
2015	301,986
2016	196,986
2017	185,860
Total	<u>\$ 1,018,050</u>

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

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$429,760. 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
2014	\$ 117,800
2015	117,800
2016	117,800
2017	117,800
2018	117,800
2019 – 2020	235,600
Total	<u>\$ 824,600</u>

EAST TALLAHATCHIE SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2013

**Note 12 - Prior Period Adjustments**

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanations	Amount
1. To remove bond issuance costs deferred in a prior period due to the implementation of GASB 65.	\$ (16,490)
2. To balance capital assets to subsidiary ledger.	72,050
3. To correct beginning fund balance.	(97,134)
Total	<u>\$ (41,574)</u>

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

Fund	Explanations	Amount
General fund	Adjustment made to correct beginning fund balance.	\$ (97,134)
		<u>\$ (97,134)</u>

**Note 13 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the East Tallahatchie School District evaluated the activity of the district through March 7, 2014, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**EAST TALLAHATCHIE SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 1,334,118	\$ 1,436,083	\$ 1,409,104	\$ 101,965	\$ (26,979)
State sources	5,999,098	6,031,147	6,054,752	32,049	23,605
Federal sources	78,500	79,340	83,435	840	4,095
<b>Total Revenues</b>	<b>7,411,716</b>	<b>7,546,570</b>	<b>7,547,291</b>	<b>134,854</b>	<b>721</b>
<b>Expenditures:</b>					
Instruction	5,550,336	5,749,233	5,491,691	(198,897)	257,542
Support services	2,846,325	3,362,900	3,193,012	(516,575)	169,888
Noninstructional	-	419	399	(419)	20
<b>Total Expenditures</b>	<b>8,396,661</b>	<b>9,112,552</b>	<b>8,685,102</b>	<b>(715,891)</b>	<b>427,450</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(984,945)</b>	<b>(1,565,982)</b>	<b>(1,137,811)</b>	<b>(581,037)</b>	<b>428,171</b>
<b>Other Financing Sources (Uses):</b>					
Sale of other property	-	2,650	2,650	2,650	-
Sale of transportation equipment	-	7,509	8,009	7,509	500
Operating transfers in	1,253,189	1,253,189	403,981	-	(849,208)
Operating transfers out	(1,014,009)	(1,200,477)	(459,862)	(186,468)	740,615
<b>Total Other Financing Sources (Uses)</b>	<b>239,180</b>	<b>62,871</b>	<b>(45,222)</b>	<b>(176,309)</b>	<b>(108,093)</b>
<b>Net Change in Fund Balances</b>	<b>(745,765)</b>	<b>(1,503,111)</b>	<b>(1,183,033)</b>	<b>(757,346)</b>	<b>320,078</b>
<b>Fund Balances:</b>					
July 1, 2012, as originally reported	2,858,916	2,858,916	2,858,916	-	-
Prior period adjustment	(97,134)	(97,134)	(97,134)	-	-
July 1, 2012, as restated	2,761,782	2,761,782	2,761,782	-	-
<b>June 30, 2013</b>	<b>\$ 2,016,017</b>	<b>\$ 1,258,671</b>	<b>\$ 1,578,749</b>	<b>\$ (757,346)</b>	<b>\$ 320,078</b>

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

**EAST TALLAHATCHIE SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Sixteenth Section Interest Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Original	Final
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 1,700	\$ 1,700	\$ 1,642	\$ -	\$ (58)
Sixteenth section sources	332,826	395,971	397,828	63,145	1,857
<b>Total Revenues</b>	<b>334,526</b>	<b>397,671</b>	<b>399,470</b>	<b>63,145</b>	<b>1,799</b>
<b>Expenditures:</b>					
Sixteenth section	66,900	66,900	140	-	66,760
<b>Total Expenditures</b>	<b>66,900</b>	<b>66,900</b>	<b>140</b>	<b>-</b>	<b>66,760</b>
Excess (Deficiency) of Revenues over (under) Expenditures	267,626	330,771	399,330	63,145	68,559
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(200,000)	(400,000)	(400,000)	(200,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(200,000)</b>	<b>(400,000)</b>	<b>(400,000)</b>	<b>(200,000)</b>	<b>-</b>
Net Change in Fund Balances	67,626	(69,229)	(670)	(136,855)	68,559
<b>Fund Balances:</b>					
July 1, 2012	357,762	357,762	357,762	-	-
June 30, 2013	\$ 425,388	\$ 288,533	\$ 357,092	\$ (136,855)	\$ 68,559

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2013

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

**EAST TALLAHATCHIE SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 187,045
National school lunch program	10.555	550,834
Total child nutrition cluster		<u>737,879</u>
Total passed-through the Mississippi Department of Education		<u>737,879</u>
<b>Total U.S. Department of Agriculture</b>		<u>737,879</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	73,560
<b>Total Federal Communications Commission</b>		<u>73,560</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	741,321
Career and technical education - basic grants to states	84.048	20,844
Education of homeless children and youth	84.196	16,660
Rural education	84.358	24,742
Improving teacher quality-State Grants	84.367	34,394
Subtotal		<u>837,961</u>
Special education cluster:		
Special education - grants to states	84.027	439,019
Special education - preschool grants	84.173	8,625
Total special education cluster		<u>447,644</u>
Total passed-through Mississippi Department of Education		<u>1,285,605</u>
<b>Total U.S. Department of Education</b>		<u>1,285,605</u>
Total for All Federal Awards		<u>\$ 2,097,044</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.

**EAST TALLAHATCHIE SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2013**

<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	\$ 9,090,754	6,949,883	536,070	527,681	1,077,120
Other	2,460,034	760,476	100,732	10,960	1,587,866
Total	<u>\$ 11,550,788</u>	<u>7,710,359</u>	<u>636,802</u>	<u>538,641</u>	<u>2,664,986</u>
Total number of students *	<u>1,194</u>				
Cost per student	\$ 9,674	6,458	533	451	2,232

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

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

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

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

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

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

OTHER INFORMATION

**EAST TALLAHATCHIE SCHOOL DISTRICT**

**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 1,409,104	\$ 1,520,204	\$ 1,361,287	\$ 1,515,748
State sources	6,054,752	6,165,076	5,914,191	6,018,809
Federal sources	83,435	83,901	91,740	39,352
<b>Total Revenues</b>	<b>7,547,291</b>	<b>7,769,181</b>	<b>7,367,218</b>	<b>7,573,909</b>
<b>Expenditures:</b>				
Instruction	5,491,691	4,920,365	4,466,860	4,886,396
Support services	3,193,012	2,899,142	2,882,104	3,314,542
Noninstructional services	399	-	-	1,624
Facilities acquisition and construction	-	89,636	7,500	-
<b>Total Expenditures</b>	<b>8,685,102</b>	<b>7,909,143</b>	<b>7,356,464</b>	<b>8,202,562</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(1,137,811)</b>	<b>(139,962)</b>	<b>10,754</b>	<b>(628,653)</b>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	-	1,000	26,322	-
Sale of transportation equipment	8,009	-	-	-
Sale of other property	2,650	-	-	-
Operating transfers in	403,981	400,026	404,614	15,218
Other financing sources	-	-	-	5,353
Operating transfers out	(459,862)	(332,992)	(357,798)	(440,677)
<b>Total Other Financing Sources (Uses)</b>	<b>(45,222)</b>	<b>68,034</b>	<b>73,138</b>	<b>(420,106)</b>
<b>Net Change in Fund Balances</b>	<b>(1,183,033)</b>	<b>(71,928)</b>	<b>83,892</b>	<b>(1,048,759)</b>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	2,858,916	2,930,844	2,846,952	3,895,711
Prior period adjustments	(97,134)	-	-	-
Beginning of period, as restated	<b>2,761,782</b>	<b>2,930,844</b>	<b>2,846,952</b>	<b>3,895,711</b>
<b>End of Period</b>	<b>\$ 1,578,749</b>	<b>\$ 2,858,916</b>	<b>\$ 2,930,844</b>	<b>\$ 2,846,952</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**EAST TALLAHATCHIE SCHOOL DISTRICT**

**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 1,579,878	\$ 1,735,081	\$ 1,570,531	\$ 1,718,109
State sources	6,272,404	6,403,916	6,119,139	6,230,315
Federal sources	2,101,324	2,627,841	3,104,634	3,322,462
Sixteenth section sources	397,828	337,613	343,900	276,017
<b>Total Revenues</b>	<b>10,351,434</b>	<b>11,104,451</b>	<b>11,138,204</b>	<b>11,546,903</b>
<b>Expenditures:</b>				
Instruction	6,743,918	6,675,953	6,651,719	7,287,145
Support services	3,975,991	3,625,678	3,693,915	4,231,171
Noninstructional services	786,336	749,456	740,853	757,718
Sixteenth section	2,300	2,850	58,060	34,848
Facilities acquisition and construction	31,052	696,620	105,041	158,173
Debt service:				
Interest	11,191	11,169	11,191	-
Other	-	-	-	23,558
<b>Total Expenditures</b>	<b>11,550,788</b>	<b>11,761,726</b>	<b>11,260,779</b>	<b>12,492,613</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(1,199,354)</b>	<b>(657,275)</b>	<b>(122,575)</b>	<b>(945,710)</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds of bonds	-	-	-	1,178,000
Insurance recovery	-	1,000	26,322	-
Transfer from QSCB debt service agent	-	-	117,800	-
Sale of transportation equipment	8,009	-	-	-
Sale of other property	2,650	-	-	-
Operating transfers in	963,842	733,018	762,412	455,895
Other financing sources	-	-	-	5,353
Operating transfers out	(963,792)	(732,992)	(762,412)	(455,895)
Transfer to QSCB escrow agent	-	-	(117,800)	-
<b>Total Other Financing Sources (Uses)</b>	<b>10,709</b>	<b>1,026</b>	<b>26,322</b>	<b>1,183,353</b>
<b>Net Change in Fund Balances</b>	<b>(1,188,645)</b>	<b>(656,249)</b>	<b>(96,253)</b>	<b>237,643</b>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	3,806,415	4,466,106	4,560,472	4,331,792
Prior period adjustment	(97,134)	-	-	-
<b>Beginning of period, as restated</b>	<b>3,709,281</b>	<b>4,466,106</b>	<b>4,560,472</b>	<b>4,331,792</b>
<b>Increase (Decrease) in reserve for inventory</b>	<b>786</b>	<b>(3,442)</b>	<b>1,887</b>	<b>(8,963)</b>
<b>End of Period</b>	<b>\$ 2,521,422</b>	<b>\$ 3,806,415</b>	<b>\$ 4,466,106</b>	<b>\$ 4,560,472</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board  
East Tallahatchie School District  
Charleston, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Tallahatchie School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the East Tallahatchie School District's basic financial statements, and have issued our report thereon dated March 7, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered East Tallahatchie 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 East Tallahatchie School District's internal control. Accordingly, we do not express an opinion on the effectiveness of East Tallahatchie School District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. [Finding 2013-1].

### **Compliance and Other Matters**

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

The East Tallahatchie School District's response to the finding identified in our audit is described in the accompanying Auditee Corrective Action Plan. We did not audit East Tallahatchie School District's response and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



Cunningham CPAs, PLLC

Belzoni, Mississippi

March 7, 2014

# CUNNINGHAM CPAs, PLLC

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

Superintendent and School Board  
East Tallahatchie School District  
Charleston, Mississippi

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

We have audited East Tallahatchie 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 East Tallahatchie School District's major federal programs for the year ended June 30, 2013. East Tallahatchie School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of East Tallahatchie 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 East Tallahatchie 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 East Tallahatchie School District's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, East Tallahatchie 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, 2013.

#### **Report on Internal Control Over Compliance**

Management of East Tallahatchie 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 East Tallahatchie 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 East Tallahatchie School District's internal control over compliance.

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

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

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



Cunningham CPAs, PLLC

Belzoni, Mississippi

March 7, 2014

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

# CUNNINGHAM CPAs, PLLC

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

Superintendent and School Board  
East Tallahatchie School District  
Charleston, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Tallahatchie School District as of and for the year ended June 30, 2013, which collectively comprise East Tallahatchie School District's basic financial statements and have issued our report thereon dated March 7, 2014. 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 \$8,675 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 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.

A handwritten signature in cursive script that reads "Cunningham CPAs".

Cunningham CPAs, PLLC

Belzoni, Mississippi

March 7, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EAST TALLAHATCHIE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified   |
| 2. | Internal control over financial reporting:                   |               |
|    | a. Material weakness(es) identified?                         | Yes           |
|    | 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:  | Unqualified   |
| 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. Child Nutrition Cluster:  |               |
|    | CFDA #   | 10.553        |
|    | CFDA #   | 10.555        |
|    | C. 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 a low-risk auditee?   | No            |

EAST TALLAHATCHIE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

Section II: Financial Statement Findings

The results of our tests disclosed the following finding related to the financial statements that is required to be reported under *Government Auditing Standards*:

Significant Deficiency Considered to Be a Material Weakness

2013-01 Controls Surrounding Segregation of Duties Should Be Strengthened

Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets.

During our tests of internal controls, we noted that the business manager performed, or had the ability to perform, the following functions, which indicated a lack of segregation of duties:

- Prepared deposit slips
- Transported deposits to the banking institution
- Posted entries to the general ledger
- Performed monthly bank reconciliations
- Prepared monthly financial reports

The cause of the lack of segregation of duties was not determinable by the auditor.

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

Recommendation

We recommend the district strengthen its internal controls whereby duties would be divided to the greatest possible extent.

Section III: Federal Award Findings and Questioned Costs

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

**EAST TALLAHATCHIE SCHOOL DISTRICT**

411 East Chestnut Street  
CHARLESTON, MS 38921  
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As required by Section .315(b) of OMB Circular A-133, the East Tallahatchie 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, 2013:

<u>Finding</u>	<u>Correction Action Plan Details</u>
2013-01	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Ashley Toole, Business Manager, 662-647-5524</p> <p>b. Corrective Action Planned:</p> <p>The East Tallahatchie School District will strengthen its internal controls whereby duties will be divided to the greatest possible extent.</p> <p>c. Anticipated Completion Date:</p> <p>Immediately.</p>