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PRENTISS COUNTY SCHOOL DISTRICT
AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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

PRENTISS COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Prentiss County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Prentiss County 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 4-12 and 40-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Prentiss County 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 February 15, 2016 on our consideration of the Prentiss County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Prentiss County School District's internal control over financial reporting and compliance.

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
February 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

PRETISS COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

The following discussion and analysis of Prentiss County 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 increased \$1,226,657 including a prior period adjustment of \$65,497, which represents a 12.31% increase from fiscal year 2012. Total net position for 2012 increased \$1,028,220, which represents a 11.51% increase from fiscal year 2011.
- General revenues amounted to \$15,874,271 and \$15,777,382, or 77.93% and 77.26% 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 \$4,494,677, or 22.06% of total revenues for 2013, and \$4,644,601, or 22.74% of total revenues for 2012.
- The District had \$19,207,788 and \$19,393,763 in expenses for fiscal years 2013 and 2012; only \$4,494,777 for 2013 and \$4,644,601 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$15,874,271 for 2013 and \$15,777,382 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$15,136,528 in revenues and \$14,590,606 in expenditures for 2013, and \$15,094,870 in revenues and \$14,491,528 in expenditures in 2012. The General Fund's fund balance increased by \$595,048, from 2012 to 2013, and increased by \$880,847, from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$165,637, including a prior period adjustment of \$5,922, for 2013 and decreased by \$127,669 for 2012. The decrease for 2013 was due to the net effect of the addition of assets coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$540,987, including a prior period adjustment of \$74,544, for 2013 and decreased \$197,302 for 2012. This decrease for 2013 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$2,988 for 2013 and decreased by \$11,078 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 readers with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

PRENTISS COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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

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

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

Fund Financial Statements.

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

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

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

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

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

**PRETISS COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$11,191,704 as of June 30, 2013.

**PRENTISS COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended 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.

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**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 5,427,229	\$ 4,724,472	14.87 %
Restricted assets	61,346	56,066	9.42 %
Capital assets, net	9,466,440	9,632,077	(1.72) %
Total assets	<u>14,955,015</u>	<u>14,412,615</u>	3.76 %
Deferred outflow on advanced refunding of debt	64,278		N/A
Total deferred outflows of resources	<u>64,278</u>		N/A
Current liabilities	86,675	162,679	(46.72) %
Long-term debt outstanding	3,740,914	4,284,889	(12.70) %
Total liabilities	<u>3,827,589</u>	<u>4,447,568</u>	(13.94) %
Net position:			
Net investment in capital assets	6,148,026	5,853,847	5.03 %
Restricted	1,994,094	1,087,200	83.42 %
Unrestricted	3,049,584	3,024,000	0.85 %
Total net position	<u>\$ 11,191,704</u>	<u>\$ 9,965,047</u>	12.31 %

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

- The decrease in net capital assets in the amount of \$165,637.
- The principal retirement of \$540,987 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$20,368,948 and \$20,421,983, respectively. The total cost of all programs and services was \$19,207,788 for 2013 and \$19,393,763 for 2012.

PRENTISS COUNTY 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>
Revenues:			
Program revenues:			
Charges for services	\$ 896,636	\$ 878,821	2.03 %
Operating grants and contributions	3,598,041	3,765,780	(4.45) %
General revenues:			
Property taxes	3,306,005	3,145,305	5.11 %
Grants and contributions not restricted	12,189,222	12,347,469	(1.28) %
Unrestricted investment earnings	1,357	10,965	(87.62) %
Other	377,687	273,643	38.02 %
Total revenues	<u>20,368,948</u>	<u>20,421,983</u>	(0.26) %
Expenses:			
Instruction	12,095,722	12,110,125	(0.12) %
Support services	5,239,294	5,492,323	(4.61) %
Non-instructional	1,652,517	1,615,264	2.31 %
Interest on long-term liabilities	220,255	176,051	25.11 %
Total expenses	<u>19,207,788</u>	<u>19,393,763</u>	(0.96) %
Increase (Decrease) in net position	<u>1,161,160</u>	<u>1,028,220</u>	12.93 %
Net Position, July 1, as previously reported	<u>9,965,047</u>	<u>8,936,827</u>	11.51 %
Prior Period Adjustment	<u>65,497</u>		N/A %
Net Position, July 1, as restated	<u>10,030,544</u>	<u>8,936,827</u>	12.24 %
Net Position, June 30	<u>\$ 11,191,704</u>	<u>\$ 9,965,047</u>	12.31 %

Governmental activities

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

**PRENTISS COUNTY 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	\$ 12,095,722	\$ 12,110,125	(0.12) %
Support services	5,239,294	5,492,323	(4.61) %
Non-instructional	1,652,517	1,615,264	2.31 %
Interest on long-term liabilities	220,255	176,051	25.11 %
Total expenses	\$ <u>19,207,788</u>	\$ <u>19,393,763</u>	(0.96) %

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Instruction	\$ (9,452,572)	\$ (9,761,892)	(3.17) %
Support services	(4,470,399)	(4,609,144)	(3.01) %
Non-instructional	(569,885)	(202,075)	182.02 %
Interest on long-term liabilities	(220,255)	(176,051)	25.11 %
Total net (expense) revenue	\$ <u>(14,713,111)</u>	\$ <u>(14,749,162)</u>	(0.24) %

- Net cost of governmental activities (\$14,713,111 for 2013 and \$14,749,162 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$3,306,005 for 2013 and \$3,145,305 for 2012) and state and federal revenues (\$12,189,222 for 2013 and \$12,347,469 for 2012)
- Investment earnings amounted to \$1,357 for 2013 and \$10,965 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 \$5,413,992, an increase of \$797,149, which includes a decrease in inventory of \$1,187. \$3,407,805 or 62.94% 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 \$2,006,187 or 37.06% 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.

**PRENTISS COUNTY 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 increase in fund balance in the General Fund for the fiscal year was \$595,048. The fund balance of Other Governmental Funds showed an increase in the amount of \$73,546. The increase or no increase or decrease in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Food Service Fund	\$ 128,555
Title I Fund	no increase or decrease
Title II Fund	no increase or decrease
EHA Part B Fund	no increase or decrease

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 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 \$15,106,207, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment and any intangible assets. This amount represents an increase of \$177,968 from 2012. Total accumulated depreciation as of June 30, 2013, was \$5,639,767, which includes a prior period adjustment of \$632, and total depreciation expense for the year was \$347,478, resulting in total net capital assets of \$9,466,440.

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

	June 30, 2013	June 30, 2012	Percentage Change
	\$	\$	
Land	252,754	252,754	0.00 %
Construction in progress	7,862	7,862	0.00 %
Buildings	8,027,588	8,251,009	(2.71) %
Building improvements	348,628	370,012	(5.78) %
Improvements other than buildings	263,949	136,417	93.49 %
Mobile equipment	514,040	584,599	(12.07) %
Furniture and equipment	27,883	22,986	21.30 %
Leased property under capital leases	23,736	6,438	268.69 %
Total	<u>\$ 9,466,440</u>	<u>\$ 9,632,077</u>	(1.72) %

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

Debt Administration. At June 30, 2013, the District had \$3,740,914 in outstanding long-term debt, of which \$615,535 is due within one year. The liability for compensated absences decreased \$2,988 from the prior year. The District made principal payments on long-term debt in the amount of \$626,339 and new long-term debt was issued in the amount of \$15,420.

**PRETISS COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Limited obligation bonds payable	1,695,000	2,005,000	(15.46) %
Addition: bond premium	11,717		N/A %
Three mill notes payable	1,610,000	1,770,000	(9.04) %
Less: deferred refunded amounts		(43,218)	(100.00) %
Addition: bond premium	14,997		N/A %
Shortfall notes payable	176,067	260,360	(32.38) %
Obligations under capital leases	15,468	3,230	378.89 %
Obligations under energy efficiency lease	35,510	104,374	(65.98) %
Compensated absences payable	182,155	185,143	(1.61) %
Total	\$ <u>3,740,914</u>	\$ <u>4,284,889</u>	(12.70) %

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

CURRENT ISSUES

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

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

Enrollment for the 2012-2013 school year decreased by 0.04% to 2,290 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Prentiss County School District, 105 North College, Booneville, MS 38829.

FINANCIAL STATEMENTS

PRETISS COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2013

Assets	
Cash and cash equivalents	\$ 4,648,652
Due from other governments	749,928
Other receivables	1,653
Inventories	26,996
Restricted assets	61,346
Capital assets, non-depreciable:	
Land	252,754
Construction in progress	7,862
Capital assets, net of accumulated depreciation:	
Buildings	8,027,588
Building improvements	348,628
Improvements other than buildings	263,949
Mobile equipment	514,040
Furniture and equipment	27,883
Leased equipment	23,736
Total Assets	<u>\$ 14,955,015</u>
Deferred Outflows of Resources	
Deferred outflow on advanced refunding of debt	<u>64,278</u>
Total deferred outflows of resources	<u>64,278</u>
Liabilities	
Cash deficit	943
Accounts payable and accrued liabilities	71,580
Unearned revenue	2,060
Interest payable on long-term liabilities	12,092
Long-term liabilities, due within one year:	
Capital related liabilities	528,773
Non-capital related liabilities	86,762
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,853,919
Non-capital related liabilities	271,460
Total Liabilities	<u>\$ 3,827,589</u>
Net Position	
Net investment in capital assets	6,148,026
Restricted for:	
Expendable:	
School based activities	1,412,027
Debt service	524,000
Unemployment benefits	58,067
Unrestricted	3,049,584
Total Net Position	<u>\$ 11,191,704</u>

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

PRETISS COUNTY SCHOOL DISTRICT
 Statement of Activities
 For the Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Assets</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary government:					
Governmental activities:					
Instruction	\$ 12,095,722	556,808	2,086,342		(9,452,572)
Support services	5,239,294		768,895		(4,470,399)
Noninstructional services	1,652,517	339,828	742,804		(569,885)
Interest and fiscal charges	220,255				(220,255)
Total Governmental Activities	<u>\$ 19,207,788</u>	<u>896,636</u>	<u>3,598,041</u>		<u>(14,713,111)</u>
General revenues:					
Taxes:					
General purpose levies				\$ 3,011,375	
Debt purpose levies				294,630	
Unrestricted grants and contributions:					
State				12,048,316	
Federal				140,906	
Unrestricted investment earnings				1,357	
Other				<u>377,687</u>	
Total General Revenues				<u>15,874,271</u>	
Changes in Net Position					<u>1,161,160</u>
Net Position - Beginning, as previously reported					9,965,047
Prior Period Adjustments					<u>65,497</u>
Net Position - Beginning as restated					<u>10,030,544</u>
Net Position - Ending					<u>\$ 11,191,704</u>

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

PRETISS COUNTY SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2013

	Major Funds					Other Governmental Funds	Total
	General Fund	Food Service Fund	Title I Fund	Title II - Imp Teacher Quality Fund	EHA Part B Fund		
Assets:							
Cash and cash equivalents	3,631,350	689,336				327,966	4,648,652
Investments						61,346	61,346
Due from other governments	279,336	2,882	85,860	46,369	99,890	235,591	749,928
Due from other funds	251,581						251,581
Other receivables	710		387	556			1,653
Inventories		26,996					26,996
Total Assets	4,162,977	719,214	86,247	46,925	99,890	624,903	5,740,156
Liabilities and Fund Balances							
Liabilities:							
Cash deficit			387	556			943
Accounts payable and accrued liabilities	62,040	899	605		350	7,686	71,580
Due to other funds			85,255	46,369	99,540	20,417	251,581
Unearned revenue						2,060	2,060
Total Liabilities	62,040	899	86,247	46,925	99,890	30,163	326,164
Fund Balances:							
Nonspendable:							
Inventory		26,996					26,996
Restricted for:							
Debt service funds						536,092	536,092
Food services		691,319					691,319
Grant activities						581	581
Unemployment benefits						58,067	58,067
Assigned:							
Activity funds	236,911						236,911
Transportation equipment	456,221						456,221
Unassigned	3,407,805						3,407,805
Total Fund Balances	4,100,937	718,315				594,740	5,413,992
Total Liabilities and Fund Balances	4,162,977	719,214	86,247	46,925	99,890	624,903	5,740,156

PRETISS COUNTY SCHOOL DISTRICT
 Reconciliation of Governmental Funds Balance Sheet to the
 Statement of Net Position
 June 30, 2013

Total Fund Balance - Governmental Funds \$ 5,413,992

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds:

Land	252,754	
Construction in progress	7,862	
Buildings	11,891,427	
Building improvements	534,586	
Improvements other than buildings	327,956	
Mobile equipment	1,408,188	
Furniture and equipment	501,484	
Leased equipment	181,950	
Accumulated depreciation	<u>(5,639,767)</u>	9,466,440

An advanced refunding that result in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources on the Statement of Net Position. 64,278

Long-term liabilities and related accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.

Limited tax refunding notes	(1,610,000)	
Limited obligation bonds	(1,695,000)	
Shortfall notes payable	(176,067)	
Capital leases payable	(50,978)	
Compensated absences	(182,155)	
Unamortized premiums	(26,714)	
Accrued interest payable	<u>(12,092)</u>	(3,753,006)

Total Net Position of Governmental Activities \$ 11,191,704

PRENTISS COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	<u>Major Fund</u>						Total Governmental Funds
	General Fund	Food Service Fund	Title I Fund	Title II Imp Teacher Quality Fund	EHA Part B Fund	Other Governmental Funds	
REVENUES							
Local sources	\$ 3,853,431	\$ 360,325	\$	\$	\$	\$ 367,929	\$ 4,581,685
State sources	11,091,655	13,589				1,669,323	12,774,567
Federal sources	191,442	1,205,724	571,475	152,215	781,723	110,117	3,012,696
Total Revenues	<u>15,136,528</u>	<u>1,579,638</u>	<u>571,475</u>	<u>152,215</u>	<u>781,723</u>	<u>2,147,369</u>	<u>20,368,948</u>
EXPENDITURES							
Current:							
Instruction	10,092,567		469,771	94,364	357,723	1,081,008	12,095,433
Support services	4,110,147	68,014	99,468	57,851	274,513	323,715	4,933,708
Noninstructional services	315,091	1,344,602	136				1,659,829
Facilities acquisition and construction services					140,650		140,650
Debt service:							
Principal	69,766	2,280				554,293	626,339
Interest	3,035					124,598	127,633
Other						2,440	2,440
Total Expenditures	<u>14,590,606</u>	<u>1,414,896</u>	<u>569,375</u>	<u>152,215</u>	<u>772,886</u>	<u>2,086,054</u>	<u>19,586,032</u>
Excess of Revenues over (under) Expenditures	<u>545,922</u>	<u>164,742</u>	<u>2,100</u>		<u>8,837</u>	<u>61,315</u>	<u>782,916</u>
OTHER FINANCING SOURCES (USES)							
Bonds and notes issued	15,420						15,420
Operating transfers in	46,078					12,372	58,450
Operating transfers out	(12,372)	(35,000)	(2,100)		(8,837)	(141)	(58,450)
Total Other Financing Sources and Uses	<u>49,126</u>	<u>(35,000)</u>	<u>(2,100)</u>		<u>(8,837)</u>	<u>12,231</u>	<u>15,420</u>
Net Changes in Fund Balances	595,048	129,742				73,546	798,336
Fund Balances - Beginning	3,505,889	589,760				521,194	4,616,843
Increase (decrease) in reserve for inventory		(1,187)					(1,187)
Fund Balances - Ending	<u>\$ 4,100,937</u>	<u>\$ 718,315</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 594,740</u>	<u>\$ 5,413,992</u>

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

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

Net Changes in Fund Balances - Governmental Funds \$ 798,336

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

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 189,098	
Depreciation expense	<u>(347,478)</u>	(158,380)

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.

(1,335)

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.

Bonds and notes issued	(15,420)	
Payments of debt principal	626,339	
Accrued interest payable	<u>11,662</u>	622,581

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	2,988	
Change in inventory reserve	(1,187)	
Bond issuance costs expensed in current year per implementation of GASB 65	(99,313)	
Amortization of amount on advanced refunding of debt	(7,142)	
Amortization of premiums	<u>4,612</u>	(100,042)

Change in Net Position of Governmental Activities \$ 1,161,160

PRETISS COUNTY SCHOOL DISTRICT
 Statement of Fiduciary Assets and Liabilities
 June 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>967,213</u>
Total Assets	<u><u>967,213</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	871,791
Due to student clubs	<u>95,422</u>
Total Liabilities	\$ <u><u>967,213</u></u>

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

PRENTISS COUNTY 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 March of 2012 the GASB issued Statement No. 65 *Items Previously Reported as Assets and Liabilities*. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012 with early implementation encouraged. The district early implemented GASB Statement No. 65. As a result issuance costs that were previously amortized in the Statement of Net Position and were immaterial to the financial statements, were expensed with current year activity as a component of interest expense.

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, Prentiss County School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

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.

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:

- A. 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.

PRENTISS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

- B. 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.
- C. 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 is excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental fund:

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

Food Service Fund – This fund is used to account for revenues and expenditures associated with the operation of providing meals to students.

Title I Fund – This fund is used to account for the federal revenues and expenditures associated with the Title I program.

Title II Improving Teacher Quality Fund – This fund is used to account for the federal revenues and expenditures associated with the Title II program.

EHA Part B Fund – This fund is used to account for the federal revenues and expenditures associated with the Special Education program.

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

PRENTISS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

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 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

PRETISS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

PRETISS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes.

6. Capital Assets

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

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

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

PRETISS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflow of resources is the deferred charges that is a result of the advanced refunding of the 2012 three mill note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district does not report any deferred inflows.

8. Compensated Absences

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

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

9. Long-term Liabilities, 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.

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.

PRETISS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

10. Fund Balances

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

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

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

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

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

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

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

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

Note 2 – Cash and Cash Equivalents, 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

PRENTISS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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 the financial institutions reported in the governmental funds and fiduciary funds was \$4,648,652 and \$967,213, respectively.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance \$5,676,014 was exposed to custodial credit risk.

Investments

As of June 30, 2013, the district had the following investment.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Hancock Horizon Treasury Securities			
Money Market Mutual Funds	AAA	Less than 1 year	\$ 61,346
Total			\$ <u>61,346</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.

PRENTISS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

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 no investments requiring such disclosure.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 85,255
General Fund	Title II – Imp Teacher Quality	46,369
General Fund	EHA Part B Fund	99,540
General Fund	Other governmental funds	20,417
Total		\$ 251,581

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 12,372
Food Service Fund	General Fund	35,000
Title I Fund	General Fund	2,100
EHA Part B Fund	General Fund	8,837
Other governmental funds	General Fund	141
Total		\$ 58,450

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

Note 4 – Restricted Assets

The restricted assets represent the investment balance, totaling \$61,346 of the Limited Obligation Bonds (State Aid Capital Improvements Refunding Series, 2007).

PRETISS COUNTY 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 activities:

	Balance 7/1/2012	Increases	Decreases	Adjustments	Balance 6/30/2013
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 252,754	\$	\$	\$	\$ 252,754
• Construction in progress	7,862				7,862
Total non-depreciable capital assets	\$ 260,616	\$	\$	\$	\$ 260,616
<u>Depreciable capital assets:</u>					
Buildings	11,891,427				11,891,427
Building improvements	534,586				534,586
Improvements other than buildings	187,306	140,650			327,956
Mobile equipment	1,414,028		5,840		1,408,188
Furniture and equipment	480,026	26,748		(5,290)	501,484
Leased equipment	160,250	21,700			181,950
Total depreciable capital assets	14,667,623	189,098	5,840	(5,290)	14,845,591
<u>Less accumulated depreciation for:</u>					
Buildings	3,640,418	223,421			3,863,839
Building improvements	164,574	21,384			185,958
Improvements other than buildings	50,889	13,118			64,007
Mobile equipment	829,429	69,224	4,505		894,148
Furniture and equipment	457,040	15,929		632	473,601
Leased equipment	153,812	4,402			158,214
Total accumulated depreciation	5,296,162	347,478	4,505	632	5,639,767
Total depreciable capital assets, net	9,371,461	(158,380)	1,335	(5,922)	9,205,824
Governmental activities capital assets, net	\$ 9,632,077	\$ (158,380)	\$ 1,335	\$ (5,922)	\$ 9,466,440

The adjustment to capital assets is to correct beginning accumulated depreciation and an error in furniture and equipment.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental Activities:	
Instruction	\$ 3,282
Support services	325,950
Non-instructional	18,246
Total Depreciation Expense	\$ 347,478

Construction in progress is composed of:

	Spent to June 30, 2013	Remaining Commitment
Governmental Activities:		
Marietta football field	\$ 7,862	Unknown
Total	\$ 7,862	

PRENTISS COUNTY 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	Adjustments	Balance 6/30/2013	Amounts due within one year
A. Limited obligation bonds payable	\$ 2,005,000	\$	\$ 310,000	\$	\$ 1,695,000	\$ 320,000
Addition: bond premium			2,930	14,647	11,717	2,930
B. Three mill notes payable	1,770,000		160,000		1,610,000	165,000
Less: deferred refunded amounts	(43,218)			43,218		
Addition: bond premium			1,682	16,679	14,997	1,682
C. Shortfall note payable	260,360		84,293		176,067	86,762
D. Obligations under capital lease	3,230	15,420	3,182		15,468	3,651
E. Obligations under energy efficiency lease	104,374		68,864		35,510	35,510
F. Compensated absences payable	185,143		2,988		182,155	
Total	<u>\$ 4,284,889</u>	<u>\$ 15,420</u>	<u>\$ 633,939</u>	<u>\$ 74,544</u>	<u>\$ 3,740,914</u>	<u>\$ 615,535</u>

A. Limited obligation bonds payable

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

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding, Series 2007	4.00%	9/11/2007	04/01/2018	3,200,000	1,695,000
Total				<u>\$ 3,200,000</u>	<u>\$ 1,695,000</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 320,000	\$ 67,800	\$ 387,800
2015	335,000	55,000	390,000
2016	345,000	41,600	386,600
2017	365,000	27,800	392,800
2018	330,000	13,200	343,200
Total	<u>\$ 1,695,000</u>	<u>\$ 205,400</u>	<u>\$ 1,900,400</u>

PRENTISS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax refunding Series 2012	1.0%-2.5%	6/20/2012	06/30/2022	\$ 1,640,000	\$ 1,610,000
Total				<u>\$ 1,640,000</u>	<u>\$ 1,610,000</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 165,000	\$ 32,000	\$ 197,000
2015	170,000	30,350	200,350
2016	170,000	26,950	196,950
2017	175,000	23,550	198,550
2018	180,000	20,050	200,050
2019-2022	750,000	43,325	793,325
Total	<u>\$ 1,610,000</u>	<u>\$ 176,225</u>	<u>\$ 1,786,225</u>

This debt will be retired from the Limited Tax Refunding Note Fund.

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall note	2.89%	12/20/2011	12/19/2014	\$ 260,360	\$ 176,067
Total				<u>\$ 260,360</u>	<u>\$ 176,067</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 86,762	\$ 5,159	\$ 91,921
2015	89,305	2,617	91,922
Total	<u>\$ 176,067</u>	<u>\$ 7,776</u>	<u>\$ 183,843</u>

This will be retired from the Shortfall Debt Service Fund.

PRETISS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

D. Obligations under capital lease

The school district has entered into a lease agreement, in a prior period, as lessee for financing the acquisition of a dishwasher at a cost of \$11,400 with a down payment of \$0. This lease qualifies as a capital lease for accounting purposes.

The school district has entered into a lease agreement as lessee for financing the acquisition of a mower at a cost of \$15,218 with a down payment of \$4,000. This lease qualifies as a capital lease for accounting purposes.

The school district has entered into a lease agreement as lessee for financing the acquisition of a mower at a cost of \$7,202 with a down payment of \$3,000. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Dishwasher	0.00%	12/01/2008	11/01/2013	\$ 11,400	\$ 950
2. John Deere	2.00%	04/05/2013	05/05/2018	11,218	10,668
3. John Deere	0.00%	04/15/2013	05/15/2018	4,202	3,850
Total				<u>\$ 26,820</u>	<u>\$ 15,468</u>

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

1. Dishwasher Lease dated 12/01/2008

Year Ending June 30	Principal	Interest	Total
2014	\$ 950	\$	\$ 950
Total	<u>\$ 950</u>	<u>\$</u>	<u>\$ 950</u>

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

This debt will be retired from the Food Service Fund

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

2. John Deere Lease dated 4/5/13

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2014	\$ 2,212	\$ 77	\$ 2,289
2015	2,230	59	2,289
2016	2,248	51	2,299
2017	2,265	24	2,289
2018	1,713	6	1,719
Total	<u>\$ 10,668</u>	<u>\$ 217</u>	<u>\$ 10,885</u>

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United

PRENTISS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

States of America. However the difference between the effective interest method and the straight-line method is not considered material.

This debt will be retired from the General Fund.

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

3. John Deere Lease dated 04/15/2013

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2014	\$ 489	\$	\$ 489
2015	840		840
2016	840		840
2017	840		840
2018	841		841
Total	<u>\$ 3,850</u>	<u>\$</u>	<u>\$ 3,850</u>

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

This debt will be retired from the General Fund.

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2014	\$ 3,651	\$ 77	\$ 3,728
2015	3,070	59	3,129
2016	3,088	51	3,139
2017	3,105	24	3,129
2018	2,554	6	2,560
Total	<u>\$ 15,468</u>	<u>\$ 217</u>	<u>\$ 15,685</u>

E. Obligations under energy efficiency lease

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Obligations under energy efficiency lease	4.13%	02/26/2003	01/01/2014	\$ 572,348	\$ 35,510
Total				<u>\$ 572,348</u>	<u>\$ 35,510</u>

PRETISS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2014	\$ 35,510	\$ 428	\$ 35,938
Total	\$ 35,510	\$ 428	\$ 35,938

This debt will be retired from the District Maintenance Fund.

An energy efficiency lease agreement dated February 26, 2003, was executed by and between the district, the lessee, and Renasant Bank, the lessor.

The agreement authorized the borrowing of \$587,043, but only \$572,348 was drawn down, for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed ten (10) years.

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

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

F. Compensated absences payable.

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

Note 7 – Prior Year Defeasance of Debt

In prior years, the Prentiss County School District defeased certain limited obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2013 \$1,525,000 of bonds outstanding were defeased.

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 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

PRENTISS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

June 30, 2013, 2012 and 2011 were \$1,586,783, \$1,401,940, and \$1,301,466, respectively, which equaled the required contributions for each year.

Note 9 – Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

Exhibit B – Statement of Activities

Explanation	Amount
1. To correct capital asset and accumulated depreciation	\$ (5,922)
2. To correct deferred refunded amounts and premiums	74,544
3. To correct prior year issuance costs	(3,125)
Total	\$ 65,497

Note 10 – Contingencies

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

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

Note 11 – Risk Management

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

Note 12 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated July 1, 1995, creating the Northeast Mississippi Regional Alternative Education Cooperative (NEMRAEC). This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Booneville School District, Baldwyn School District and Prentiss County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Booneville School District has been designated as the lead school district for NEMRAEC, and the operations of the consortium are included in its financial statements.

PRETISS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Note 13 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated August 20, 1980, creating the Prentiss County Vocational Technical Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Prentiss County School District and the Booneville School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Prentiss County School district has been designated as the fiscal agent for the Prentiss County Vocational Technical Center and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Prentiss County Vocational Technical Center.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2013

Revenues

Local sources:	
Tuition from other LEA's within the state:	
Booneville School District	\$ 73,233
Total tuition from other LEA's within the state	<u>73,233</u>
Total local sources	73,233
State sources	1,154,293
Federal sources	51,439
Total Revenues	<u>1,278,965</u>

Expenditures

Salaries	990,574
Employee benefits	212,969
Purchased property services	35,150
Supplies	4,219
Property	32,360
Other	3,113
Total Expenditures	<u>1,278,385</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>580</u>
Net Change in Fund Balance	<u>580</u>
Fund Balance:	
July 1, 2012	<u>-</u>
June 30, 2013	<u>\$ 580</u>

PRETISS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Note 14 – Effect of Deferred Amounts on Net Position

The \$6,148,026 in the net investment in capital assets component of net position includes the effect of the deferred outflow on advanced refunding of debt. The remaining \$64,278 balance of the deferred outflow on advanced refunding of debt at June 30, 2013 will be expensed and decrease the net investment in capital assets component of net position over the remaining 9 years of the debt service requirement of the Limited Tax Refunding Series 2012.

Note 15 – 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 Prentiss County School District evaluated the activity of the district through February 15, 2016 (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

- | | |
|-------------------|--|
| November 18, 2013 | – Approved Master Built quote of \$13,792 for Wheeler High School side walk cover. |
| May 19, 2014 | – Approved Cross Construction quote for New Site main building, metal roof and installation in the amount of \$17,888, and also the New Site cafeteria metal roof and installation in the amount of \$7,250.
– Approved McCoy Construction and Metal Roofing quote of \$38,577.92 for Thrasher Pre-K renovations. |
| August 11, 2015 | – Approved bid from Sunshine Bus Sales for the purchase of 11 buses at \$15,000 each for a total cost of \$165,000. |
| January 25, 2016 | – Approved the leasing of the Pisgah School to Prentiss County for the consideration of \$1 each year for 25 years to be used by the Pisgah Volunteer Fire Department. Prentiss County is responsible for the maintenance and repair of the Pisgah School for the duration of the lease. |

REQUIRED SUPPLEMENTARY INFORMATION

PRETISS COUNTY SCHOOL DISTRICT
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
Revenues					
Local sources	\$ 3,947,181	\$ 3,846,931	\$ 3,853,431	\$ (100,250)	\$ 6,500
State sources	10,794,972	11,119,195	11,091,655	324,223	(27,540)
Federal sources	84,000	163,902	191,442	79,902	27,540
Total revenues	<u>14,826,153</u>	<u>15,130,028</u>	<u>15,136,528</u>	<u>303,875</u>	<u>6,500</u>
Expenditures					
Instruction	10,466,317	10,102,454	10,092,567	363,863	9,887
Support services	4,198,697	4,093,650	4,110,147	105,047	(16,497)
Noninstructional services	235,400	288,343	288,343	(52,943)	
Facilities acquisition and construction		26,748	26,748	(26,748)	
Debt Service:					
Principal	68,500	68,628	69,766	(128)	(1,138)
Interest	3,500	3,249	3,035	251	214
Total expenditures	<u>14,972,414</u>	<u>14,583,072</u>	<u>14,590,606</u>	<u>389,342</u>	<u>(7,534)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(146,261)</u>	<u>546,956</u>	<u>545,922</u>	<u>693,217</u>	<u>(1,034)</u>
Other Financing Sources (Uses)					
Proceeds of loans			15,420		15,420
Operating transfers in	42,017	52,050	46,078	10,033	(5,972)
Operating transfers out	(12,089)	(128)	(12,372)	11,961	(12,244)
Total other financing sources (uses)	<u>29,928</u>	<u>51,922</u>	<u>49,126</u>	<u>21,994</u>	<u>(2,796)</u>
Net change in fund balances	<u>(116,333)</u>	<u>598,878</u>	<u>595,048</u>	<u>715,211</u>	<u>(3,830)</u>
Fund balances:					
July 1, 2012, as previously reported	2,552,042	3,505,889	3,505,889	953,847	
Prior period adjustments		(3,739)		(3,739)	3,739
July 1, 2012, as restated	<u>2,552,042</u>	<u>3,502,150</u>	<u>3,505,889</u>	<u>950,108</u>	<u>3,739</u>
June 30, 2013	<u>\$ 2,435,709</u>	<u>\$ 4,101,028</u>	<u>\$ 4,100,937</u>	<u>\$ 1,665,319</u>	<u>\$ (91)</u>

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

PRENTISS COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule Food Service Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 381,178	\$ 360,325	\$ 360,325	\$ (20,853)	\$
State sources		13,589	13,589	13,589	
Federal sources	1,048,000	1,205,724	1,205,724	157,724	
Total revenues	<u>1,429,178</u>	<u>1,579,638</u>	<u>1,579,638</u>	<u>150,460</u>	
Expenditures					
Instruction					
Support services	75,666	68,013	68,014	7,653	(1)
Noninstructional services	1,318,512	1,346,885	1,344,602	(28,373)	2,283
Facilities acquisition and construction					
Debt Service:					
Principal			2,280		(2,280)
Interest					
Total expenditures	<u>1,394,178</u>	<u>1,414,898</u>	<u>1,414,896</u>	<u>(20,720)</u>	<u>2</u>
Excess (deficiency) of revenues over (under) expenditures	<u>35,000</u>	<u>164,740</u>	<u>164,742</u>	<u>129,740</u>	<u>2</u>
Other Financing Sources (Uses)					
Loan Proceeds					
Operating transfers in					
Operating transfers out	(35,000)	(35,000)	(35,000)		
Total other financing sources (uses)	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>		
Net change in fund balances		<u>129,740</u>	<u>129,742</u>	<u>129,740</u>	<u>2</u>
Fund balances:					
July 1, 2012, as previously reported	553,073	587,024	589,760	33,951	2,736
Prior period adjustments		2,737		2,737	(2,737)
July 1, 2012, as restated	<u>553,073</u>	<u>589,761</u>	<u>589,760</u>	<u>36,688</u>	<u>(1)</u>
Increase (decrease) in reserve for inventory		(1,186)	(1,187)	(1,186)	(1)
June 30, 2013	<u>\$ 553,073</u>	<u>\$ 718,315</u>	<u>\$ 718,315</u>	<u>\$ 165,242</u>	<u>\$</u>

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

PRENTISS COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule Title I Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$	\$	\$	\$	\$
State sources					
Federal sources	547,916	571,475	571,475	23,559	
Total revenues	<u>547,916</u>	<u>571,475</u>	<u>571,475</u>	<u>23,559</u>	
Expenditures					
Instruction	387,976	469,771	469,771	(81,795)	
Support services	153,940	99,468	99,468	54,472	
Noninstructional services	6,000	136	136	5,864	
Facilities acquisition and construction					
Debt Service:					
Principal					
Interest					
Total expenditures	<u>547,916</u>	<u>569,375</u>	<u>569,375</u>	<u>(21,459)</u>	
Excess (deficiency) of revenues over (under) expenditures		<u>2,100</u>	<u>2,100</u>	<u>2,100</u>	
Other Financing Sources (Uses)					
Loan Proceeds					
Operating transfers in					
Operating transfers out		(2,100)	(2,100)	(2,100)	
Total other financing sources (uses)		<u>(2,100)</u>	<u>(2,100)</u>	<u>(2,100)</u>	
Net change in fund balances					
Fund balances:					
July 1, 2012					
June 30, 2013	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

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

PRENTISS COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule Title II - Imp Teacher Quality Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$	\$	\$	\$	\$
State sources					
Federal sources	180,646	152,215	152,215	(28,431)	
Total revenues	<u>180,646</u>	<u>152,215</u>	<u>152,215</u>	<u>(28,431)</u>	
Expenditures					
Instruction	139,464	94,364	94,364	45,100	
Support services	41,182	57,851	57,851	(16,669)	
Noninstructional services					
Facilities acquisition and construction					
Debt Service:					
Principal					
Interest					
Total expenditures	<u>180,646</u>	<u>152,215</u>	<u>152,215</u>	<u>28,431</u>	
Excess (deficiency) of revenues over (under) expenditures					
Other Financing Sources (Uses)					
Loan Proceeds					
Operating transfers in					
Operating transfers out					
Total other financing sources (uses)					
Net change in fund balances					
Fund balances:					
July 1, 2012					
June 30, 2013	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

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

PRENTISS COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule EHA Part B Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$	\$	\$	\$	\$
State sources					
Federal sources	579,140	781,723	781,723	202,583	
Total revenues	<u>579,140</u>	<u>781,723</u>	<u>781,723</u>	<u>202,583</u>	
Expenditures					
Instruction	295,155	357,723	357,723	(62,568)	
Support services	276,968	274,513	274,513	2,455	
Noninstructional services					
Facilities acquisition and construction		140,650	140,650	(140,650)	
Debt Service:					
Principal					
Interest					
Total expenditures	<u>572,123</u>	<u>772,886</u>	<u>772,886</u>	<u>(200,763)</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>7,017</u>	<u>8,837</u>	<u>8,837</u>	<u>1,820</u>	
Other Financing Sources (Uses)					
Loan Proceeds					
Operating transfers in					
Operating transfers out	(7,017)	(8,837)	(8,837)	(1,820)	
Total other financing sources (uses)	<u>(7,017)</u>	<u>(8,837)</u>	<u>(8,837)</u>	<u>(1,820)</u>	
Net change in fund balances					
Fund balances:					
July 1, 2012	\$	\$	\$	\$	\$
June 30, 2013	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

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

PRENTISS COUNTY 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 Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions.

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

SUPPLEMENTARY INFORMATION

PRENTISS COUNTY SCHOOL DISTRICT
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
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School Breakfast Program	10.553	\$ 372,708
National School Lunch Program	10.555	716,309
Total Child Nutrition Cluster		<u>1,089,017</u>
Total passed through the Mississippi Department of Education		<u>1,089,017</u>
Total U.S. Department of Agriculture		<u>1,089,017</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	68,795
Total Federal Communications Commission		<u>68,795</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	571,475
Career and technical education-basic grants to states	84.048	51,439
Twenty-First Century Community Learning Centers	84.287	15,211
Rural education	84.358	30,391
Improving teacher quality state grants	84.367	152,215
Subtotal		<u>820,731</u>
Special education cluster:		
Special education-grants to states	84.027	\$ 832,259
Special education-preschool grants	84.173	13,075
Total special education cluster		<u>845,334</u>
Total passed through the Mississippi Department of Education		<u>1,666,065</u>
Total U.S. Department of Education		<u>1,666,065</u>
Total Federal Awards		<u>\$ 2,823,877</u>

NOTES TO SCHEDULE

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

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

PRETISS COUNTY SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2013

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 15,062,425	12,115,909	531,260	814,729	1,600,527
Other	4,523,607	1,234,149	156,404	16,125	3,116,929
Total	\$ 19,586,032	13,350,058	687,664	830,854	4,717,456
 Total number of students *	 <u>2,290</u>				
 Cost per student \$	 <u>8,553</u>	 <u>5,830</u>	 <u>300</u>	 <u>363</u>	 <u>2,060</u>

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

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

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

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

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

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

OTHER INFORMATION

PRETISS COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 3,853,431	\$ 3,613,170	\$ 3,322,903	\$ 3,244,502
State sources	11,091,655	11,326,969	10,318,585	10,207,761
Federal sources	191,442	154,731	140,564	144,041
Total Revenues	15,136,528	15,094,870	13,782,052	13,596,304
Expenditures:				
Instruction	10,092,567	9,920,571	8,365,180	8,962,927
Support services	4,110,147	4,267,832	4,443,361	4,079,286
Noninstructional services	315,091	231,248	222,147	233,255
Facilities acquisition and construction				
Debt service:				
Principal	69,766	66,086	298,588	285,653
Interest	3,035	5,791	12,787	24,989
Total Expenditures	14,590,606	14,491,528	13,342,063	13,586,110
Excess (Deficiency) of Revenues over (under) Expenditures	545,922	603,342	439,989	10,194
Other Financing Sources (Uses):				
Proceeds of loans	15,420	260,360		
Insurance loss recoveries		11,479	4,983	23,464
Operating transfers in	46,078	42,017	39,435	25,000
Other financing sources				300,000
Operating transfers out	(12,372)	(36,351)	(28,457)	(176,877)
Total Other Financing Sources (Uses)	49,126	277,505	15,961	171,587
Net Change in Fund Balances	595,048	880,847	455,950	181,781
Fund Balances:				
Beginning of period, as originally reported	3,505,889	2,625,042	2,180,472	1,998,691
Prior period adjustments			(11,380)	
Beginning of period, as restated	3,505,889	2,625,042	2,169,092	1,998,691
End of Period	\$ 4,100,937	\$ 3,505,889	\$ 2,625,042	\$ 2,180,472

*SOURCE - PRIOR YEAR AUDIT REPORTS

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

UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 4,581,685	\$ 4,305,664	\$ 3,930,155	\$ 3,954,846
State sources	12,774,567	12,927,334	12,214,274	12,020,219
Federal sources	3,012,696	3,185,915	4,202,817	3,919,864
Total Revenues	20,368,948	20,418,913	20,347,246	19,894,929
Expenditures:				
Instruction	12,095,433	12,125,167	11,971,656	12,303,012
Support services	4,933,708	5,268,638	5,294,733	4,984,577
Noninstructional services	1,659,829	1,597,850	1,487,699	1,519,424
Facilities acquisition and construction	140,650		1,495	170,180
Debt service:				
Principal	626,339	518,366	737,543	712,763
Interest	127,633	185,694	212,015	242,011
Other	2,440	1,000		
Total Expenditures	19,586,032	19,696,715	19,705,141	19,931,967
Excess (Deficiency) of Revenues over (under) Expenditures	782,916	722,198	642,105	(37,038)
Other Financing Sources (Uses):				
Proceeds of refunding bonds		1,640,000		
Premium on bond refunding		16,819		
Payment to refunded escrow agent		(1,596,420)		
Proceeds of loans	15,420	260,360		
Insurance loss recoveries		11,479	4,983	24,000
Operating transfers in	58,450	78,368	67,892	201,877
Other financing sources (uses)		(60,399)		300,000
Operating transfers out	(58,450)	(78,368)	(67,892)	(201,877)
Total Other Financing Sources (Uses)	15,420	271,839	4,983	324,000
Net Change in Fund Balances	798,336	994,037	647,088	286,962
Fund Balances:				
Beginning of period	4,616,843	3,620,070	3,042,963	2,759,810
Prior period adjustments			(69,088)	
Beginning of period, as restated	4,616,843	3,620,070	2,973,875	2,759,810
Increase (Decrease) in reserve for inventory	(1,187)	2,736	(893)	(3,809)
End of Period	\$ 5,413,992	\$ 4,616,843	\$ 3,620,070	\$ 3,042,963

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
Prentiss County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Prentiss County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Prentiss County School District's basic financial statements, and have issued our report thereon dated February 15, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of finding and questioned costs that we consider to be significant deficiencies 2013-001.

Compliance and Other Matters

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

Prentiss County School District's Response to Findings

Prentiss County School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Prentiss County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
February 15, 2016

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

Superintendent and School Board
Prentiss County School District

Report on Compliance for Each Major Federal Program

We have audited Prentiss County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Prentiss County School District's major federal programs for the year ended June 30, 2013. Prentiss County School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Prentiss County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Prentiss County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Prentiss County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Internal Control Over Compliance

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

the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Prentiss County School District's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-003 to be a significant deficiency.

Prentiss County School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Prentiss County School District's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

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

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
February 15, 2016

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

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

Superintendent and School Board
Prentiss County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Prentiss County School District as of and for the year ended June 30, 2013, which collectively comprise Prentiss County School District's basic financial statements and have issued our report thereon dated February 15, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding:

During PERS 4B testing two exceptions were noted. One instance involved the retirement date of the individual not being listed on the form to ensure 90 days had elapsed between retirement and rehire. The second instance involved an employee being hired in before the mandatory 90 day waiting period for rehire.

Recommendation:

Procedures should be implemented to ensure that all information that is required to be documented on the 4B is listed and that a minimum of 90 days has elapsed between retirement and rehire.

Response:

The district will require all retirees to complete the form 4B before rehire to ensure that 90 days has lapsed between the date of retirement and the date of rehire.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding in this report to insure that corrective action has been taken.

The Prentiss County School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
February 15, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PRENTISS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section 1: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditors' report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | Yes |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
Child Nutrition	
Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service
Special Education	
Cluster	
84.027	Special Education (IDEA) – Grants to States
84.173	Special Education (IDEA) – Preschool Grants
Title I, Part A	
84.010	Title I Grants to Local Education Agencies

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

PRENTISS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section II: Financial Statement Findings

2013-001 – Significant deficiency

Criteria

According to the Mississippi Department of Education all donations over \$500 should be submitted to the school board for approval and acknowledgment.

Condition

The district had a \$2,000 donation given to a local school that was not approved and acknowledged by the board.

Effect

The donation was not recorded in the district's accounting records.

Cause

A lack of internal controls allowed a donation made to one of the district's local schools to not be recorded in the district's accounting records.

Recommendation

The district should implement internal control policies that all donations over \$500 should be approved by the board to ensure that donations are properly recorded in the district's accounting records.

Views of responsible officials and planned corrective actions

The district has instructed all administrators, along with bookkeepers, to submit all donations to the board for approval and acknowledgement. This will ensure that all donations are recorded properly on district books.

Section III: Federal Award Findings and Questioned Costs

2013-002 – Material weakness in internal control over compliance

Federal Program: Child Nutrition Cluster, 10.553, 10.555

Compliance requirement: Allowable Costs

Criteria

The district is responsible for implementing sufficient internal control policies to ensure that the correct number of meals is submitted for reimbursement.

Condition

During test work it was noted that the district was over reimbursed for meals served through the Child Nutrition program.

Effect

A deficiency in internal controls allowed a computer error to cause the district to over request reimbursement on meals by \$1,320.02.

Cause

A computer error caused the district to count some meals twice. These additional meals were included in the count that was submitted for reimbursement, leading to the district receiving an over reimbursement on meals served through the Child Nutrition Program.

Recommendation

The district should implement procedures to ensure that accurate meal counts are submitted for reimbursement when the district experiences a computer problem.

PRENTISS COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Views of responsible officials and planned corrective actions

The district will develop and implement reconciliation procedures to ensure accurate meal counts are reported during times of computer problems.

2013-003 – Significant deficiency in internal control over compliance

Federal Program: Title I, Part A 84.010

Compliance Requirement: Special Tests and Provisions – Comparability

Criteria

An LEA may receive funds under Title I, Part A only if State and local funds will be used in participating schools to provide services that, taken as a whole, are at least comparable to services that the LEA is providing in schools not receiving Title I, Part A funds.

Condition

The district did not meet comparability requirements.

Effect

In reviewing comparability documentation, the district did not meet the requirements for providing comparable services to schools not receiving Title, Part A funds.

Cause

A lack of internal controls and oversight over the comparability requirements led to two schools in the district not meeting comparability. The corrections to bring the schools into compliance was not performed by the December 1 deadline per the Mississippi Department of Education.

Recommendation

The district should implement procedures to ensure that comparability requirements are met.

Views of responsible officials and planned corrective actions

The district has implemented procedures to ensure that compliance requirements are met annually. If such a time occurs that comparability testing is conducted and is out of compliance, instructional units will be reallocated by October 15th.

**PRETISS COUNTY SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For The Year Ended June 30, 2013**

Prior Audit Findings:

As required by Section 316(b) of OMB Circular A-133, the Prentiss County School District has prepared and hereby submits the following status of findings as of June 30, 2013.

FINDING	STATUS
2010-1	Not a finding in the current year. This finding has been corrected.
2011-2	Not a finding in the current year. This finding has been corrected.
2012-2	Not a finding in the current year. This finding has been corrected.