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TATE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2013

TATE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Tate 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 Tate 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 Tate County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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 Tate 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 41-47 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 Tate 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 March 6, 2014, on our consideration of the Tate 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 Tate County School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC
Jackson, Mississippi
March 6, 2014

Watkins Ward and Stafford, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Tate 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 \$1,577,939, which represents a 14% increase from fiscal year 2012. Total net position for 2012 increased \$1,472,024, which represents a 15% increase from fiscal year 2011.
- General revenues amounted to \$19,417,869 and \$19,289,690, or 79% and 77% 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 \$5,230,830, or 21% of total revenues for 2013, and \$5,716,488, or 23% of total revenues for 2012.
- The District had \$23,070,760 and \$23,534,154 in expenses for fiscal years 2013 and 2012; only \$5,230,830 for 2013 and \$5,716,488 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$19,417,869 for 2013 and \$19,289,690 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$17,053,965 in revenues and \$16,853,263 in expenditures for 2013, and \$16,723,471 in revenues and \$16,216,088 in expenditures in 2012. The General Fund's fund balance increased by \$159,489 from 2012 to 2013, and decreased by \$438,730 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$323,256 for 2013 and decreased by \$249,689 for 2012. The decrease for 2013 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$1,942,846 for 2013 and decreased by \$765,309 for 2012. The decrease for 2013 was due to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$17,714 for 2013 and increased \$21,597 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The Statement of Net Position presents information on all the District's non-fiduciary 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.

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$12,974,157 as of June 30, 2013.

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

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

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

Table 1
Condensed Statement of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	Percentage Change
Current assets	\$ 5,988,756	\$ 6,419,900	(6.72) %
Restricted assets	3,000	126,530	(97.63) %
Capital assets, net	<u>22,753,539</u>	<u>23,076,795</u>	(1.40) %
Total assets	<u>28,745,295</u>	<u>29,623,225</u>	(2.96) %
Deferred outflows of resources	<u>596,898</u>		
Current liabilities	215,560	225,243	(4.30) %
Long-term debt outstanding	<u>16,152,476</u>	<u>18,001,764</u>	(10.27) %
Total liabilities	<u>16,368,036</u>	<u>18,227,007</u>	(10.20) %
Net position:			
Net investment in capital assets	8,182,073	7,108,857	15.10 %
Restricted	2,158,023	1,970,353	9.52 %
Unrestricted	<u>2,634,061</u>	<u>2,317,008</u>	13.68 %
Total net position	<u>\$ 12,974,157</u>	<u>\$ 11,396,218</u>	13.85 %

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

- Decrease in net capital assets in the amount of \$323,256.
- The principal retirement of \$2,783,132 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 \$24,648,699 and \$25,006,178, respectively. The total cost of all programs and services was \$23,070,760 for 2013 and \$23,534,154 for 2012.

TATE 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 June 30, 2013</u>	<u>Year Ended June 30, 2012</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 577,022	\$ 636,347	(9.32) %
Operating grants and contributions	4,653,808	5,080,141	(8.39) %
General revenues:			
Property taxes	5,743,359	5,382,566	6.70 %
Grants and contributions not restricted	13,638,143	13,866,938	(1.65) %
Investment earnings	7,122	12,912	(44.84) %
Other	29,245	27,274	7.23 %
Total revenues	<u>24,648,699</u>	<u>25,006,178</u>	(1.43) %
Expenses:			
Instruction	11,876,964	12,238,002	(2.95) %
Support services	9,123,966	9,196,546	(0.79) %
Non-instructional	1,352,348	1,408,839	(4.01) %
Interest on long-term liabilities	717,482	690,767	3.87 %
Total expenses	<u>23,070,760</u>	<u>23,534,154</u>	(1.97) %
Increase (Decrease) in net position	<u>1,577,939</u>	<u>1,472,024</u>	7.20 %
Net Position, July 1,	<u>11,396,218</u>	<u>9,924,194</u>	14.83 %
Net Position, June 30	<u>\$ 12,974,157</u>	<u>\$ 11,396,218</u>	13.85 %

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.

TATE 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	\$ 11,876,964	\$ 12,238,002	(2.95) %
Support services	9,123,966	9,196,546	(0.79) %
Non-instructional	1,352,348	1,408,839	(4.01) %
Interest on long-term liabilities	717,482	690,767	3.87 %
Total expenses	<u>\$ 23,070,760</u>	<u>\$ 23,534,154</u>	(1.97) %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (9,620,952)	\$ (9,725,497)	(1.07) %
Support services	(7,747,050)	(7,532,417)	2.85 %
Non-instructional	245,554	131,015	87.42 %
Interest on long-term liabilities	(717,482)	(690,767)	3.87 %
Total net (expense) revenue	<u>\$ (17,839,930)</u>	<u>\$ (17,817,666)</u>	0.12 %

- Net cost of governmental activities (\$17,839,930 for 2013 and \$17,817,666 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$5,743,359 for 2013 and \$5,382,566 for 2012) and state and federal revenues (\$13,638,143 for 2013 and \$13,866,938 for 2012).
- Investment earnings amounted to \$7,122 for 2013 and \$12,912 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 \$5,818,656, a decrease of \$590,225, which includes a decrease in inventory of \$5,501. \$2,937,465, or 50%, 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 \$2,881,191, or 50%, is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$159,489. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,046,223. The increase (decrease) in the fund balances for the other major funds were as follows:

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

<u>Major Fund</u>	<u>Increase (Decrease)</u>
School Food Service	\$ 296,509
Title I Fund	No increase or decrease
School Improvement Grant Fund	No increase or decrease
Special Education 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. When the original budget was approved, the district had planned a large computer wiring project for the schools of the district. Due to the timing of the project, the contractors did not complete the project until the 2013-2014 fiscal year, therefore, the expenditures were delayed until the 2013-2014 fiscal year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$33,882,694, including land, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$514,505 from 2012 which represents purchases of new buses during the year. Total accumulated depreciation as of June 30, 2013, was \$11,129,125, and total depreciation expense for the year was \$855,864, resulting in total net capital assets of \$22,753,569.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 518,560	\$ 518,560	0.00 %
Buildings	19,583,923	20,092,363	(2.53) %
Building improvements	198,963	210,017	(5.26) %
Improvements other than buildings	749,402	790,536	(5.20) %
Mobile equipment	1,580,656	1,298,460	21.73 %
Furniture and equipment	122,065	166,859	(26.85) %
Total	<u>\$ 22,753,569</u>	<u>\$ 23,076,795</u>	(1.40) %

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

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

Debt Administration. At June 30, 2013, the District had \$16,058,918 in outstanding long-term debt, of which \$2,727,939 is due within one year. During the fiscal year, the District made principal payments totaling \$2,783,132 on outstanding long-term debt. The liability for compensated absences decreased \$17,714 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 12,471,000	\$ 12,924,000	(3.51) %
Limited obligation bonds payable	1,695,000	1,965,000	(13.74) %
Certificates of participation payable	908,806	1,078,938	(15.77) %
Three mill notes payable	488,000	720,000	(32.22) %
Other loans payable	400,000	1,200,000	(66.67) %
Compensated absences payable	96,112	113,826	(15.56) %
Total	<u>\$ 16,058,918</u>	<u>\$ 18,001,764</u>	(10.79) %

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

CURRENT ISSUES

The Tate County School District has recovered financially and the State of Mississippi is returning the district to local control during the 2013-2014 school year. A five member board has been elected and a Superintendent is expected to be appointed by the 2014-2015 school year. The remaining \$400,000 representing the other loans payable was paid to the State of Mississippi in December of 2013.

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 Tate County School District, 107 Court Street, Senatobia, MS 38668.

FINANCIAL STATEMENTS

TATE COUNTY SCHOOL DISTRICT

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

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,689,877
Due from other governments	1,283,244
Inventories	15,635
Restricted assets	3,000
Capital assets, non-depreciable:	
Land	518,560
Capital assets, net of accumulated depreciation:	
Buildings	19,583,923
Building improvements	198,963
Improvements other than buildings	749,402
Mobile equipment	1,580,626
Furniture and equipment	122,065
Total Assets	28,745,295
 Deferred Outflows of Resources	
Deferred outflow from advance refunding of debt	596,898
Total Deferred Outflows of Resources	596,898
 Liabilities	
Accounts payable and accrued liabilities	168,837
Due to other governments	1
Unearned revenue	4,262
Interest payable on long-term liabilities	42,460
Long-term liabilities, due within one year:	
Capital related liabilities	1,835,133
Non-capital related liabilities	892,806
Long-term liabilities, due beyond one year:	
Capital related liabilities	13,239,673
Capital related bond premium	93,558
Non-capital related liabilities	91,306
Total Liabilities	16,368,036
 Deferred Inflows of Resources	
	-
 Net Position	
Net investment in capital assets	8,182,073
Restricted for:	
Expendable:	
School-based activities	1,321,051
Debt service	765,993
Unemployment benefits	70,979
Unrestricted	2,634,061
Total Net Position	\$ 12,974,157

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

TATE COUNTY SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2013

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Instruction	\$ 11,876,964	\$ 312,921	\$ 1,943,091	\$ -	\$ (9,620,952)
Support services	9,123,966	17,278	1,359,638	-	(7,747,050)
Non-instructional	1,352,348	246,823	1,351,079	-	245,554
Interest on long-term liabilities	717,482	-	-	-	(717,482)
Total Governmental Activities	\$ 23,070,760	\$ 577,022	\$ 4,653,808	\$ -	\$ (17,839,930)

General Revenues:

Taxes:

General purpose levies 3,994,215

Debt purpose levies 1,749,144

Unrestricted grants and contributions:

State 13,598,379

Federal 39,764

Unrestricted investment earnings 7,122

Other 29,245

Total General Revenues 19,417,869

Change in Net Position 1,577,939

Net Position - Beginning 11,396,218

Net Position - Ending \$ 12,974,157

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

**TATE COUNTY SCHOOL DISTRICT
Governmental Funds**

**Balance Sheet
June 30, 2013**

Exhibit C

	Major Funds							Total Governmental Funds
	General Fund	School Food Service Fund	Title I Fund	School Improvement Grant Fund	Special Education Fund	Other Governmental Funds		
Assets								
Cash and cash equivalents	\$ 2,624,462	\$ 924,287	\$ -	\$ -	\$ -	\$ 1,141,128	\$ 4,689,877	
Cash with fiscal agents	-	-	-	-	-	3,000	3,000	
Due from other governments	208,842	2,861	126,844	443,447	133,298	367,911	1,283,203	
Due from other funds	865,538	3,935	-	-	-	4,862	874,335	
Inventories	-	15,635	-	-	-	-	15,635	
Total assets	\$ 3,698,842	\$ 946,718	\$ 126,844	\$ 443,447	\$ 133,298	\$ 1,516,901	\$ 6,866,050	
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 127,614	\$ 16,187	\$ 11,116	\$ -	\$ 275	\$ 13,645	\$ 168,837	
Due to other funds	4,863	59,751	115,728	443,447	133,023	117,483	874,295	
Unearned revenue	-	4,262	-	-	-	-	4,262	
Total Liabilities	132,477	80,200	126,844	443,447	133,298	131,128	1,047,394	
Fund Balances:								
Nonspendable:								
Inventory	-	15,635	-	-	-	-	15,635	
Restricted:								
Debt service	-	-	-	-	-	808,453	808,453	
Grant activities	-	-	-	-	-	276,058	276,058	
Unemployment benefits	-	-	-	-	-	70,979	70,979	
Food service	-	850,883	-	-	-	-	850,883	
Senatobia/Tate Vo-Tech renovations	-	-	-	-	-	178,475	178,475	
Committed:								
Debt service	400,000	-	-	-	-	-	400,000	
District renovations	-	-	-	-	-	49,742	49,742	
Assigned:								
School activities	228,900	-	-	-	-	-	228,900	
Other purposes	-	-	-	-	-	2,066	2,066	
Unassigned	2,937,465	-	-	-	-	-	2,937,465	
Total Fund Balances	3,566,365	866,518	-	-	-	1,385,773	5,818,656	
Total Liabilities and Fund Balances	\$ 3,698,842	\$ 946,718	\$ 126,844	\$ 443,447	\$ 133,298	\$ 1,516,901	\$ 6,866,050	

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

**TATE COUNTY SCHOOL DISTRICT
Governmental Funds**

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

Exhibit C-1

Total fund balances for governmental funds \$ 5,818,656

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

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

Land	\$ 518,560	
Buildings	27,504,428	
Building improvements	276,338	
Improvements other than buildings	1,028,365	
Mobile equipment	3,941,934	
Furniture and equipment	613,039	
Accumulated depreciation	<u>(11,129,125)</u>	22,753,539

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

General obligation bonds	(12,471,000)	
Limited obligation bonds	(1,695,000)	
Notes and loans payable	(888,000)	
Certificates of participation	(908,806)	
Compensated absences	(96,112)	
Unamortized charges	596,898	
Unamortized premiums	(93,558)	
Accrued interest payable	<u>(42,460)</u>	(15,598,038)

Net Position of governmental activities \$ 12,974,157

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

**TATE COUNTY SCHOOL DISTRICT
Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013**

Exhibit D

	Major Funds						Total Governmental Funds
	General Fund	School Food Service Fund	Title I Fund	School Improvement Grant Fund	Special Education Fund	Other Governmental Funds	
Revenues:							
Local sources	\$ 3,972,713	\$ 241,893	\$ -	\$ -	\$ -	2,124,864	\$ 6,339,470
State sources	13,041,489	17,071	-	-	-	1,095,959	14,154,519
Federal sources	39,763	1,445,323	556,264	1,207,855	595,026	293,201	4,137,432
Total Revenues	17,053,965	1,704,287	556,264	1,207,855	595,026	3,514,024	24,631,421
Expenditures:							
Instruction	9,023,067	-	386,407	543,813	277,299	1,134,740	11,365,326
Support services	6,817,290	156,000	65,360	629,834	317,505	1,389,601	9,375,590
Noninstructional services	1,712	1,248,698	5,977	34,208	222	10,502	1,301,319
Debt service:							
Principal	970,132	-	-	-	-	1,813,000	2,783,132
Interest	40,462	-	-	-	-	361,485	401,947
Other	600	-	-	-	-	297,062	297,662
Total Expenditures	16,853,263	1,404,698	457,744	1,207,855	595,026	5,006,390	25,524,976
Excess (Deficiency) of Revenues over (under) Expenditures	200,702	299,589	98,520	-	-	(1,492,366)	(893,555)
Other Financing Sources (Uses):							
Insurance recovery	17,278	-	-	-	-	-	17,278
Refunding bonds issued	-	-	-	-	-	12,873,000	12,873,000
Premiums on refunding bonds issued	-	-	-	-	-	105,598	105,598
Payment to refunded bond escrow agent	-	-	-	-	-	(12,687,045)	(12,687,045)
Operating transfers in	26,028	2,421	-	-	-	181,570	210,019
Operating transfers out	(84,519)	-	(98,520)	-	-	(26,980)	(210,019)
Total Other Financing Sources (Uses)	(41,213)	2,421	(98,520)	-	-	446,143	308,831
Net Change in Fund Balances	159,489	302,010	-	-	-	(1,046,223)	(584,724)
Fund Balances:							
July 1, 2012	3,406,876	570,009	-	-	-	2,431,996	6,408,881
Decrease in inventory	-	(5,501)	-	-	-	-	(5,501)
June 30, 2013	\$ 3,566,365	\$ 866,518	\$ -	\$ -	\$ -	1,385,773	\$ 5,818,656

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

**TATE COUNTY SCHOOL DISTRICT
Governmental Funds**

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ (584,724)

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 536,505	
Depreciation expense	<u>(855,864)</u>	(319,359)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.

(3,897)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Refunding bonds issued	(12,873,000)	
Premiums on bonds and refunding bonds issued	(105,598)	
Payments of debt principal	2,783,132	
Payments to refunded bond escrow agent	12,687,045	
Accrued interest payable	45,234	
Deferred issuance costs	<u>-</u>	2,536,813

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	17,714	
Change in inventory	(5,501)	
Amortization of deferred charges, premiums and discounts	<u>(63,107)</u>	(50,894)

Change in Net Position of governmental activities \$ 1,577,939

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

**TATE COUNTY SCHOOL DISTRICT
Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities
June 30, 2013**

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 946,629
Due from other funds	<u>1</u>
Total Assets	<u>\$ 946,630</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 920,387
Due to other funds	41
Due to student clubs	<u>26,202</u>
Total Liabilities	<u>\$ 946,630</u>

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a Conservator appointed by the Mississippi Department of Education for the 2012-2013 fiscal year. In November, 2013, a new five member board was elected to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, Tate 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.

Blended component unit

The Tate County Schools Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 11).

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the

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

acquisition, construction or improvement of those assets.

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

School Food Service Fund – This fund accounts for the revenues and expenses of the Child Nutrition Program that provides the breakfast and lunch program for the students of the district.

Title I Fund –This fund accounts for a federal grant which is used to supplement educational services to disadvantaged children.

School Improvement Grant Fund - This fund accounts for a federal grant which is used to improve the academic achievement of students in a low-achieving school.

Special Education Fund - This fund accounts for a federal grant which is used to supplement educational services to children with disabilities.

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

The school district also reports fiduciary funds (agency funds) which focus on assets and liabilities only.

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing fund for payroll type transactions.

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

Accounts Payable Clearing Fund - This fund is used as a clearing fund for non-payroll type transactions.

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

School Club Funds – These funds are used to account for the transactions of student clubs.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

D. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

For accounting purposes, certificates of deposit are classified as investments if they have

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

an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental

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

activities column in the government-wide financial statements.

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

The following schedule details the capitalization thresholds:

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

See Note 5 for details.

7. Implementation of GASB No. 65

For the fiscal year ended June 30, 2013, the district implemented Governmental Accounting Standards Board (GASB) Statement No. 65 *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The Statement also provides other financial reporting guidance related to the impact of the financial statements elements of deferred outflows of deferred resources and deferred inflows of resources, such as the changes in the determination of major fund calculations and limiting the use of deferred in financial statement presentations.

8. 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 district is reporting deferred outflows of debt issuance costs of \$596,898.

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. There are no deferred inflows presented by the school district.

9. 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

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

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.

10. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, 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.

11. 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 non-spendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Non-spendable 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 Conservator, the District's highest level of decision-making authority. This formal action is part of the Conservator-adopted exit plan for the remaining \$400,000 of the 1,200,000 loan to be repaid and for district-wide renovations to be made from existing fund balance.

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 Conservator pursuant to authorization established by state law.

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

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

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.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 10% of general revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,689,877 and \$946,629 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

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

district's bank balance of \$7,096,089 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$3,000.

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	School Food Service Fund	\$ 59,751
General Fund	Title I Fund	115,728
General Fund	School Improvement Grant Fund	443,447
General Fund	Special Education Fund	133,023
General Fund	Other governmental funds	113,548
General Fund	Fiduciary	41
School Food Service Fund	Other governmental funds	3,935
Other governmental funds	General Fund	4,862
Fiduciary funds	General Fund	1
Total		<u>\$ 874,336</u>

The primary reason for the inter-fund loans was to eliminate deficit cash balances in certain federal program funds as part of normal year end closing adjustments.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 84,519
Title I Fund	General Fund	2,528
Title I Fund	Other governmental funds	95,992
Other governmental funds	General Fund	23,500
Other governmental funds	Child Nutrition Fund	2,421
Other governmental funds	Other governmental funds	1,059
Total		<u>\$ 210,019</u>

Operating transfers were primarily for the following: indirect cost transfers, special education and vocational school transfers, and other routine operating transfers.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$3,000 of the MAEP Limited Obligation Bond Fund.

TATE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the 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	Balance 6/30/2013
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 518,560	\$	\$	\$ 518,560
Total non-depreciable capital assets	518,560	-	-	518,560
<u>Depreciable capital assets:</u>				
Buildings	27,504,428			27,504,428
Building improvements	276,338			276,338
Improvements other than buildings	1,028,365			1,028,365
Mobile equipment	3,440,966	500,968		3,941,934
Furniture and equipment	599,502	35,537	22,000	613,039
Total depreciable capital assets	32,849,599	536,505	22,000	33,364,104
<u>Less accumulated depreciation for:</u>				
Buildings	7,412,065	508,440		7,920,505
Building improvements	66,321	11,054		77,375
Improvements other than buildings	237,829	41,134		278,963
Mobile equipment	2,142,506	218,802		2,361,308
Furniture and equipment	432,643	76,434	18,103	490,974
Total accumulated depreciation	10,291,364	855,864	18,103	11,129,125
Total depreciable capital assets, net	22,558,235	(319,359)	3,897	22,234,979
Governmental activities capital assets, net	\$ 23,076,795	\$ (319,359)	\$ 3,897	\$ 22,753,539

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 529,220
Support services	280,230
Non-instructional	46,414
Total depreciation expense - Governmental activities	\$ 855,864

TATE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the 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 due to Refundings	Balance 6/30/2013	Amounts due within one year
A. General obligation bonds payable	\$ 12,924,000	\$ 10,865,000	\$ 1,268,000	\$ (10,050,000)	\$ 12,471,000	\$ 1,330,000
B. Limited obligation bonds payable	1,965,000	2,008,000	313,000	(1,965,000)	1,695,000	328,000
C. Certificates of participation payable	1,078,938		170,132		908,806	177,133
D. Three mill notes payable	720,000		232,000		488,000	488,000
E. Other loans payable	1,200,000		800,000		400,000	400,000
F. Compensated absences payable	113,826		17,714		96,112	4,806
Total	<u>\$ 18,001,764</u>	<u>\$ 12,873,000</u>	<u>\$ 2,800,846</u>	<u>\$ (12,015,000)</u>	<u>\$ 16,058,918</u>	<u>\$ 2,727,939</u>

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 2004	3.75%-4.0%	12/21/2004	6/1/2020	\$ 9,500,000	\$ 680,000
General obligation bonds, Series 2005	3.625%-4.0%	6/21/2005	6/1/2022	7,500,000	385,000
General obligation refunding bonds, Series 2011	2.65%	8/1/2011	2/1/2018	944,000	691,000
General obligation refunding bonds, Series 2012	1.0%-2.5%	8/15/2012	6/1/2022	5,485,000	5,395,000
General obligation refunding bonds, Series 2013	0.75%-2.0%	4/10/2013	6/1/2020	5,380,000	5,320,000
Total				<u>\$ 28,809,000</u>	<u>\$ 12,471,000</u>

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

- Series 2004 issued on December 21, 2004 :

Year Ending June 30	Principal	Interest	Total
2014	\$ 680,000	\$ -	\$ 680,000
Total	<u>\$ 680,000</u>	<u>\$ -</u>	<u>\$ 680,000</u>

This debt will be retired from the Refunding Bond 2013 Series Fund (4032).

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

2. Series 2005 issued on June 21, 2005:

Year Ending June 30	Principal	Interest	Total
2014	\$ 385,000	\$ 13,956	\$ 398,956
Total	<u>\$ 385,000</u>	<u>\$ 13,956</u>	<u>\$ 398,956</u>

This debt will be retired from the Refunded Bond 2012 Series Fund (4033).

3. Series 2011 issued on August 1, 2011:

Year Ending June 30	Principal	Interest	Total
2014	\$ 130,000	\$ 18,312	\$ 148,312
2015	133,000	14,866	147,866
2016	140,000	11,342	151,342
2017	143,000	7,632	150,632
2018	145,000	3,842	148,842
Total	<u>\$ 691,000</u>	<u>\$ 55,994</u>	<u>\$ 746,994</u>

This debt will be retired from the Refunded Bond 2011 Series Fund (4031).

4. Series 2012 issued on August 15, 2012:

Year Ending June 30	Principal	Interest	Total
2014	\$ 65,000	\$ 117,020	\$ 182,020
2015	480,000	116,370	596,370
2016	510,000	106,770	616,770
2017	545,000	96,570	641,570
2018	575,000	85,670	660,670
2019 – 2022	3,220,000	203,480	3,423,480
Total	<u>\$ 5,395,000</u>	<u>\$ 725,880</u>	<u>\$ 6,120,880</u>

This debt will be retired from the Refunded Bond 2012 Series Fund (4033).

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

5. Series 2013 issued on April 10, 2013:

Year Ending June 30	Principal	Interest	Total
2014	\$ 70,000	\$ 100,825	\$ 170,825
2015	800,000	100,300	900,300
2016	840,000	84,300	924,300
2017	880,000	67,500	947,500
2018	920,000	49,900	969,900
2019 – 2020	1,810,000	50,800	1,860,800
Total	\$ 5,320,000	\$ 453,625	\$ 5,773,625

This debt will be retired from the Refunding Bond 2013 Series Fund (4032).

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ 1,330,000	\$ 250,113	\$ 1,580,113
2015	1,413,000	231,536	1,644,536
2016	1,490,000	202,412	1,692,412
2017	1,568,000	171,702	1,739,702
2018	1,640,000	139,412	1,779,412
2019 – 2022	5,030,000	254,280	5,284,280
Total	\$ 12,471,000	\$ 1,249,455	\$ 13,720,455

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2013, the amount of outstanding bonded indebtedness was equal to 13% of property assessments as of October 1, 2012.

Advance Refunding

On August 15, 2012, the district issued \$5,485,000 in general obligation refunding bonds with an average interest rate of 2.2% to advance refund \$5,025,000 of outstanding general obligation bonds with an average interest rate of 3.8%. The net proceeds of \$5,400,159, including a premium on bonds of \$46,407 and after payments of \$76,398 for issuance costs and \$54,850 for placement agent fee, were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the general obligation bonds.

As a result, the general obligation bonds are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded the general obligation bonds to reduce its total debt service payments over the remaining 10 years of the debt by approximately \$135,900.

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

On April 10, 2013, the district issued \$5,380,000 in general obligation refunding bonds with an average interest rate of 1.9% to advance refund \$5,025,000 of outstanding general obligation bonds with an average interest rate of 3.8%. The net proceeds of \$5,309,403, including a premium on bonds of \$59,191 and after payments of \$75,988 for issuance costs and \$53,800 for placement agent fee, were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the general obligation bonds.

As a result, the general obligation bonds are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded the general obligation bonds to reduce its total debt service payments over the remaining 8 years of the debt by approximately \$212,403.

B. 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	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bond, Series 2012	0.9%-1.5%	10/4/2012	2/1/2018	\$ 2,008,000	\$ 1,695,000
Total				<u>\$ 2,008,000</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	\$ 328,000	\$ 20,581	\$ 348,581
2015	332,000	17,300	349,300
2016	338,000	13,649	351,649
2017	345,000	9,592	354,592
2018	352,000	5,280	357,280
Total	<u>\$ 1,695,000</u>	<u>\$ 66,402</u>	<u>\$ 1,761,402</u>

This debt will be retired from the MAEP Bond Retirement Fund (4041).

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.

Advance Refunding

On October 4, 2012, the district issued \$2,008,000 in state aid capital improvement refunding bonds with an average interest rate of 1.2% to advance refund \$1,965,000 of outstanding MAEP refunding bonds with an average interest rate of 3.6%. The net proceeds of \$1,977,483 after payments of \$30,517 for issuance costs were deposited in an irrevocable trust with an escrow

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

agent to provide for all future debt payment requirements on the MAEP refunding bonds.

As a result, the MAEP refunding bonds are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded the MAEP refunding bonds to reduce its total debt service payments over the remaining 6 years of the debt by approximately \$104,515.

C. Certificates of participation payable

As more fully explained in Note ____, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of Lease Participation					
Series 2006	4.04%	3/1/2006	3/1/2018	\$ 2,000,000	\$ 908,806
Total				<u>\$ 2,000,000</u>	<u>\$ 908,806</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 177,133	\$ 33,460	\$ 210,593
2015	184,424	26,170	210,594
2016	192,014	18,579	210,593
2017	199,917	10,677	210,594
2018	155,318	2,626	157,944
Total	<u>\$ 908,806</u>	<u>\$ 91,512</u>	<u>\$ 1,000,318</u>

This debt will be retired from the District Maintenance Fund (1120).

D. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note					
Series 2011	1.83%	8/24/2011	6/15/2014	\$ 720,000	\$ 488,000
Total				<u>\$ 720,000</u>	<u>\$ 488,000</u>

TATE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For the 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	Total
2014	\$ 488,000	\$ 12,773	\$ 500,773
Total	<u>\$ 488,000</u>	<u>\$ 12,773</u>	<u>\$ 500,773</u>

This debt will be retired from the Three Mill Levy Fund (4021).

E. Other loans payable

The school district has issued debt instruments granted under the authority of Section 37-17-6(14), Miss. Code Ann. (1972).

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Mississippi Board of Education loan payable	0%	7/2/2009	*	\$ 1,200,000	\$ 400,000
Total				<u>\$ 1,200,000</u>	<u>\$ 400,000</u>

* This loan is due and payable within five years after the impairments related to a lack of financial resources are corrected, as determined by the State Auditor's Office. The District made payments totaling \$800,000 during fiscal year 2013 and the final payment of the loan will be made in fiscal year 2014. This debt will be retired from the District Maintenance Fund (1120).

F. Compensated absences payable

As more fully explained in Note 1(E)(9), 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 – Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$8,182,073 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$596,898 balance of the deferred outflow of resources at June 30, 2013 will be recognized as an expense and decrease the net investment in capital assets net position over the next 9 years.

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

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

employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$1,464,071, \$1,341,643 and \$1,222,401, respectively, which equaled the required contributions for each year.

Note 9 – Contingencies

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

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

Note 10 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 11 – Trust Certificates

A trust agreement dated March 1, 2006, was executed by and between the school district and First Security Bank, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$2,000,000. Approximately \$1,980,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$20,000 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

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

Note 12 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated May 13, 1999 creating the Senatobia-Tate County Regional Optional Learning Center. 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 Senatobia Municipal School District and Tate 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.

Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Senatobia Municipal School District has been designated as the lead school district for the Senatobia-Tate County Regional Optional Learning Center, and the operations of the consortium are included in its financial statements.

Note 13 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated January 31, 1984 creating the Senatobia-Tate County Regional Vocational Education Consortium. 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 Senatobia Municipal School District and the Tate County School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, 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 Tate County School District has been designated as the fiscal agent for the Senatobia-Tate County Regional Vocational Education Consortium, and the operations of the consortium are included in its financial statements.

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

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Senatobia-Tate County Regional Vocational Education Consortium.

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

Revenues

Local sources:	
Taxes	\$ <u>374,875</u>
Total Local sources	<u>374,875</u>
State sources	97,431
Federal sources	<u>53,225</u>
Total Revenues	<u>525,531</u>

Expenditures

Salaries	478,585
Employee benefits	141,968
Purchased property services	29,932
Other purchased services	395
Supplies	8,717
Property	4,650
Total Expenditures	<u>664,247</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(138,716)</u>
Net Change in Fund Balance	<u>(138,716)</u>
Fund Balance:	
July 1, 2012	153,380
June 30, 2013	<u>\$ 14,664</u>

Note 14 - Insurance loss recoveries

The Tate County School District received \$17,278 in insurance loss recoveries related to damages to vehicles and storm damage during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated to the support services expense function.

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

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 Tate County School District evaluated the activity of the district through March 6, 2014, and determined that the following subsequent event should be noted in the financial statements:

On December 10, 2013, the district paid the remaining \$400,000 of the \$1,200,000 previously borrowed from the Mississippi Department of Education on the debt described as Other Payables in Note 6.

The District elected a five member board in November, but a new superintendent has not yet been appointed as of the report date.

REQUIRED SUPPLEMENTARY INFORMATION

TATE COUNTY SCHOOL DISTRICT
Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,923,560	\$ 3,972,713	\$ 3,972,713	\$ 49,153	\$ -
State sources	13,245,223	13,041,489	13,041,489	(203,734)	-
Federal sources	105,400	39,763	39,763	(65,637)	-
Total Revenues	17,274,183	17,053,965	17,053,965	(220,218)	-
Expenditures:					
Instruction	9,735,590	9,023,067	9,023,067	712,523	-
Support services	7,369,382	6,817,290	6,817,290	552,092	-
Noninstructional services	7,373	1,712	1,712	5,661	-
Debt service:					
Principal	165,000	972,431	970,132	(807,431)	2,299
Interest	44,993	38,163	40,462	6,830	(2,299)
Other	600	600	600	-	-
Total Expenditures	17,322,938	16,853,263	16,853,263	469,675	-
Excess (Deficiency) of Revenues over (under) Expenditures	(48,755)	200,702	200,702	249,457	-
Other Financing Sources (Uses):					
Insurance recovery	-	17,278	17,278	17,278	-
Operating transfers in	57,117	57,733	26,028	616	(31,705)
Operating transfers out	(512,274)	(116,224)	(84,519)	396,050	31,705
Total Other Financing Sources (Uses)	(455,157)	(41,213)	(41,213)	413,944	-
Net Change in Fund Balances	(503,912)	159,489	159,489	663,401	-
Fund Balances:					
July 1, 2012, as previously reported	3,369,472	3,423,802	3,406,876	54,330	(16,926)
Prior period adjustments	-	(16,926)	-	(16,926)	16,926
July 1, 2012, as restated	3,369,472	3,406,876	3,406,876	37,404	-
June 30, 2013	\$ 2,865,560	\$ 3,566,365	\$ 3,566,365	\$ 700,805	\$ -

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

TATE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
School Food Service Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
				Original to Final	Final to Actual
	Original	Final			
Revenues:					
Local sources	\$ 276,550	\$ 241,893	\$ 241,893	\$ (34,657)	\$ -
State sources	18,000	17,071	17,071	(929)	-
Federal sources	1,296,400	1,445,323	1,445,323	148,923	-
Total Revenues	1,590,950	1,704,287	1,704,287	113,337	-
Expenditures:					
Support services	262,735	156,000	156,000	106,735	-
Noninstructional services	1,308,215	1,248,698	1,248,698	59,517	-
Total Expenditures	1,570,950	1,404,698	1,404,698	166,252	-
Excess (Deficiency) of Revenues over (under) Expenditures	20,000	299,589	299,589	279,589	-
Other Financing Sources (Uses):					
Operating transfers in	-	2,421	2,421	2,421	-
Operating transfers out	(21,683)	-	-	21,683	-
Total Other Financing Sources (Uses)	(21,683)	2,421	2,421	24,104	-
Net Change in Fund Balances	(1,683)	302,010	302,010	303,693	-
Fund Balances:					
July 1, 2012	568,105	570,009	570,009	1,904	-
Increase (Decrease) in inventory	-	(5,501)	(5,501)	(5,501)	-
June 30, 2013	\$ 566,422	\$ 866,518	\$ 866,518	\$ 300,096	\$ -

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

**TATE COUNTY SCHOOL DISTRICT
Required Supplementary Information**

**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:					
Federal sources	\$ 664,505	\$ 556,264	\$ 556,264	\$ (108,241)	\$ -
Total Revenues	664,505	556,264	556,264	(108,241)	-
Expenditures:					
Instruction	442,087	386,407	386,407	55,680	-
Support services	184,906	65,360	65,360	119,546	-
Noninstructional services	9,543	5,977	5,977	3,566	-
Total Expenditures	636,536	457,744	457,744	178,792	-
Excess (Deficiency) of Revenues over (under) Expenditures	27,969	98,520	98,520	70,551	-
Other Financing Sources (Uses):					
Operating transfers out	(27,969)	(98,520)	(98,520)	(70,551)	-
Total Other Financing Sources (Uses)	(27,969)	(98,520)	(98,520)	(70,551)	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ -

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

TATE COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
School Improvement Grant 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:					
Federal sources	\$ 1,575,528	\$ 1,207,855	\$ 1,207,855	\$ (367,673)	\$ -
Total Revenues	1,575,528	1,207,855	1,207,855	(367,673)	-
Expenditures:					
Instruction	630,620	543,813	543,813	86,807	-
Support services	859,358	629,834	629,834	229,524	-
Noninstructional services	61,336	34,208	34,208	27,128	-
Total Expenditures	1,551,314	1,207,855	1,207,855	343,459	-
Excess (Deficiency) of Revenues over (under) Expenditures	24,214	-	-	(24,214)	-
Other Financing Sources (Uses):					
Operating transfers out	(24,214)	-	-	24,214	-
Total Other Financing Sources (Uses)	(24,214)	-	-	24,214	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ -

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

**TATE COUNTY SCHOOL DISTRICT
Required Supplementary Information**

**Budgetary Comparison Schedule
Special Education 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:					
Federal sources	\$ 812,933	\$ 595,026	\$ 595,026	\$ (217,907)	\$ -
Total Revenues	812,933	595,026	595,026	(217,907)	-
Expenditures:					
Instruction	341,141	277,299	277,299	63,842	-
Support services	460,207	317,505	317,505	142,702	-
Noninstructional services	1,000	222	222	778	-
Total Expenditures	802,348	595,026	595,026	207,322	-
Excess (Deficiency) of Revenues over (under) Expenditures	10,585	-	-	(10,585)	-
Other Financing Sources (Uses):					
Operating transfers out	(10,585)	-	-	10,585	-
Total Other Financing Sources (Uses)	(10,585)	-	-	10,585	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ -

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

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

**TATE COUNTY SCHOOL DISTRICT
Supplemental Information**

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 355,649
National school lunch program	10.555	858,478
Summer food service program for children	10.559	7,503
Total child nutrition cluster		1,221,630
Total passed-through Mississippi Department of Education		1,221,630
Total U.S. Department of Agriculture		1,221,630
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	556,265
Career and Technical Education - Basic Grants to States	84.048	53,225
Rehabilitation services_vocational rehabilitation grants to states	84.126	532
Improving Teacher Quality State Grants	84.367	151,038
School Improvement Grants	84.377	1,207,856
Subtotal		1,968,916
Special education cluster:		
Special education - grants to states	84.027	647,549
Special education - preschool grants	84.173	28,911
Total special education cluster		676,460
Total passed-through Mississippi Department of Education		2,645,376
Total U.S. Department of Education		2,645,376
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical Assistance program	93.778	24,575
Total U.S. Department of Health and Human Services		24,575
Total for All Federal Awards		\$ 3,891,581

NOTES TO SCHEDULE

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

**TATE COUNTY SCHOOL DISTRICT
Supplemental Information**

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 14,422,276	11,174,050	301,567	1,068,769	1,877,890
Other	11,102,700	2,302,773	255,930	83,443	8,460,554
Total	<u>\$ 25,524,976</u>	<u>13,476,823</u>	<u>557,497</u>	<u>1,152,212</u>	<u>10,338,444</u>
Total number of students *	<u>2,908</u>				
Cost per student	<u>\$ 8,777</u>	<u>4,634</u>	<u>192</u>	<u>396</u>	<u>3,555</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 Administration Categories.

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

OTHER INFORMATION

TATE COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 3,972,713	\$ 3,642,476	\$ 3,465,945	\$ 3,348,345
State sources	13,041,489	12,965,348	12,145,532	13,275,964
Federal sources	39,763	115,647	198,026	153,427
Total Revenues	17,053,965	16,723,471	15,809,503	16,777,736
Expenditures:				
Instruction	9,023,067	9,164,306	7,328,365	9,105,971
Support services	6,817,290	6,766,474	5,413,542	6,435,912
Noninstructional Services	1,712	45,240	58,938	114,621
Debt Service:				
Principal	970,132	190,906	184,447	178,243
Interest	40,462	48,562	56,396	63,975
Other	600	600	600	600
Total Expenditures	16,853,263	16,216,088	13,042,288	15,899,322
 Excess (Deficiency) of Revenues over (under) Expenditures	 200,702	 507,383	 2,767,215	 878,414
 Other Financing Sources (Uses):				
Insurance recovery	17,278	6,827		18,610
Sale of transportation equipment		22,026		
Sale of other property			1,575	
Operating transfers in	26,028	41,675	5,168	51,904
Operating transfers out	(84,519)	(1,016,641)	(236,003)	(613,911)
Total Other Financing Sources (Uses)	(41,213)	(946,113)	(229,260)	(543,397)
 Net Change in Fund Balances	 159,489	 (438,730)	 2,537,955	 335,017
 Fund Balances:				
Beginning of period, as originally reported	3,406,876	3,845,606	1,306,737	953,832
Prior period adjustments			914	17,888
Beginning of period, as restated	3,406,876	3,845,606	1,307,651	971,720
 End of Period	 \$ 3,566,365	 3,406,876	 \$ 3,845,606	 \$ 1,306,737

*SOURCE - PRIOR YEAR AUDIT REPORTS

TATE COUNTY SCHOOL DISTRICT
Other Information

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

	2013	2012*	2011 *	2010*
Revenues:				
Local sources	\$ 6,339,470	\$ 6,052,271	\$ 5,834,458	\$ 5,551,316
State sources	14,154,519	14,341,831	13,715,362	14,375,881
Federal sources	4,137,432	4,605,249	4,932,821	4,433,817
Total Revenues	24,631,421	24,999,351	24,482,641	24,361,014
Expenditures:				
Instruction	11,365,326	11,802,292	10,668,774	12,706,650
Support services	9,375,590	9,408,028	7,010,734	7,321,722
Noninstructional services	1,301,319	1,381,505	1,294,929	1,536,443
Debt service:				
Principal	2,783,132	1,525,906	1,859,447	1,520,243
Interest	401,947	668,909	745,458	814,692
Other	297,662	27,396	8,085	8,153
Total Expenditures	25,524,976	24,814,036	21,587,427	23,907,903
Excess (Deficiency) of Revenues over (under) Expenditures	(893,555)	185,315	2,895,214	453,111
Other Financing Sources (Uses):				
Refunding bonds issued	12,873,000	944,000		
Payment to refunded bond escrow agent	(12,687,045)	(925,000)		
Premiums on refunding bonds issued	105,598			
Insurance recovery	17,278	6,827	200,000	18,610
Bonds and notes issued		720,000		
Sale of transportation equipment		22,026		
Sale of other property			1,575	150
Operating transfers in	210,019	1,405,614	343,114	665,815
Operating transfers out	(210,019)	(1,405,614)	(343,114)	(665,815)
Total Other Financing Sources (Uses)	308,831	767,853	201,575	18,760
Net Change in Fund Balances	(584,724)	953,168	3,096,789	471,871
Fund Balances:				
Beginning of period, as originally reported	6,408,881	5,458,015	2,360,777	1,684,431
Prior period adjustments			914	206,290
Beginning of period, as restated	6,408,881	5,458,015	2,361,691	1,890,721
Decrease in reserve for inventory	(5,501)	(2,302)	(465)	(1,815)
End of Period	\$ 5,818,656	\$ 6,408,881	\$ 5,458,015	\$ 2,360,777

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

Superintendent and School Board
Tate 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 Tate County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Tate County School District's basic financial statements, and have issued our report thereon dated March 6, 2014.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

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

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
March 6, 2014

Watkins Ward and Stafford, PLLC



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

Superintendent and School Board
Tate County School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tate 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*, is-sued 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 Tate 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 Tate County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Tate 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.

Report on Internal Control Over Compliance

Management of Tate 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 Tate 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 Tate County School District's internal control over compliance.

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

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

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

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
March 6, 2014

Watkins Ward and Stafford, PLLC

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



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INDEPENDENT AUDITOR'S REPORT

ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Tate County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tate County School District as of and for the year ended June 30, 2013, which collectively comprise Tate County School District's basic financial statements and have issued our report thereon dated March 6, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$6,872 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
March 6, 2014

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|---------------------------------------|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | None reported |

- | | | |
|----|--|-------------|
| 5. | Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Cluster
84.377	School Improvement Grant
84.027; 84.173	Special Education Cluster

- | | | |
|-----|---|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133. | No |

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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