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**West Tallahatchie Consolidated School District**

Audited Financial Statements  
For the Year Ended June 30, 2013

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**West Tallahatchie Consolidated School District  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL  
STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board  
West Tallahatchie Consolidated 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 West Tallahatchie Consolidated School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the West Tallahatchie Consolidated School District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

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## **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 West Tallahatchie Consolidated 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 8 to 18 and 53 to 58 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 West Tallahatchie Consolidated 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 January 7, 2014, on our consideration of the West Tallahatchie Consolidated 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 West Tallahatchie Consolidated School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
January 7, 2014

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**West Tallahatchie Consolidated School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

The following discussion and analysis of West Tallahatchie Consolidated 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 \$781,339, including a prior period adjustment of (\$24,770), which represents a 17% increase from fiscal year 2012. Total net position for 2012 increased \$929,751, including a prior period adjustment of (\$9,059), which represents a 26% increase from fiscal year 2011.
- General revenues amounted to \$6,916,553 and \$7,004,894, or 74% and 68% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,442,048, or 26% of total revenues for 2013, and \$3,282,664, or 32% of total revenues for 2012.
- The District had \$8,552,492 and \$9,348,748 in expenses for fiscal years 2013 and 2012; only \$2,442,048 for 2013 and \$3,282,664 for 2012 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$6,916,553 for 2013 and \$7,004,894 for 2012 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$6,572,227 in revenues and \$6,908,627 in expenditures for 2013, and \$6,955,797 in revenues and \$6,071,768 in expenditures for 2012. The General Fund's fund balance decreased by \$585,465, including a prior period adjustment of (\$249,065), from 2012 to 2013, and increased by \$1,111,166, including a prior period adjustment of (\$17,661), from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$560,465 for 2013 and decreased by \$31,972 for 2012. The increase for 2013 was primarily due to additions to construction in progress and mobile equipment.
- Long-term debt decreased by \$283,679 for 2013 and decreased by \$278,667 for 2012. The decrease for 2013 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$8,505 for 2013 and increased by \$6,614 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.

**West Tallahatchie Consolidated School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

**Government-wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

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

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

**West Tallahatchie Consolidated School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

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.

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.

**West Tallahatchie Consolidated School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

**Notes to the financial statements**

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

**Required Supplementary Information**

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

**Supplementary Information**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$5,355,026 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.

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

**West Tallahatchie Consolidated School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

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

	<b>June 30, 2013</b>	<b>June 30, 2012</b>	<b>Percentage Change</b>
Current assets	\$ 2,895,593	2,653,961	9%
Restricted assets	31,880	245,756	(87)%
Capital assets, net	4,240,207	3,679,742	15%
<b>Total assets</b>	<b>7,167,680</b>	<b>6,579,459</b>	<b>9%</b>
Current liabilities	168,049	68,983	144%
Long-term debt outstanding	1,644,605	1,936,789	(15)%
<b>Total liabilities</b>	<b>1,812,654</b>	<b>2,005,772</b>	<b>(10)%</b>
<b>Net position:</b>			
Net investment in capital assets	2,645,707	1,801,563	47%
Restricted	1,048,210	534,055	96%
Unrestricted	1,661,109	2,238,069	(26)%
<b>Total net position</b>	<b>\$ 5,355,026</b>	<b>4,573,687</b>	<b>17%</b>

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

- Increase in net capital assets in the amount of \$560,465.
- The principal retirement of \$283,679 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 \$9,358,601 and \$10,287,558, respectively. The total cost of all programs and services was \$8,552,492 for 2013 and \$9,348,748 for 2012.

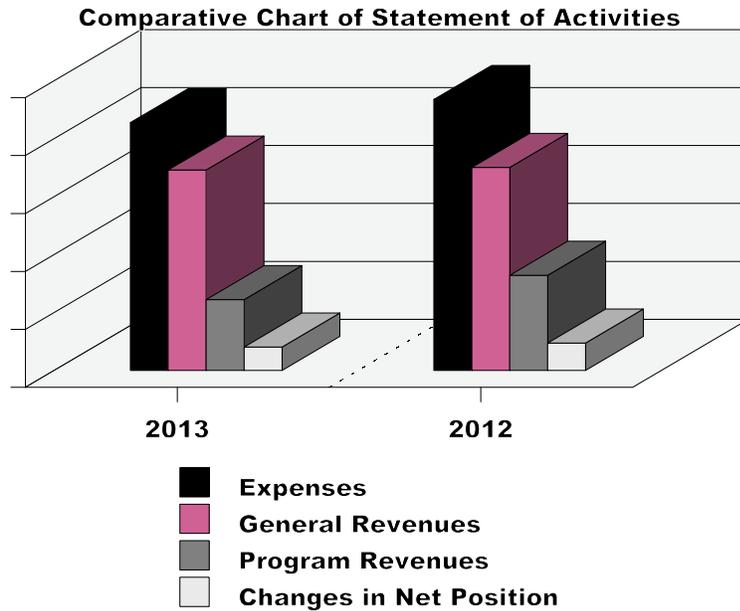
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

**West Tallahatchie Consolidated School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

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

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 460,469	458,201	0%
Operating grants and contributions	1,939,179	2,824,463	(31)%
Capital grants and contributions	42,400		
Total program revenues	<u>2,442,048</u>	<u>3,282,664</u>	(26)%
General Revenues:			
Property taxes	2,301,570	2,161,285	6%
Grants and contributions not restricted	4,160,620	4,368,881	(5)%
Unrestricted investment earnings	3,695	4,922	(25)%
Sixteenth section sources	289,228	469,806	(38)%
Other	161,440		
Total general revenues	<u>6,916,553</u>	<u>7,004,894</u>	(1)%
<b>Total revenues</b>	<u>9,358,601</u>	<u>10,287,558</u>	(9)%
<b>Expenses:</b>			
Instruction	4,076,556	4,623,930	(12)%
Support services	3,637,141	3,871,676	(6)%
Non-instructional	739,064	777,534	(5)%
Sixteenth section	47,960		
Interest on long-term liabilities	51,771	75,608	(32)%
<b>Total expenses</b>	<u>8,552,492</u>	<u>9,348,748</u>	(9)%
<b>Increase (Decrease) in net position</b>	<u>806,109</u>	<u>938,810</u>	(14)%
<b>Net Position, July 1, as previously reported</b>	4,573,687	3,643,936	26%
<b>Prior period adjustment</b>	<u>(24,770)</u>	<u>(9,059)</u>	173%
<b>Net Position, July 1, as restated</b>	<u>4,548,917</u>	<u>3,634,877</u>	25%
<b>Net Position, June 30</b>	<u>\$ 5,355,026</u>	<u>4,573,687</u>	17%

**West Tallahatchie Consolidated School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**



**Governmental activities**

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

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

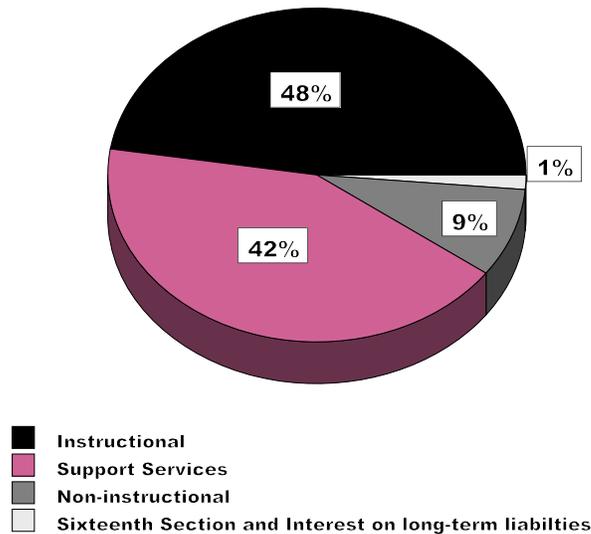
	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2013</b>	<b>2012</b>	
Instruction	\$ 4,076,556	4,623,930	(12)%
Support services	3,637,141	3,871,676	(6)%
Non-instructional	739,064	777,534	(5)%
Sixteenth section	47,960		
Interest on long-term liabilities	51,771	75,608	(32)%
<b>Total expenses</b>	<b>\$ 8,552,492</b>	<b>9,348,748</b>	<b>(9)%</b>

**West Tallahatchie Consolidated School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

**Net (Expense) Revenue**

	<b>2013</b>	<b>2012</b>	<b>Percentage Change</b>
Instruction	\$ (3,120,662)	(3,131,303)	0%
Support services	(2,838,741)	(2,831,892)	0%
Non-instructional	(51,310)	(27,281)	88%
Sixteenth section	(47,960)		
Interest on long-term liabilities	(51,771)	(75,608)	(32)%
<b>Total net (expense) revenue</b>	<b>\$ (6,110,444)</b>	<b>(6,066,084)</b>	<b>1%</b>

**Chart of Expenses per Statement of Activities**



- Net cost of governmental activities (\$6,110,444 for 2013 and \$6,066,084 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$2,301,570 for 2013 and \$2,161,285 for 2012) and state and federal revenues (\$4,160,620 for 2013 and \$4,368,881 for 2012). In addition, there was \$289,228 and \$469,806 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$3,695 for 2013 and \$4,922 for 2012.

**West Tallahatchie Consolidated School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,781,082, a decrease of \$70,925, which includes an increase in inventory of \$1,087. \$1,589,812 or 57% 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$1,191,270 or 43% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$585,465. The fund balance of Other Governmental Funds showed an increase in the amount of \$15,486, which includes an increase in inventory of \$1,087. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no increase or decrease
EHA Part B Fund	no increase or decrease
Sixteenth Section Interest Fund	\$ 499,054

**BUDGETARY HIGHLIGHTS**

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

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

**West Tallahatchie Consolidated School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2013, the District's total capital assets were \$7,298,243, including land, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$722,744 from 2012. Total accumulated depreciation as of June 30, 2013, was \$3,058,036, and total depreciation expense for the year was \$137,509, resulting in total net capital assets of \$4,240,207.

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 15,491	15,491	0%
Buildings	3,065,035	3,139,689	(2)%
Building improvements	604,096	11,186	5300%
Improvements other than buildings	194,713	205,531	(5)%
Mobile equipment	335,569	268,677	25%
Furniture and equipment	25,303	39,168	(35)%
<b>Total</b>	<u>\$ 4,240,207</u>	<u>3,679,742</u>	<u>15%</u>

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

**Debt Administration.** At June 30, 2013, the District had \$1,644,605 in outstanding long-term debt, of which \$255,500 is due within one year. The liability for compensated absences decreased \$8,505 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 939,500	1,119,000	(16)%
Certificates of participation payable		39,179	(100)%
Three mill notes payable	655,000	720,000	(9)%
Compensated absences payable	50,105	58,610	(15)%
<b>Total</b>	<u>\$ 1,644,605</u>	<u>1,936,789</u>	<u>(15)%</u>

**West Tallahatchie Consolidated School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

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

**CURRENT ISSUES**

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

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

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

Enrollment for the 2012 - 2013 year remained basically the same with 786 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the West Tallahatchie Consolidated School District, PO Box 129, Webb, MS 38966.

## FINANCIAL STATEMENTS

**WEST TALLAHATCHIE CONSOLIDATED SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities
<b>Assets</b>	
<i>Cash and cash equivalents</i>	\$ 2,461,407
<i>Due from other governments</i>	430,127
<i>Other receivables, net</i>	66
<i>Inventories</i>	3,993
<i>Restricted assets</i>	31,880
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	15,491
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	3,065,035
<i>Building improvements</i>	604,096
<i>Improvements other than buildings</i>	194,713
<i>Mobile equipment</i>	335,569
<i>Furniture and equipment</i>	25,303
Total Assets	<u>7,167,680</u>
<b>Liabilities</b>	
<i>Accounts payable and accrued liabilities</i>	136,726
<i>Due to other governments</i>	8,749
<i>Unearned revenue</i>	916
<i>Interest payable on long-term liabilities</i>	21,658
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	255,500
Long-term liabilities (due beyond one year):	
<i>Capital related liabilities</i>	1,339,000
<i>Non-capital related liabilities</i>	50,105
Total Liabilities	<u>1,812,654</u>
<b>Net Position</b>	
Net Investment in Capital Assets	2,645,707
Restricted For:	
Expendable:	
School based activities	861,197
Debt service	100,413
Capital projects	1,741
Forestry improvements	17,442
Unemployment benefits	40,453
Non-expendable:	
Sixteenth section	26,964
Unrestricted	1,661,109
Total Net Position	<u>\$ 5,355,026</u>

The accompanying notes are an integral part of this statement.

## WEST TALLAHATCHIE CONSOLIDATED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:				Governmental Activities	
<i>Instruction</i>	4,076,556	438,478	475,016	42,400	(3,120,662)
<i>Support services</i>	3,637,141	--	798,400	--	(2,838,741)
<i>Noninstructional services</i>	739,064	21,991	665,763	--	(51,310)
<i>Sixteenth section</i>	47,960	--	--	--	(47,960)
<i>Interest on long-term liabilities</i>	51,771	--	--	--	(51,771)
Total Governmental Activities	<u>\$ 8,552,492</u>	<u>\$ 460,469</u>	<u>\$ 1,939,179</u>	<u>\$ 42,400</u>	<u>(6,110,444)</u>
General Revenues:					
Taxes:					
<i>General purpose levies</i>					2,201,784
<i>Debt purpose levies</i>					99,786
<i>Unrestricted grants and contributions:</i>					
<i>State</i>					4,145,642
<i>Federal</i>					14,978
<i>Unrestricted investment earnings</i>					3,695
<i>Sixteenth section sources</i>					289,228
<i>Other</i>					161,440
Total General Revenues					<u>6,916,553</u>
Change in Net Position					<u>806,109</u>
Net Position - Beginning, as previously reported					4,573,687
Prior Period Adjustment					<u>(24,770)</u>
Net Position - Beginning, as restated					4,548,917
Net Position - Ending					<u>\$ 5,355,026</u>

The accompanying notes are an integral part of this statement.

# WEST TALLAHATCHIE CONSOLIDATED SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	General Fund	Title I Fund
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,545,051	\$ --
Investments	--	--
Due from other governments	89,652	79,731
Other receivables, net	66	--
Due from other funds	174,189	478
Inventories	--	--
Total Assets	<u>\$ 1,808,958</u>	<u>\$ 80,209</u>
<b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 89,375	\$ 3,865
Due to other funds	8,369	76,344
Unearned revenue	--	--
Total Liabilities	<u>97,744</u>	<u>80,209</u>
<b>Fund Balances:</b>		
<b>Nonspendable:</b>		
Permanent fund principal	--	--
Inventory	--	--
<b>Restricted:</b>		
Unemployment benefits	--	--
Forestry improvement	--	--
Capital projects	--	--
Debt service	--	--
Ad valorem	58,904	--
Grant activities	--	--
Food Service	--	--
Sixteenth section interest	--	--
<b>Assigned:</b>		
Activity	2,222	--
Alternative school	37,820	--
Renovation fund	22,456	--
<b>Unassigned</b>	<u>1,589,812</u>	<u>--</u>
Total Fund Balances	<u>1,711,214</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 1,808,958</u>	<u>\$ 80,209</u>

The accompanying notes are an integral part of this statement.

EHA Part B Fund	Sixteenth Section Interest Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 656,444	\$ 260,454	\$ 2,461,949
--	--	31,338	31,338
51,210	--	191,804	412,397
--	--	--	66
--	--	232	174,899
--	--	3,993	3,993
<u>\$ 51,210</u>	<u>\$ 656,444</u>	<u>\$ 487,821</u>	<u>\$ 3,084,642</u>
\$ 6,409	\$ 5,000	\$ 32,077	\$ 136,726
44,801	--	36,404	165,918
--	--	916	916
<u>51,210</u>	<u>5,000</u>	<u>69,397</u>	<u>303,560</u>
--	--	26,964	26,964
--	--	3,993	3,993
--	--	40,453	40,453
--	--	17,442	17,442
--	--	1,741	1,741
--	--	122,071	122,071
--	--	--	58,904
--	--	67,736	67,736
--	--	138,024	138,024
--	651,444	--	651,444
--	--	--	2,222
--	--	--	37,820
--	--	--	22,456
<u>--</u>	<u>--</u>	<u>--</u>	<u>1,589,812</u>
<u>--</u>	<u>651,444</u>	<u>418,424</u>	<u>2,781,082</u>
<u>\$ 51,210</u>	<u>\$ 656,444</u>	<u>\$ 487,821</u>	<u>\$ 3,084,642</u>

**WEST TALLAHATCHIE CONSOLIDATED SCHOOL DISTRICT**  
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013*

Total fund balances for governmental funds	\$ 2,781,082
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	4,240,207
Liabilities due in one year are not recognized in the funds.	(255,500)
Payables for bond principal which are not due in the current period are not reported in the funds.	(754,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(21,658)
Payables for notes which are not due in the current period are not reported in the funds.	(585,000)
Payables for compensated absences not due in the current period are not reported in the funds.	<u>(50,105)</u>
Net position of governmental activities	<u>\$ 5,355,026</u>

The accompanying notes are an integral part of this statement.

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**WEST TALLAHATCHIE CONSOLIDATED SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Title I Fund
	<u>                    </u>	<u>                    </u>
<b>Revenues:</b>		
Local sources	\$ 2,758,687	\$ --
Intermediate sources	--	--
State sources	3,798,562	--
Federal sources	14,978	699,485
Sixteenth section sources	--	--
Total Revenues	<u>6,572,227</u>	<u>699,485</u>
<b>Expenditures:</b>		
Instruction	3,516,369	129,428
Support services	2,723,717	509,478
Noninstructional services	48,997	59,813
Sixteenth section	--	--
Facilities acquisition and construction	619,544	--
Debt service:		
Principal	--	--
Interest	--	--
Other	--	--
Total Expenditures	<u>6,908,627</u>	<u>698,719</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(336,400)</u>	<u>766</u>
<b>Other Financing Sources (Uses):</b>		
Other financing uses	--	(766)
Total Other Financing Sources (Uses)	<u>--</u>	<u>(766)</u>
Net Change in Fund Balances	<u>(336,400)</u>	<u>--</u>
<b>Fund Balances:</b>		
July 1, 2012	2,296,679	--
Prior period adjustments	(249,065)	--
July 1, 2012, as restated	<u>2,047,614</u>	<u>--</u>
Increase (decrease) in inventory	--	--
June 30, 2013	<u>\$ 1,711,214</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EHA Part B Fund	Sixteenth Section Interest Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 123,140	\$ 2,881,827
--	--	44,082	44,082
--	--	531,459	4,330,021
238,847	--	858,868	1,812,178
--	289,951	542	290,493
<u>238,847</u>	<u>289,951</u>	<u>1,558,091</u>	<u>9,358,601</u>
119,129	--	323,598	4,088,524
119,559	--	256,119	3,608,873
159	--	617,431	726,400
--	39,962	7,998	47,960
--	--	--	619,544
--	--	283,679	283,679
--	--	50,136	50,136
--	--	1,250	1,250
<u>238,847</u>	<u>39,962</u>	<u>1,540,211</u>	<u>9,426,366</u>
--	249,989	17,880	(67,765)
--	--	(3,481)	(4,247)
--	--	(3,481)	(4,247)
--	249,989	14,399	(72,012)
--	152,390	402,938	2,852,007
--	249,065	--	--
--	401,455	402,938	2,852,007
--	--	1,087	1,087
<u>\$ --</u>	<u>\$ 651,444</u>	<u>\$ 418,424</u>	<u>\$ 2,781,082</u>

**WEST TALLAHATCHIE CONSOLIDATED SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013*

Net change in fund balances - total governmental funds	\$ (72,012)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	722,744
The depreciation of capital assets used in governmental activities is not reported in the funds.	(137,509)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	179,500
Repayment of principal is an expenditure in the funds but is not an expense in the SOA.	39,179
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	65,000
(Increase) decrease in accrued interest from beginning of period to end of period.	(385)
Change in inventory affects fund balance in the funds but affects expense in the SOA.	1,087
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	<u>8,505</u>
Change in net position of governmental activities	<u>\$ 806,109</u>

The accompanying notes are an integral part of this statement.

**WEST TALLAHATCHIE CONSOLIDATED SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

JUNE 30, 2013

	Private Purpose Trust Fund	Agency Funds
<b>Assets:</b>		
<i>Cash and other deposits</i>	\$ 1,863	\$ 382,718
<i>Due from other funds</i>	--	8,749
Total Assets	<u>\$ 1,863</u>	<u>\$ 391,467</u>
<b>Liabilities:</b>		
<i>Accounts payable and accrued liabilities</i>		\$ 349,527
<i>Due to student clubs</i>		21,243
<i>Due to other funds</i>		17,730
<i>Other payables</i>		2,967
Total Liabilities		<u>\$ 391,467</u>
<b>Net Position:</b>		
Reserved for endowments	\$ 1,863	
Total Net Position	<u>\$ 1,863</u>	

The accompanying notes are an integral part of this statement.

**WEST TALLAHATCHIE CONSOLIDATED SCHOOL DISTRICT**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	Private- Purpose Trust Fund
<b>Additions:</b>	
Contributions and donations from private sources	\$ 1,025
Total Additions	<u>1,025</u>
<b>Deductions:</b>	
Administrative Expenses	83
Total Deductions	<u>83</u>
Change in Net Position	942
<b>Net Position</b>	
July 1, 2012	921
June 30, 2013	<u>\$ 1,863</u>

The accompanying notes are an integral part of this statement.

**West Tallahatchie Consolidated School District**

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

## West Tallahatchie Consolidated School District

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

### Note 1 - Summary of Significant Accounting Policies

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

#### A. Financial Reporting Entity

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

For financial reporting purposes, West Tallahatchie Consolidated 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 West Tallahatchie School Improvement Corp. 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 13).

## West Tallahatchie Consolidated School District

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

### **B. Government-wide and Fund Financial Statements**

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consist 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

## West Tallahatchie Consolidated School District

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

is used to account for and report all financial resources not accounted for and reported in another fund.

**Title I Fund** - This is the school district's federal reimbursable fund that serves to fund remedial mathematics and reading services to low-income, program eligible students.

**EHA Part B Fund** - This fund accounts for the resources related to the education of children with disabilities.

**Sixteenth Section Interest Fund** - This fund is used to account for the generation of revenues and expenditures associated with sixteenth section lands that are legally required to be accounted for in the Sixteenth Section Interest Fund. Those revenues and expenditures include, but are not limited to, timber sales, interest on investments, leases, land improvements, purchase of investments and transfers to District Maintenance.

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

The District's fiduciary funds include the following:

**Accounts Payable Clearing Fund** - This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

**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.

**Payroll Clearing Fund** - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets and liabilities) and do not involve measurement of results of operations.

**Scholarship Fund** - This private purpose trust fund is financed from private sources and is used to provide scholarships to graduating seniors.

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.

## West Tallahatchie Consolidated School District

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

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

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

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.

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

### 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

## West Tallahatchie Consolidated School District

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

accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

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.

## West Tallahatchie Consolidated School District

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

### **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 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."

## West Tallahatchie Consolidated School District

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

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. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

### 6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the governmental column 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

## West Tallahatchie Consolidated School District

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

and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

### 7. Compensated Absences

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

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated

## West Tallahatchie Consolidated School District

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

absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

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

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

### 9. Fund Balances

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

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

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

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

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

## West Tallahatchie Consolidated School District

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

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures 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 7% of actual received 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 Investments**

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

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge

## West Tallahatchie Consolidated School District

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

securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or 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.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,461,949 and \$384,581, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$3,193,347 was exposed to custodial credit risk.

### Investments

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

## West Tallahatchie Consolidated School District

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

Investment Type	Rating	Maturities (in years)	Fair Value
Money Market Funds		1 year	\$ 26,422
Certificates of deposit			4,916
Total			\$ <u>31,338</u>

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

*Credit Risk.* State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2013, the district did not have any investments to which this would apply.

*Concentration of Credit Risk.* Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2013, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Money Market Funds	\$ 26,422	84%
Certificates of deposit	4,916	16%
Total	\$ <u>31,338</u>	<u>100%</u>

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

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

**West Tallahatchie Consolidated School District**

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

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 75,886
	EHA Part B Fund	44,801
	Other Governmental Funds	36,404
	Agency Funds	17,098
Title I Fund	General Fund	78
	Agency Funds	400
Other Governmental Funds	Agency Funds	232
Agency Funds	General Fund	8,291
	Title I Fund	458
Total		\$ 183,648

The primary purpose of the inter-fund receivables and payables are to close out the federal programs at year end.

**Note 4 - Restricted Assets**

The restricted assets represent the cash and investment balance totaling \$542 and \$26,422, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the investment balance totaling \$4,916, of the MAEP Retirement Fund.

**Note 5- Capital Assets**

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

## West Tallahatchie Consolidated School District

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

	Balance 7-1-2012	Additions	Completed Construction	Adjustments	Balance 6-30-2013
<u>Non-depreciable capital assets:</u>					
Land	\$ 15,491				15,491
Construction in progress		619,544	(619,544)		0
Total non-depreciable capital assets	15,491	619,544	(619,544)	0	15,491
<u>Depreciable capital assets:</u>					
Buildings	5,079,454				5,079,454
Building improvements	46,608		619,544		666,152
Improvements other than buildings	270,435				270,435
Mobile equipment	868,380	103,200			971,580
Furniture and equipment	295,131				295,131
Total depreciable capital assets	6,560,008	103,200	619,544	0	7,282,752
<u>Less accumulated depreciation for:</u>					
Buildings	1,939,765	74,654			2,014,419
Building improvements	35,422	1,864		24,770	62,056
Improvements other than buildings	64,904	10,818			75,722
Mobile equipment	599,703	36,308			636,011
Furniture and equipment	255,963	13,865			269,828
Total accumulated depreciation	2,895,757	137,509	0	24,770	3,058,036
Total depreciable capital assets, net	3,664,251	(34,309)	619,544	(24,770)	4,224,716
Governmental activities capital assets, net	\$ 3,679,742	585,235	0	(24,770)	4,240,207

Adjustments were made to correctly present capital assets at year end.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 96,256
Support services	27,502
Non-instructional	13,751
Total depreciation expense	\$ <u>137,509</u>

### Note 6 - Long-term liabilities

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

## West Tallahatchie Consolidated School District

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

	Balance 7-1-2012	Reductions	Balance 6-30-2013	Amounts due within one year
A. Limited obligation bonds payable	\$ 1,119,000	179,500	939,500	185,500
B. Certificates of participation payable	39,179	39,179	0	
C. Three mill notes payable	720,000	65,000	655,000	70,000
D. Compensated absences payable	58,610	8,505	50,105	
<b>Total</b>	<b>\$ 1,936,789</b>	<b>292,184</b>	<b>1,644,605</b>	<b>255,500</b>

#### A. Limited Obligation Bonds Payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvements Refunding Bonds, Series 2008	3.19%	03-01-08	02-01-18	\$ <u>1,705,000</u>	<u>939,500</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 185,500	29,970	215,470
2015	191,500	24,052	215,552
2016	197,500	17,944	215,444
2017	203,500	11,644	215,144
2018	161,500	5,152	166,652
<b>Total</b>	<b>\$ <u>939,500</u></b>	<b><u>88,762</u></b>	<b><u>1,028,262</u></b>

This debt will be retired from the MAEP Retirement Fund.

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

#### B. Certificates of participation payable

This debt was paid off during the year and retired from the EEF Building and Bus Fund.

## West Tallahatchie Consolidated School District

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

### C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill notes, series 2005	4.2%	09-01-05	09-01-20	\$ <u>1,065,000</u>	<u>655,000</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 70,000	26,040	96,040
2015	75,000	22,995	97,995
2016	75,000	19,845	94,845
2017	80,000	16,590	96,590
2018	85,000	13,125	98,125
2019 - 2021	<u>270,000</u>	<u>17,430</u>	<u>287,430</u>
Total	\$ <u>655,000</u>	<u>116,025</u>	<u>771,025</u>

This debt will be retired from the Three Mill Notes Retirement Fund.

### D. Compensated absences payable

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

### Note 7 - Defined Benefit Pension Plan

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

**Funding Policy.** PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate.

## West Tallahatchie Consolidated School District

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

The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012, and 2011 were \$661,863, \$604,932, and \$535,298, respectively, which equaled the required contributions for each year.

### Note 8 - 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 9 - Sixteenth Section Lands

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

Year Ending June 30	Amount
2014	\$ 115
2015	115
2016	115
2017	115
Total	\$ <u>460</u>

Sixteenth section bids/auctions were conducted, accepted and awarded. Renewal of all material sixteenth section leases will start in January 1, 2014.

## West Tallahatchie Consolidated School District

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

### Note 10 - Prior Period Adjustments

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

#### Exhibit B - Statement of Activities

Explanation(s)	Amount
To correctly present capital assets at year end.	\$ (24,770)

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

Fund	Explanation	Amount
General Fund	To reclassify 16 <sup>th</sup> section fund to its appropriate category.	\$ (249,065)
Sixteenth Section Interest Fund	To reclassify 16 <sup>th</sup> section fund to its appropriate category.	249,065
Total		\$ 0

### Note 11 - 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 laws will not have a material adverse effect on the financial condition of the school district.

### Note 12 - Alternative School Consortium

The school district entered into an Alternative School Agreement dated November 6, 1996 creating the North Delta Alternative School. 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 West Tallahatchie Consolidated School District, Coahoma County School District, Quitman County School District, Coahoma Agricultural High School, and North Panola School District.

## West Tallahatchie Consolidated School District

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

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

The West Tallahatchie Consolidated School District has been designated as the lead school district for the North Delta Alternative School, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the North Delta Alternative School.

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

##### Revenues

Local sources		
Tuition from other LEA's within the state:	\$	373,250
Donations from private sources		34,222
State sources		37,076
Total Revenues		<u>444,548</u>

##### Expenditures

Employee salaries and benefits	432,132
Purchased technical services	1,668
Purchased property services	20,537
Other purchased services	1,276
Supplies	12,256
Property	70,385
Total Expenditures	<u>538,254</u>
	<u>(93,706)</u>

##### Other Financing Sources/Uses:

Operating transfer in	<u>33,989</u>
Total Other Financing Sources/Uses	<u>33,989</u>

Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(59,717)</u>
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##### Fund Balance:

July 1, 2012	<u>97,537</u>
June 30, 2013	<u>\$ <u>37,820</u></u>

## West Tallahatchie Consolidated School District

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

### Note 13 - Trust Certificates

A trust agreement dated March 1, 1993, was executed by and between the school district and Trustmark National Bank, as trustee.

The trust agreement authorized the refunding of trust certificates in the original principal amount of \$500,000. Approximately \$468,276 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$31,724 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, equity, 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.

### Note 14 - Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

**WEST TALLAHATCHIE CONSOLIDATED SCHOOL DISTRICT**

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2013

**Exhibit 1**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 2,605,788	2,267,415	2,758,687	(338,373)	491,272
State sources	3,539,893	3,145,634	3,798,562	(394,259)	652,928
Federal sources	38,000	14,978	14,978	(23,022)	0
Total Revenues	<u>6,183,681</u>	<u>5,428,027</u>	<u>6,572,227</u>	<u>(755,654)</u>	<u>1,144,200</u>
<b>Expenditures:</b>					
Instruction	3,084,200	2,581,148	3,516,369	503,052	(935,221)
Support services	2,778,962	2,422,456	2,723,717	356,506	(301,261)
Noninstructional services	35,300	2,682	48,997	32,618	(46,315)
Facilities acquisition and construction	52,000		619,544	52,000	(619,544)
Total Expenditures	<u>5,950,462</u>	<u>5,006,286</u>	<u>6,908,627</u>	<u>944,176</u>	<u>(1,902,341)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>233,219</u>	<u>421,741</u>	<u>(336,400)</u>	<u>188,522</u>	<u>(758,141)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers Out	(35,000)	(59,726)		(24,726)	59,726
Other financing uses	(2,500)			2,500	0
Total Other Financing Sources (Uses)	<u>(37,500)</u>	<u>(59,726)</u>	<u>0</u>	<u>(22,226)</u>	<u>59,726</u>
Net Change in Fund Balances	<u>195,719</u>	<u>362,015</u>	<u>(336,400)</u>	<u>166,296</u>	<u>(698,415)</u>
<b>Fund Balances:</b>					
July 1, 2012, beginning, as previously reported	2,041,224	1,312,929	2,296,679	(728,295)	983,750
Prior period adjustments	(249,065)	(26,228)	(249,065)	222,837	(222,837)
July 1, 2012, beginning, as restated	<u>1,792,159</u>	<u>1,286,701</u>	<u>2,047,614</u>	<u>(505,458)</u>	<u>760,913</u>
June 30, 2013	<u>\$ 1,987,878</u>	<u>1,648,716</u>	<u>1,711,214</u>	<u>(339,162)</u>	<u>62,498</u>

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

**WEST TALLAHATCHIE CONSOLIDATED SCHOOL DISTRICT**

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2013

**Exhibit 2**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 703,362	699,485	699,485	(3,877)	0
Total Revenues	<u>703,362</u>	<u>699,485</u>	<u>699,485</u>	<u>(3,877)</u>	<u>0</u>
<b>Expenditures:</b>					
Instruction	128,195	129,427	129,428	(1,232)	(1)
Support services	508,890	509,479	509,478	(589)	1
Noninstructional services	58,291	59,813	59,813	(1,522)	0
Total Expenditures	<u>695,376</u>	<u>698,719</u>	<u>698,719</u>	<u>(3,343)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>7,986</u>	<u>766</u>	<u>766</u>	<u>(7,220)</u>	<u>0</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(7,986)			7,986	0
Other financing uses		(766)	(766)	(766)	0
Total Other Financing Sources (Uses)	<u>(7,986)</u>	<u>(766)</u>	<u>(766)</u>	<u>7,220</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
July 1, 2012	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2013	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

**WEST TALLAHATCHIE CONSOLIDATED SCHOOL DISTRICT**

Budgetary Comparison Schedule

EHA Part B Fund

For the Year Ended June 30, 2013

**Exhibit 3**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 270,513	238,847	238,847	(31,666)	0
Total Revenues	<u>270,513</u>	<u>238,847</u>	<u>238,847</u>	<u>(31,666)</u>	<u>0</u>
<b>Expenditures:</b>					
Instructional	119,327	119,129	119,129	198	0
Support services	150,678	119,828	119,559	30,850	269
Noninstructional services	500	159	159	341	0
Total Expenditures	<u>270,505</u>	<u>239,116</u>	<u>238,847</u>	<u>31,389</u>	<u>269</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>8</u>	<u>(269)</u>	<u>0</u>	<u>(277)</u>	<u>269</u>
Net Change in Fund Balances	<u>8</u>	<u>(269)</u>	<u>0</u>	<u>(277)</u>	<u>269</u>
<b>Fund Balances:</b>					
July 1, 2012	0	0	0	0	0
June 30, 2013	<u>\$ 8</u>	<u>(269)</u>	<u>0</u>	<u>(277)</u>	<u>269</u>

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

**WEST TALLAHATCHIE CONSOLIDATED SCHOOL DISTRICT**

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

**Exhibit 4**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Sixteenth section sources	\$ 309,278	310,400	289,951	1,122	(20,449)
Total Revenues	<u>309,278</u>	<u>310,400</u>	<u>289,951</u>	<u>1,122</u>	<u>(20,449)</u>
<b>Expenditures:</b>					
Sixteenth section		39,962	39,962	(39,962)	0
Facilities acquisition and construction		20,449		(20,449)	20,449
Total Expenditures	<u>0</u>	<u>60,411</u>	<u>39,962</u>	<u>(60,411)</u>	<u>20,449</u>
Net Change in Fund Balances	<u>309,278</u>	<u>249,989</u>	<u>249,989</u>	<u>(59,289)</u>	<u>0</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	600			(600)	0
Total Other Financing Sources (Uses)	<u>600</u>	<u>0</u>	<u>0</u>	<u>(600)</u>	<u>0</u>
Net Change in Fund Balances	<u>309,878</u>	<u>249,989</u>	<u>249,989</u>	<u>(59,889)</u>	<u>0</u>
Fund Balances:					
July 1, 2012, beginning, as previously reported	401,455	401,455	152,390	0	(249,065)
Prior period adjustments			249,065	0	249,065
July 1, 2012, beginning, as restated	<u>401,455</u>	<u>401,455</u>	<u>401,455</u>	<u>0</u>	<u>0</u>
June 30, 2013	<u>\$ 711,333</u>	<u>651,444</u>	<u>651,444</u>	<u>(59,889)</u>	<u>0</u>

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## West Tallahatchie Consolidated School District

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

### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

**West Tallahatchie Consolidated School District****Schedule 1**

Schedule of Expenditure of Federal Awards

For the Year Ended June 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b><u>U. S. Department of Agriculture</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 157,389
National School Lunch Program	10.555	420,879
Summer Food Service Program for Children	10.559	67,529
Total child nutrition cluster		<u>645,797</u>
Total passed-through Mississippi Department of Education		<u>645,797</u>
<b>Total U.S. Department of Agriculture</b>		<u>645,797</u>
<b><u>Federal Communications Commission</u></b>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	41,851
<b>Total Federal Communications Commission</b>		<u>41,851</u>
<b><u>U. S. Department of Education</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	741,605
Career and Technical Education - Basic Grants to States	84.048	12,094
Rural Education	84.358	27,742
Improving Teacher Quality - State Grants	84.367	105,816
Subtotal		<u>887,257</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	238,847
Special Education - Preschool Grants	84.173	13,142
Total special education cluster		<u>251,989</u>
Total passed-through the Mississippi Department of Education		<u>251,989</u>
<b>Total U.S. Department of Education</b>		<u>1,139,246</u>
<b><u>U. S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Education:		
Children's Health Insurance Program	93.767	546
Medical Assistance Program	93.778	3,301
<b>Total U.S. Department of Health and Human Services</b>		<u>3,847</u>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<b>\$ <u>1,830,741</u></b>

**Notes to Schedule**

1. This schedule was prepared using the same basis of accounting and 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.

**West Tallahathie Consolidated School District**

**Schedule 2**

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

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$ 6,452,868	4,418,838	735,204	391,954	906,872
Other	2,973,498	457,966	333,067	7,144	2,175,321
Total	\$ <u>9,426,366</u>	<u>4,876,804</u>	<u>1,068,271</u>	<u>399,098</u>	<u>3,082,193</u>
Total number of students *	<u>786</u>				
Cost per student	\$ <u>11,993</u>	<u>6,205</u>	<u>1,359</u>	<u>508</u>	<u>3,921</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 ; Support Services - Business

School Administration - includes expenditures for the following functions: 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

**WEST TALLAHATCHIE CONSOLIDATED SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 2,758,687	2,505,707	2,493,099	2,343,909
State sources	3,798,562	3,814,788	3,496,766	3,690,249
Federal sources	14,978	183,388	99,750	71,316
Sixteenth section sources		451,914		
Total Revenues	<u>6,572,227</u>	<u>6,955,797</u>	<u>6,089,615</u>	<u>6,105,474</u>
<b>Expenditures:</b>				
Instruction	3,516,369	3,246,562	2,966,744	3,277,799
Support services	2,723,717	2,787,622	2,578,306	2,642,300
Noninstructional services	48,997	37,584	33,257	29,185
Facilities acquisition and construction	619,544			
Total Expenditures	<u>6,908,627</u>	<u>6,071,768</u>	<u>5,578,307</u>	<u>5,949,284</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(336,400)</u>	<u>884,029</u>	<u>511,308</u>	<u>156,190</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in		449,541	324,500	250,000
Operating transfers out		(202,743)	(80,429)	(184,761)
Other financing uses		(2,000)		(750)
Total Other Financing Sources (Uses)	<u>0</u>	<u>244,798</u>	<u>244,071</u>	<u>64,489</u>
Net Change in Fund Balances	<u>(336,400)</u>	<u>1,128,827</u>	<u>755,379</u>	<u>220,679</u>
<b>Fund Balances:</b>				
July 1, as previously reported	2,296,679	1,185,513	430,134	209,455
Prior period adjustments	(249,065)	(17,661)		
July 1, as restated	<u>2,047,614</u>	<u>1,167,852</u>	<u>430,134</u>	<u>209,455</u>
June 30,	<u>\$ 1,711,214</u>	<u>2,296,679</u>	<u>1,185,513</u>	<u>430,134</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**WEST TALLAHATCHIE CONSOLIDATED SCHOOL DISTRICT**

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

"UNAUDITED"

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 2,881,827	2,639,520	2,627,620	2,521,633
Intermediate sources	44,082	72,573	91,273	
State sources	4,330,021	4,407,599	4,226,610	4,297,552
Federal sources	1,812,178	2,698,060	2,944,492	2,623,100
Sixteenth section sources	290,493	469,806	297,647	314,288
Total Revenues	<u>9,358,601</u>	<u>10,287,558</u>	<u>10,187,642</u>	<u>9,756,573</u>
<b>Expenditures:</b>				
Instruction	4,088,524	4,537,807	4,699,514	4,720,680
Support services	3,608,873	3,926,040	3,594,761	3,594,156
Noninstructional services	726,400	749,312	801,408	759,889
Sixteenth section	47,960		589	8,190
Facilities acquisition and construction	619,544			
Debt service:				
Principal	283,679	278,667	264,654	258,500
Interest	50,136	77,229	87,584	96,783
Advance refunding escrow				8,910
Other	1,250	1,000		
Total Expenditures	<u>9,426,366</u>	<u>9,570,055</u>	<u>9,448,510</u>	<u>9,447,108</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(67,765)</u>	<u>717,503</u>	<u>739,132</u>	<u>309,465</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in		652,284	404,929	434,761
Operating transfers out		(652,284)	(404,929)	(434,761)
Other financing uses	(4,247)	(16,609)		(750)
Total Other Financing Sources (Uses)	<u>(4,247)</u>	<u>(16,609)</u>	<u>0</u>	<u>(750)</u>
Net Change in Fund Balances	<u>(72,012)</u>	<u>700,894</u>	<u>739,132</u>	<u>308,715</u>
<b>Fund Balances:</b>				
July 1, as previously reported	2,852,007	2,164,958	1,423,907	1,114,300
Prior period adjustment		(9,059)		320
July 1, as restated	<u>2,852,007</u>	<u>2,155,899</u>	<u>1,423,907</u>	<u>1,114,620</u>
Increase (Decrease) in inventory	1,087	(4,786)	1,919	572
June 30,	<u>\$ 2,781,082</u>	<u>2,852,007</u>	<u>2,164,958</u>	<u>1,423,907</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
West Tallahatchie Consolidated 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 West Tallahatchie Consolidated School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the West Tallahatchie Consolidated School District's basic financial statements, and have issued our report thereon dated January 7, 2014.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. [Finding 2013-1].

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. [Finding 2013-2 and Finding 2013-3].

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the West Tallahatchie Consolidated 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2013-1.

### **School District's Response to the Findings**

The West Tallahatchie Consolidated School District's responses to the findings identified in our audit are described in the accompanying auditee's corrective action plan. The West Tallahatchie Consolidated School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

This report is intended solely for the information and use of management, the school board, others within the entity, and 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
January 7, 2014

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
West Tallahatchie Consolidated School District

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

We have audited West Tallahatchie Consolidated 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 West Tallahatchie Consolidated School District's major federal programs for the year ended June 30, 2013. The West Tallahatchie Consolidated School District's major federal programs are identified in the summary of the 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 each of its federal programs.

**Auditor's Responsibility**

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

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

In our opinion, the West Tallahatchie Consolidated 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.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2013-4. Our opinion on each major federal program is not modified with respect to this matter.

The West Tallahatchie Consolidated School District's response to the noncompliance finding identified in our audit is described in the accompanying auditee's corrective action plan. The West Tallahatchie Consolidated School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Management of the West Tallahatchie Consolidated 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 West Tallahatchie Consolidated 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 the 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2013-4 that we consider to be a significant deficiency.

The West Tallahatchie Consolidated School District's response to the internal control over compliance finding identified in our audit is described in the accompanying auditee's corrective action plan. The West Tallahatchie Consolidated School District's responses was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

This report is intended solely for the information and use of management, the school board, others within the entity, 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.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
January 7, 2014

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
West Tallahatchie Consolidated School District

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

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure 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 \$4,534 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 ensure 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

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regulations and our audit of the financial statements disclosed an instance of noncompliance described in Finding 2013-1 in the Schedule of Findings and Questioned Costs.

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
January 7, 2014

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**West Tallahatchie Consolidated 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 weakness(es) identified? Yes.
  - b. Significant deficiency(ies) identified? Yes.
3. Noncompliance material to financial statements noted? Yes.

Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? Yes.
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? Yes.
7. Identification of major programs:

CFDA Numbers:	Name of Federal Program or Cluster
84.010	Title I - Grants to Local Educational Agencies
84.027 & 84.173	SPED Cluster
84.367	Improving Teacher Quality - State Grants

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

## Section II: Financial Statements Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

### **Material Weakness and Material Noncompliance**

#### **Finding 2013-1**

Condition: The school board approved the transfer of surplus funds from a Three Mill Note Retirement Fund to the General Fund when the notes had not been retired.

Criteria: Section 27-105-367, Miss. Code Ann. (1972) states that “surplus monies in a bond and interest fund shall not be transferred unless there remains to the credit of such fund a sufficient balance to fully retire such bonds and interest thereon [...]” The Three Mill Notes had not been fully retired nor was there sufficient funds available to the credit of said fund to fully retire the notes.

Cause: This is the result of a lack of accounting controls which could prevent this situation from happening.

Effect: The lack of controls resulted in material non-compliance.

Recommendation:

We recommend that amounts are transferred back to the Three Mill Note Retirement Fund to correct this matter.

### **Significant Deficiencies**

#### **Finding 2013-2**

Condition: There was not a documented system of accounting for the change cash at games at the high school. Only the principal signature was noted on the ticket/cash count sheet. It was also not apparent where the initial cash originated from the school events tested. Due to the timing of the audit, this finding is carried over from the prior year.

Criteria: An effective system of internal control requires that all change cash for school events be well documented.

Cause: This is the result of an inadequate system of internal control.

Effect: The lack of controls resulted in missing or unaccounted cash.

Recommendation:

We recommend that the change cash be made available on the day of the game and be documented by a cancelled check and that proper signatures and notations be made on the school event form that is used to account for tickets sales and change cash.

### **Finding 2013-3**

Condition: The business manager has access to general ledger activities and also performs the duties of processing payroll, i.e. performs data entry and runs the monthly payroll and direct deposit. There are no compensating controls to assist with this lack of segregation of duties.

Criteria: An effective system of internal control requires proper segregation of duties to the greatest extent possible.

Cause: This is the result of limited staff and inadequate job assignments to facilitate proper segregation of duties.

Effect: This increased the risk that misstatements, due to error or fraud, could occur and not be detected in a timely manner.

Recommendation:

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

### **Section III: Federal Awards Findings and Questioned Costs**

The results of our tests disclosed the following finding and questioned costs related to the federal awards.

#### **Significant Deficiency**

##### **Finding 2013-4**

Special Education Cluster: CFDA # 84.027 and 84.173

Compliance requirement: Allowable Costs/Cost Principles

Condition: The school district did not perform semi-annual certifications or time and effort distribution records for its SPED employees.

Criteria: Management is responsible for establishing an internal control system that ensures strong financial accountability. An employee who works on multiple activities or cost objectives must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B.

Cause: Controls were not in place to ensure the documentation to support the time and effort of employees who are paid from federal awards programs.

Effect: The school district did not perform semi-annual certifications or time and effort report certifications for its SPED employees. As a result no time and efforts reports were available for review for an employee who has a pro-rated salary.

Recommendation:

We recommend that the district develop a system for documenting the time and effort of Special Education employees by requiring that each employee furnish a semi-annual certification or time and effort certification record as required by OMB Circular A-87.

# West Tallahatchie School District

P.O. Box 129

OFFICE OF THE SUPERINTENDENT

Webb, Mississippi 38966

Phone: 662-375-9291

Fax: 662-375-9294

**DR. DARRON L. EDWARDS**  
Superintendent

**HULL FRANKLIN**  
Assistant Superintendent

February 19, 2014

## RE: AUDITEE'S CORRECTION ACTION PLAN

As required by Section 315(c) of OMB Circular A-133, the West Tallahatchie School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for year ended June 30, 2013.

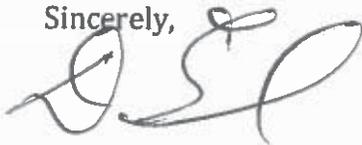
### Finding

2013-1

### Corrective Action Plan Details

- a. Temeka S. Jones, Assistant Business Manager  
662.375.9291 ext. 220.
- b. The recommended transfer will be made by the district.
- c. Anticipated completion date of corrective action is June 30, 2014.

Sincerely,



Dr. Darron L. Edwards  
Superintendent of Education

# West Tallahatchie School District

P.O. Box 129

OFFICE OF THE SUPERINTENDENT

Webb, Mississippi 38966

Phone: 662-375-9291

Fax: 662-375-9294

**DR. DARRON L. EDWARDS**  
Superintendent

**HULL FRANKLIN**  
Assistant Superintendent

February 19, 2014

## RE: AUDITEE'S CORRECTION ACTION PLAN

As required by Section 315(c) of OMB Circular A-133, the West Tallahatchie School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for year ended June 30, 2013.

### Finding

2013-2

### Corrective Action Plan Details

- a. Temeka S. Jones, Assistant Business Manager  
662.375.9291 ext. 220.
- b. An adequate system of control and documentation was implemented during the current fiscal year.
- c. Effective date of corrective action was September 1, 2013.

Sincerely,



Dr. Darron L. Edwards  
Superintendent of Education

# West Tallahatchie School District

P.O. Box 129

OFFICE OF THE SUPERINTENDENT  
Webb, Mississippi 38966

Phone: 662-375-9291  
Fax: 662-375-9294

DR. DARRON L. EDWARDS  
Superintendent

HULL FRANKLIN  
Assistant Superintendent

February 19, 2014

## RE: AUDITEE'S CORRECTION ACTION PLAN

As required by Section 315(c) of OMB Circular A-133, the West Tallahatchie School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for year ended June 30, 2013.

### Finding

2013-3

### Corrective Action Plan Details

- a. Temeka S. Jones, Assistant Business Manager  
662.375.9291 ext. 220.
- b. Payroll duties will be segregated upon return of Business Manager or the hiring of new Business Office personnel.
- c. Anticipated effective date of corrective action is July 1, 2014.

Sincerely,



Dr. Darron L. Edwards  
Superintendent of Education

# West Tallahatchie School District

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OFFICE OF THE SUPERINTENDENT

Webb, Mississippi 38966

Phone: 662-375-9291

Fax: 662-375-9294

**DR. DARRON L. EDWARDS**  
Superintendent

**HULL FRANKLIN**  
Assistant Superintendent

February 19, 2014

## RE: AUDITEE'S CORRECTION ACTION PLAN

As required by Section 315(c) of OMB Circular A-133, the West Tallahatchie School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for year ended June 30, 2013.

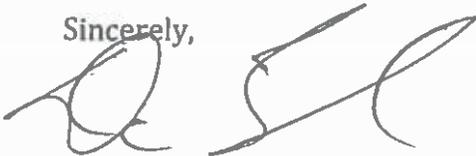
### Finding

2013-4

### Corrective Action Plan Details

- a. Temeka S. Jones, Assistant Business Manager  
662.375.9291 ext. 220.
- b. The SPED department will use time and effort reports for  
SPED employees.
- c. Effective date of corrective action was January 6, 2014.

Sincerely,



Dr. Darron L. Edwards  
Superintendent of Education