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RICHTON SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2012

RICHTON SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Richton School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Richton School District as of and for the year ended June 30, 2012, which collectively comprise the Richton School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Richton School District's management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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 Richton School District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2013, on our consideration of the Richton 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Richton School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Richton School District's basic financial statements. 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, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information 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.

Watkins, Ward and Stafford, PLLC
Jackson, Mississippi
February 25, 2013

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Richton School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2012. 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 assets for 2012 increased $279,691, including a prior period adjustment of $17,126, which represents a 7% increase from fiscal year 2011. Total net assets for 2011 increased $784,158, including a prior period adjustment of $29,426, which represents a 23% increase from fiscal year 2010.

- General revenues amounted to $4,294,281 and $4,328,504, or 78% and 73% of all revenues for fiscal years 2012 and 2011, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for $1,208,357, or 22% of total revenues for 2012, and $1,581,646, or 27% of total revenues for 2011.

- The District had $5,240,073 and $5,155,418 in expenses for fiscal years 2012 and 2011; only $1,208,357 for 2012 and $1,581,646 for 2011 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $4,294,281 for 2012 and $4,328,504 for 2011 were adequate to provide for these programs.

- Among major funds, the General Fund had $4,215,327 in revenues and $3,893,995 in expenditures for 2012, and $4,029,085 in revenues and $3,396,927 in expenditures in 2011. The General Fund's fund balance increased by $244,932, including a prior period adjustment of $2,006, from 2011 to 2012, and increased by $615,340, including a prior period adjustment of $28,739, from 2010 to 2011.

- Capital assets, net of accumulated depreciation, increased by $133,936 for 2012 and increased by $201,507 for 2011. The increase for 2012 was due primarily to the completion of a building improvement at the Elementary School and the purchase of a new school bus during the fiscal year.

- Long-term debt decreased by $135,647 for 2012 and decreased by $119,038 for 2011. The decrease for 2012 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by $988 for 2012 and increased by $4,628 for 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The Statement of Net Assets presents information on all the District's non-fiduciary assets and liabilities,

with the differences between the two reported as "net assets." Over time, increases or decreases in the District's net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Fund Financial Statements

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

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

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

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts.* Information is presented separately in the governmental 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.

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 Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental 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.

Supplemental 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 assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by $4,479,886 as of June 30, 2012.

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 assets at June 30, 2012 and June 30, 2011.

Table 1
Condensed Statement of Net Assets

	June 30, 2012	June 30, 2011	Percentage Change
Current assets	$ 1,525,160	$ 1,212,995	25.74 %
Restricted assets	154,380	449,236	(65.63) %
Capital assets, net	4,108,178	3,974,242	3.37 %
Total assets	**5,787,718**	**5,636,473**	**2.68 %**
Current liabilities	37,912	30,711	23.45 %
Long-term debt outstanding	1,269,920	1,405,567	(9.65) %
Total liabilities	**1,307,832**	**1,436,278**	**(8.94) %**
Net assets:			
Invested in capital assets, net of related debt	2,877,773	2,851,708	0.91 %
Restricted	470,711	461,029	2.10 %
Unrestricted	1,131,402	887,458	27.49 %
Total net assets	**$ 4,479,886**	**$ 4,200,195**	**6.66 %**

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

- Increase in net capital assets in the amount of $133,936.
- The principal retirement of $218,222 of long-term debt.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2012 and June 30, 2011 were $5,502,638 and $5,910,150, respectively. The total cost of all programs and services was $5,240,073 for 2012 and $5,155,418 for 2011.

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2012 and June 30, 2011.

Table 2
Changes in Net Assets

	Year Ended June 30, 2012	Year Ended June 30, 2011	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 185,787	$ 201,114	(7.62) %
Operating grants and contributions	1,022,570	1,380,532	(25.93) %
General revenues:			
Property taxes	909,839	915,523	(0.62) %
Grants and contributions not restricted	3,239,821	3,342,993	(3.09) %
Investment earnings	4,031	15,863	(74.59) %
Sixteenth section sources	90,861	17,024	433.72 %
Other	49,729	37,101	34.04 %
Total revenues	**5,502,638**	**5,910,150**	**(6.90) %**
Expenses:			
Instruction	3,117,911	3,175,037	(1.80) %
Support services	1,648,568	1,526,628	7.99 %
Non-instructional	439,469	408,776	7.51 %
Sixteenth section	3,825	7,251	(47.25) %
Interest and other expenses on long-term liabilities	30,300	37,726	(19.68) %
Total expenses	**5,240,073**	**5,155,418**	**1.64 %**
Increase (Decrease) in net assets	**262,565**	**754,732**	**(65.21) %**
Net Assets, July 1, as originally reported	**4,200,195**	**3,416,037**	22.96 %
Prior Period Adjustment	**17,126**	**29,426**	(41.80) %
Net Assets, July 1, as restated	**4,217,321**	**3,445,463**	**22.40 %**
Net Assets, June 30	**$ 4,479,886**	**$ 4,200,195**	**6.66 %**

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 debt. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2012	2011	Change
Instruction	$ 3,117,911	$ 3,175,037	(1.80) %
Support services	1,648,568	1,526,628	7.99 %
Non-instructional	439,469	408,776	7.51 %
Sixteenth section	3,825	7,251	(47.25) %
Interest on long-term liabilities	30,300	37,726	(19.68) %
Total expenses	**$ 5,240,073**	**$ 5,155,418**	**1.64 %**

	Net (Expense) Revenue		Percentage
	2012	2011	Change
Instruction	$ (2,510,487)	$ (2,174,085)	15.47 %
Support services	(1,483,362)	(1,366,907)	8.52 %
Non-instructional	(7,958)	12,197	(165.25) %
Sixteenth section	391	(7,251)	105.39 %
Interest on long-term liabilities	(30,300)	(37,726)	(19.68) %
Total net (expense) revenue	**$ (4,031,716)**	**$ (3,573,772)**	**12.81 %**

- Net cost of governmental activities ($4,031,716 for 2012 and $3,573,772 for 2011) was financed by general revenue, which is primarily made up of property taxes ($909,839 for 2012 and $915,523 for 2011) and state and federal revenues ($3,239,821 for 2012 and $3,342,993 for 2011). In addition, there was $90,861 and $17,024 in Sixteenth Section sources for 2012 and 2011, respectively.

- Investment earnings amounted to $4,031 for 2012 and $15,863 for 2011.

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 $1,647,008, an increase of $8,030, which includes a prior period adjustment of $17,126 and a decrease in reserve for inventory of $6,774. $1,137,262, or 69%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of $509,746, or 31%, is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was $244,932, including a prior period adjustment of $2,006. The fund

balance of Other Governmental Funds showed a decrease in the amount of $236,902, which includes a prior period adjustment of $15,120 and a decrease in reserve for inventory of $6,774. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I-A Basic Fund	no increase or decrease
EHA Part B Grant Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions made during the fiscal year were routine in nature and were insignificant when compared to total revenues and expenditures for the District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2012, the District's total capital assets were $7,246,872, including land, school buildings, building improvements and other improvements, buses, other school vehicles and furniture and equipment. This amount represents a gross increase of $254,142 from 2011, due primarily to the completion of a building improvement at the Elementary School and the purchase of a new school bus during the fiscal year. Total accumulated depreciation as of June 30, 2012, was $3,138,694, and total depreciation expense for the year was $184,959, resulting in total net capital assets of $4,108,178.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2012	June 30, 2011	Percentage Change
Land	$ 104,473	$ 104,473	0.00 %
Construction in Progress	-	204,393	(100.00) %
Buildings	2,214,234	2,276,762	(2.75) %
Building improvements	1,277,369	891,056	43.35 %
Improvements other than buildings	128,862	138,775	(7.14) %
Mobile equipment	361,057	332,184	8.69 %
Furniture and equipment	22,183	26,599	(16.60) %
Total	**$ 4,108,178**	**$ 3,974,242**	**3.37 %**

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

Debt Administration. At June 30, 2012, the District had $1,269,920 in outstanding long-term debt, of which $196,556 is due within one year. During the fiscal year, the District incurred debt in the amount of $81,587 for the purchase of a new school bus. The District made principal payments on long-term debt in the amount of $218,222 during the fiscal year. The liability for compensated absences increased $988 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2012	June 30, 2011	Percentage Change
Limited obligation bonds payable	$ 205,000	$ 300,000	(31.67) %
Three mill notes payable	446,000	511,000	(12.72) %
Transportation equipment loans payable	79,405	-	N/A %
Qualified school construction bonds payable	500,000	500,000	0.00 %
Other loans payable	-	56,040	(100.00) %
Compensated absences payable	39,515	38,527	2.56 %
Total	**$ 1,269,920**	**$ 1,405,567**	**(9.65) %**

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

CURRENT ISSUES

The Richton 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Richton School District, P. O. Box 568, Richton, MS 39476.

FINANCIAL STATEMENTS

RICHTON SCHOOL DISTRICT

Statement of Net Assets **Exhibit A**

June 30, 2012

		Governmental Activities
Assets		
Cash and cash equivalents	$	1,385,638
Due from other governments		132,959
Inventories		6,563
Restricted assets		154,380
Capital assets, non-depreciable:		
Land		104,473
Capital assets, net of accumulated depreciation:		
Buildings		2,214,234
Building improvements		1,277,369
Improvements other than buildings		128,862
Mobile equipment		361,057
Furniture and equipment		22,183
Total Assets		5,787,718
Liabilities		
Accounts payable and accrued liabilities		32,532
Interest payable on long-term liabilities		5,380
Long-term liabilities, due within one year:		
Capital related liabilities		194,580
Non-capital related liabilities		1,976
Long-term liabilities, due beyond one year:		
Capital related liabilities		1,035,825
Non-capital related liabilities		37,539
Total Liabilities		1,307,832
Net Assets		
Invested in capital assets, net of related debt		2,877,773
Restricted for:		
Expendable:		
School-based activities		212,067
Debt service		138,831
Capital improvements		31,211
Forestry improvements		20,295
Unemployment benefits		26,242
Non-expendable:		
Sixteenth section		42,065
Unrestricted		1,131,402
Total Net Assets	$	4,479,886

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

RICHTON SCHOOL DISTRICT

Statement of Activities **Exhibit B**

For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$ 3,117,911	$ 59,966	$ 547,458	$ -	$ (2,510,487)
Support services	1,648,568	-	165,206	-	(1,483,362)
Non-instructional	439,469	121,605	309,906	-	(7,958)
Sixteenth section	3,825	4,216	-	-	391
Interest on long-term liabilities	30,300	-	-	-	(30,300)
Total Governmental Activities	$ 5,240,073	$ 185,787	$ 1,022,570	$ -	$ (4,031,716)

General Revenues:	
Taxes:	
General purpose levies	858,290
Debt purpose levies	51,549
Unrestricted grants and contributions:	
State	3,209,781
Federal	30,040
Unrestricted investment earnings	4,031
Sixteenth section sources	90,861
Other	49,729
Total General Revenues	4,294,281
Change in Net Assets	262,565
Net Assets - Beginning, as originally reported	4,200,195
Prior Period Adjustments	17,126
Net Assets - Beginning, as restated	4,217,321
Net Assets - Ending	$ 4,479,886

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

RICHTON SCHOOL DISTRICT
Governmental Funds

Balance Sheet **Exhibit C**
June 30, 2012

	Major Funds				
	General Fund	Title I-A Basic Fund	EHA Part B Grant Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 1,070,217	$ -	$ -	$ 465,801	$ 1,536,018
Cash with fiscal agents	-	-	-	4,000	4,000
Due from other governments	73,867	30,399	14,309	14,306	132,881
Due from other funds	54,103	-	-	6,300	60,403
Inventories	-	-	-	6,563	6,563
Total assets	$ 1,198,187	$ 30,399	$ 14,309	$ 496,970	$ 1,739,865
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	$ 20,970	$ -	$ 1,348	$ 10,214	$ 32,532
Due to other funds	6,300	30,399	12,961	10,665	60,325
Total Liabilities	27,270	30,399	14,309	20,879	92,857
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	6,563	6,563
Permanent fund principal	-	-	-	42,065	42,065
Restricted:					
Debt service	-	-	-	144,211	144,211
Capital projects	-	-	-	31,211	31,211
Forestry improvement purposes	-	-	-	20,295	20,295
Unemployment benefits	-	-	-	26,242	26,242
Child Nutrition	-	-	-	131,800	131,800
Other purposes	-	-	-	73,141	73,141
Assigned:					
Activity Funds	33,655	-	-	-	33,655
Other purposes	-	-	-	563	563
Unassigned	1,137,262	-	-	-	1,137,262
Total Fund Balances	1,170,917	-	-	476,091	1,647,008
Total Liabilities and Fund Balances	$ 1,198,187	$ 30,399	$ 14,309	$ 496,970	$ 1,739,865

RICHTON SCHOOL DISTRICT
Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets **Exhibit C-1**
June 30, 2012

Total fund balances for governmental funds		$ 1,647,008
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	$ 104,473	
Buildings	4,437,565	
Building improvements	1,566,740	
Improvements other than buildings	247,808	
Mobile equipment	712,294	
Furniture and equipment	177,992	
Accumulated depreciation	(3,138,694)	4,108,178
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Limited obligation bonds	(205,000)	
Other bonds payable	(500,000)	
Notes and loans payable	(525,405)	
Compensated absences	(39,515)	
Accrued interest payable	(5,380)	(1,275,300)
Net assets of governmental activities		$ 4,479,886

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

RICHTON SCHOOL DISTRICT
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances **Exhibit D**
For the Year Ended June 30, 2012

	Major Funds				
	General Fund	Title I-A Basic Fund	EHA Part B Grant Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	$ 959,521	$ -	$ -	$ 185,265	$ 1,144,786
State sources	3,225,766	-	-	92,902	3,318,668
Federal sources	30,040	315,696	174,709	423,278	943,723
Sixteenth section sources	-	-	-	95,461	95,461
Total Revenues	4,215,327	315,696	174,709	796,906	5,502,638
Expenditures:					
Instruction	2,404,524	251,171	102,886	307,940	3,066,521
Support services	1,429,847	57,219	67,821	55,949	1,610,836
Noninstructional services	-	-	-	404,972	404,972
Sixteenth section	-	-	-	3,825	3,825
Facilities acquisition and construction	-	-	-	244,590	244,590
Debt service:					
Principal	58,222	-	-	160,000	218,222
Interest	1,382	-	-	30,976	32,358
Other	20	-	-	-	20
Total Expenditures	3,893,995	308,390	170,707	1,208,252	5,581,344
Excess (Deficiency) of Revenues over (under) Expenditures	321,332	7,306	4,002	(411,346)	(78,706)
Other Financing Sources (Uses):					
Bonds and notes issued	81,587	-	-	-	81,587
Payments held by escrow agent	-	-	-	2,000	2,000
Payment to QSCB debt escrow agent	(2,000)	-	-	-	(2,000)
Sale of transportation equipment	3,053	-	-	-	3,053
Operating transfers in	75,404	-	-	228,659	304,063
Operating transfers out	(228,194)	(7,306)	(4,002)	(64,561)	(304,063)
Other financing uses	(8,256)	-	-	-	(8,256)
Total Other Financing Sources (Uses)	(78,406)	(7,306)	(4,002)	166,098	76,384
Net Change in Fund Balances	242,926	-	-	(245,248)	(2,322)
Fund Balances:					
July 1, 2011, as originally reported	925,985	-	-	712,993	1,638,978
Prior period adjustments	2,006	-	-	15,120	17,126
July 1, 2011, as restated	927,991	-	-	728,113	1,656,104
Increase (Decrease) in reserve for inventory	-	-	-	(6,774)	(6,774)
June 30, 2012	$ 1,170,917	$ -	$ -	$ 476,091	$ 1,647,008

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

RICHTON SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2012

Exhibit D-1

Net change in fund balances - total governmental funds		$ (2,322)
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 326,090	
Depreciation expense	(184,959)	141,131
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(7,195)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Bonds and notes issued	(81,587)	
Payments of debt principal	218,222	
Accrued interest payable	2,078	138,713
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	(988)	
Change in inventory reserve	(6,774)	(7,762)
Change in net assets of governmental activities		$ 262,565

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

RICHTON SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities **Exhibit E**

June 30, 2012

		Agency Funds
Assets		
Cash and cash equivalents	$	198,532
Total Assets	$	198,532
Liabilities		
Accounts payable and accrued liabilities	$	178,860
Due to other funds		78
Due to student clubs		19,594
Total Liabilities	$	198,532

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

Note 1 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

B. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Richton, Mississippi, since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Assets 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 Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt, 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 assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by

management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

Title I-A Basic Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred under the Title I grants to local educational agencies program.

EHA Part B Grant Fund – This is a special revenue fund that accounts for federal sources received and expenditures incurred under the Special Education grants to states program to assist the District in providing a free appropriate public education to all children with disabilities.

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

The District's fiduciary funds include agency funds, which focus on assets and liabilities only. The District reports the following agency funds:

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

Debt Service Funds - Debt Service Funds are used to account for and report financial resources

that are restricted, committed, or assigned to expenditure for principal and interest.

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

FIDUCIARY FUNDS

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

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

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

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

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

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

Ad valorem property taxes are levied by the governing authority of the city 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 are both restricted and unrestricted net assets 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 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003,* issued by the U.S. Department of Education.

E. Encumbrances

An encumbrance system is 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.

F. Assets, liabilities, and net assets/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."

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

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

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

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

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond 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 non-spendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Non-spendable fund balance includes items that cannot be spent. This includes activity

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

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

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

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

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

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

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

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest

bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of $100 or more of any fund must be credited to that fund. Investment income of less than $100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $1,536,018 and $198,532, 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, 2012, none of the district's bank balance of $1,780,378 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was $4,000.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund		Amount
General Fund	Title I-A Basic Fund	$	30,399
	EHA Part B Grant Fund		12,961
	Other governmental funds		10,665
	Fiduciary funds		78
Other governmental funds	General Fund		6,300
Total		$	60,403

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

B. Inter-fund Transfers

Transfers Out	Transfers In		Amount
General Fund	Other governmental funds	$	228,194
Title I-A Basic Fund	General Fund		7,306
EHA Part B Grant Fund	General Fund		4,002
Other governmental funds	General Fund		64,096
	Other governmental funds		465
Total		$	304,063

The inter-fund transfers were primarily to transfer funds from the General Fund to the MAEP Debt Service Fund, Unemployment Compensation Fund and Vocational Education Fund. Inter-fund transfers were also made to transfer indirect cost from various federal program funds to the General Fund and to transfer expendable sixteenth section interest funds to the General Fund. All inter-fund transfers were routine and consistent with the fund making the transfer.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling $42,065 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent balance totaling $4,000 of the QSCB Debt Retirement Fund. Also, the restricted assets represent the cash balance totaling $108,315 of the MAEP Debt Service Fund.

Note 5 – Capital Assets

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

	Balance 7/1/2011	Increases	Decreases	Completed Construction	Balance 6/30/2012
Governmental Activities:					
Non-depreciable capital assets:					
Land	$ 104,473	$	$	$	$ 104,473
Construction in progress	204,393	244,590		(448,983)	-
Total non-depreciable capital assets	308,866	244,590	-	(448,983)	104,473
Depreciable capital assets:					
Buildings	4,437,565				4,437,565
Building improvements	1,117,757			448,983	1,566,740
Improvements other than buildings	247,808				247,808
Mobile equipment	702,742	81,500	71,948		712,294
Furniture and equipment	177,992				177,992
Total depreciable capital assets	6,683,864	81,500	71,948	448,983	7,142,399
Less accumulated depreciation for:					
Buildings	2,160,803	62,528			2,223,331
Building improvements	226,701	62,670			289,371
Improvements other than buildings	109,033	9,913			118,946
Mobile equipment	370,558	45,432	64,753		351,237
Furniture and equipment	151,393	4,416			155,809
Total accumulated depreciation	3,018,488	184,959	64,753	-	3,138,694
Total depreciable capital assets, net	3,665,376	(103,459)	7,195	448,983	4,003,705
Governmental activities capital assets, net	$ 3,974,242	$ 141,131	$ 7,195	$ -	$ 4,108,178

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 50,698
Support services	114,843
Non-instructional	19,418
Total depreciation expense - Governmental activities	$ 184,959

Note 6 – Long-term Liabilities

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

	Balance 7/1/2011	Additions	Reductions	Balance 6/30/2012	Amounts due within one year
A. Limited obligation bonds payable	$ 300,000	$	$ 95,000	$ 205,000	$ 100,000
B. Three mill notes payable	511,000		65,000	446,000	68,000
C. Transportation equipment loans payable	-	81,587	2,182	79,405	26,580
D. Qualified school construction bonds payable	500,000			500,000	-
E. Other loans payable	56,040		56,040	-	-
F. Compensated absences payable	38,527	988		39,515	1,976
Total	$ 1,405,567	$ 82,575	$ 218,222	$ 1,269,920	$ 196,556

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 improvement bonds, Series 1998	4.80%	4/1/1998	8/1/2013	$ 1,235,000	$ 205,000
Total				$ 1,235,000	$ 205,000

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

Year Ending June 30	Principal	Interest	Total
2013	$ 100,000	$ 7,440	$ 107,440
2014	105,000	2,520	107,520
Total	$ 205,000	$ 9,960	$ 214,960

This debt will be retired from the MAEP Debt Service Fund (Debt Service 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.

The school district has pledged a portion of future state Minimum Adequate Education Program revenues to repay $1,235,000 in limited obligation bonds payable issued April 1, 1998. Proceeds from the bonds were used to finance capital improvements made to the district's buildings. The bonds are payable solely from future revenues of the state Minimum Adequate Education

Program and are payable through August 1, 2013. Annual principal and interest payments on the bonds are expected to require approximately 3 percent of such state revenues. The total principal and interest remaining to be paid on the bonds is $214,960. Principal and interest paid for the current year and the total State Minimum Adequate Education Program revenues were $107,120 and $3,155,273, respectively.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note, Series 2008	3.69%	6/1/2008	6/1/2018	$ 694,000	$ 446,000
Total				$ 694,000	$ 446,000

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

Year Ending June 30	Principal	Interest	Total
2013	$ 68,000	$ 16,457	$ 84,457
2014	70,000	13,948	83,948
2015	73,000	11,365	84,365
2016	76,000	8,672	84,672
2017	78,000	5,867	83,867
2018	81,000	2,989	83,989
Total	$ 446,000	$ 59,298	$ 505,298

This debt will be retired from the EEF Buildings and Buses Fund (Special Revenue Fund) and Short Term Bond and Interest Fund (Debt Service Fund).

The school district has pledged a portion of future Educational Enhancement Fund revenues to repay $694,000 in three mill notes payable issued June 1, 2008. Proceeds from the notes were used to refund a portion of 2002 limited tax notes payable (which were also backed by a similar pledge from a portion of future Educational Enhancement Fund revenues) and to make capital improvements to the district's buildings. The notes are payable in part from future revenues of the State Educational Enhancement Buildings and Buses Revenue Program and are payable through June 1, 2018. Annual principal and interest payments on the notes are expected to require all of such state revenues designated as Educational Enhancement Buildings and Buses revenue and additional revenues raised through ad valorem debt service levies. The total principal and interest remaining to be paid on the notes is $505,298. Principal and interest paid for the current year and the total State Educational Enhancement Buildings and Buses revenues were $83,856 and $32,163, respectively.

C. Transportation equipment loans payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Richton Bank & Trust loan	2.45%	5/16/2012	5/16/2015	$ 81,587	$ 79,405
Total				$ 81,587	$ 79,405

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

Year Ending June 30	Principal	Interest	Total
2013	$ 26,580	$ 1,672	$ 28,252
2014	27,247	1,004	28,251
2015	25,578	319	25,897
Total	$ 79,405	$ 2,995	$ 82,400

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

D. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds, Series 2009	0%	11/20/2009	9/15/2024	$ 500,000	$ 500,000
Total				$ 500,000	$ 500,000

E. Other loans payable

The school district had acquired a loan from Richton Bank & Trust for financing the acquisition of a school bus at a cost of $76,562. During the fiscal year, the loan was paid in full from the District Maintenance Fund (General Fund).

F. Compensated absences payable

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

Note 7 – Other Commitments

Operating leases:

The school district has entered into operating leases for the following:

1. Five (5) copiers
2. Mailing system

Lease expenditures for the year ended June 30, 2012, amounted to $7,925.

Future lease payments for these leases are as follows:

Year Ending June 30		Amount
2013	$	4,735
2014		3,468
2015		1,404
2016		1,404
2017		468
Total	$	11,479

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2012 was 12.93% 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, 2012, 2011 and 2010 were $362,534, $319,260 and $382,203, respectively, which equaled the required contributions for each year.

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 of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30		Amount
2013	$	2,900
Total	$	2,900

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation		Amount
To correct prior year recording of an asset or liability at the governmental fund level	$	17,126
Total	$	17,126

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

Fund	Explanation		Amount
General Fund	To correct prior year recording of an asset or liability	$	2,006
Other governmental funds	To correct prior year recording of an asset or liability		15,120
Total		$	17,126

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.

Note 12 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 84 school districts and covers risks of loss arising

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

Note 13 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2012 was $4,000. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2013	$	2,000
2014		2,000
2015		2,000
2016		2,000
2017		2,000
2018 – 2022		246,000
2023 – 2025		240,000
Total	$	496,000

Note 14 - Subsequent Events

Events that occur after the Statement of Net Assets 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 Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Richton School District evaluated the activity of the district through February 25, 2013, and determined that there were no subsequent events that should be noted in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

RICHTON SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 988,375	$ 959,262	$ 959,521	$ (29,113)	$ 259
State sources	3,126,354	3,225,766	3,225,766	99,412	-
Federal sources	35,000	30,040	30,040	(4,960)	-
Total Revenues	4,149,729	4,215,068	4,215,327	65,339	259
Expenditures:					
Instruction	2,440,850	2,404,524	2,404,524	36,326	-
Support services	1,389,310	1,429,760	1,429,847	(40,450)	(87)
Debt service:					
Principal	26,008	60,758	58,222	(34,750)	2,536
Interest	829	866	1,382	(37)	(516)
Other	-	-	20	-	(20)
Total Expenditures	3,856,997	3,895,908	3,893,995	(38,911)	1,913
Excess (Deficiency) of Revenues over (under) Expenditures	292,732	319,160	321,332	26,428	2,172
Other Financing Sources (Uses):					
Bonds and notes issued	-	81,500	81,587	81,500	87
Payment to QSCB debt escrow agent	-	-	(2,000)	-	(2,000)
Sale of transportation equipment	-	3,053	3,053	3,053	-
Operating transfers in	509,865	490,100	75,404	(19,765)	(414,696)
Operating transfers out	(582,615)	(642,638)	(228,194)	(60,023)	414,444
Other financing uses	-	(8,256)	(8,256)	(8,256)	-
Total Other Financing Sources (Uses)	(72,750)	(76,241)	(78,406)	(3,491)	(2,165)
Net Change in Fund Balances	219,982	242,919	242,926	22,937	7
Fund Balances:					
July 1, 2011, as originally reported	927,920	927,920	925,985	-	(1,935)
Prior period adjustments	-	-	2,006	-	2,006
July 1, 2011, as restated	927,920	927,920	927,991	-	71
June 30, 2012	$ 1,147,902	$ 1,170,839	$ 1,170,917	$ 22,937	$ 78

The notes to the required supplemental information are an integral part to this statement.

RICHTON SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule

Title I-A Basic Fund

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 278,900	$ 315,696	$ 315,696	$ 36,796	$ -
Total Revenues	278,900	315,696	315,696	36,796	-
Expenditures:					
Instruction	203,576	251,171	251,171	(47,595)	-
Support services	65,283	57,219	57,219	8,064	-
Total Expenditures	268,859	308,390	308,390	(39,531)	-
Excess (Deficiency) of Revenues over (under) Expenditures	10,041	7,306	7,306	(2,735)	-
Other Financing Sources (Uses):					
Operating transfers out	(6,682)	(7,306)	(7,306)	(624)	-
Total Other Financing Sources (Uses)	(6,682)	(7,306)	(7,306)	(624)	-
Net Change in Fund Balances	3,359	-	-	(3,359)	-
Fund Balances:					
July 1, 2011	-	-	-	-	-
June 30, 2012	$ 3,359	$ -	$ -	$ (3,359)	$ -

The notes to the required supplemental information are an integral part of this statement.

RICHTON SCHOOL DISTRICT
Required Supplemental Information

Budgetary Comparison Schedule
EHA Part B Grant Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 222,907	$ 174,709	$ 174,709	$ (48,198)	$ -
Total Revenues	222,907	174,709	174,709	(48,198)	-
Expenditures:					
Instruction	169,348	102,886	102,886	66,462	-
Support services	53,504	67,821	67,821	(14,317)	-
Total Expenditures	222,852	170,707	170,707	52,145	-
Excess (Deficiency) of Revenues over (under) Expenditures	55	4,002	4,002	3,947	-
Other Financing Sources (Uses):					
Operating transfers out	-	(4,002)	(4,002)	(4,002)	-
Total Other Financing Sources (Uses)	-	(4,002)	(4,002)	(4,002)	-
Net Change in Fund Balances	55	-	-	(55)	-
Fund Balances:					
July 1, 2011	-	-	-	-	-
June 30, 2012	$ 55	$ -	$ -	$ (55)	$ -

The notes to the required supplemental information are an integral part of this statement.

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

RICHTON SCHOOL DISTRICT
Supplemental Information

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 76,082
National school lunch program	10.555	218,173
Total child nutrition cluster		294,255
Total passed-through Mississippi Department of Education		294,255
Total U.S. Department of Agriculture		294,255
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	29,788
Total Federal Communications Commission		29,788
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Rehabilitation services_vocational rehabilitation grants to states	84.126	252
Rural education	84.358	19,559
Improving Teacher Quality State Grants	84.367	46,663
ARRA - Education Technology State Grants, Recovery Act	84.386	4,203
Education Jobs Fund	84.410	4,651
Subtotal		75,328
Title I cluster:		
Title I grants to local educational agencies	84.010	315,696
Total Title I cluster		315,696
Special education cluster:		
Special education - grants to states	84.027	174,710
Special education - preschool grants	84.173	5,278
ARRA - Special education grants to states, Recovery Act	84.391	34,665
ARRA - Special education - preschool grants, Recovery Act	84.392	2,490
Total special education cluster		217,143
Total passed-through Mississippi Department of Education		608,167
Total U.S. Department of Education		608,167
Total for All Federal Awards		$ 932,210

NOTES TO SCHEDULE

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

RICHTON SCHOOL DISTRICT
Supplemental Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2012

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	3,992,164	3,138,038	261,543	174,662	417,921
Other		1,589,180	253,759	107,929	24,145	1,203,347
Total	$	5,581,344	3,391,797	369,472	198,807	1,621,268
Total number of students *		682				
Cost per student	$	8,184	4,973	542	292	2,377

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

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

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

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

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

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

OTHER INFORMATION

RICHTON SCHOOL DISTRICT
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED

	2012	2011*	2010*	2009*
Revenues:				
Local sources	$ 959,521	$ 962,726	$ 815,233	$ 884,030
State sources	3,225,766	3,054,191	3,259,534	3,673,125
Federal sources	30,040	12,168	52,339	30,010
Total Revenues	4,215,327	4,029,085	4,127,106	4,587,165
Expenditures:				
Instruction	2,404,524	2,007,770	2,457,580	2,798,668
Support services	1,429,847	1,339,786	1,399,310	1,605,015
Debt service:				
Principal	58,222	47,228	25,543	24,432
Interest	1,382	2,143	3,319	11,968
Other	20			
Total Expenditures	3,893,995	3,396,927	3,885,752	4,440,083
Excess (Deficiency) of Revenues over (under) Expenditures	321,332	632,158	241,354	147,082
Other Financing Sources (Uses):				
Bonds and notes issued	81,587	76,562		
Insurance recovery		204	11,837	
Sale of transportation equipment	3,053	7,515		
Sale of other property		27,006		
Payment to QSCB Debt escrow agent	(2,000)			
Operating transfers in	75,404		232,789	201,778
Other financing sources			4,403	
Operating transfers out	(228,194)	(156,844)	(241,410)	(561,789)
Other financing uses	(8,256)			(1,480)
Total Other Financing Sources (Uses)	(78,406)	(45,557)	7,619	(361,491)
Net Change in Fund Balances	242,926	586,601	248,973	(214,409)
Fund Balances:				
Beginning of period, as originally reported	925,985	310,645	61,672	306,102
Prior period adjustments	2,006	28,739		(30,021)
Beginning of period, as restated	927,991	339,384	61,672	276,081
End of Period	$ 1,170,917	$ 925,985	$ 310,645	$ 61,672

*SOURCE - PRIOR YEAR AUDIT REPORTS

RICHTON SCHOOL DISTRICT
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
UNAUDITED

	2012	2011 *	2010*	2009*
Revenues:				
Local sources	$ 1,144,786	$ 1,145,039	$ 998,655	$ 1,060,993
State sources	3,318,668	3,275,526	3,346,698	3,778,635
Federal sources	943,723	1,447,996	1,290,528	1,020,295
Sixteenth section sources	95,461	18,159	177,451	7,385
Total Revenues	5,502,638	5,886,720	5,813,332	5,867,308
Expenditures:				
Instruction	3,066,521	3,201,701	3,389,915	3,407,123
Support services	1,610,836	1,504,045	1,557,959	1,984,033
Noninstructional services	404,972	401,285	396,049	421,341
Sixteenth section	3,825	7,251	17,074	50,689
Facilities acquisition and construction	244,590	204,393	58,365	
Debt service:				
Principal	218,222	200,228	176,543	163,432
Interest	32,358	39,884	47,630	61,822
Other	20			
Total Expenditures	5,581,344	5,558,787	5,643,535	6,088,440
Excess (Deficiency) of Revenues over (under) Expenditures	(78,706)	327,933	169,797	(221,132)
Other Financing Sources (Uses):				
Bonds and notes issued	81,587	76,562	500,000	
Insurance recovery		204	11,837	
Payments held by escrow agent	2,000	2,000		
Payment to Qualified Zone Academy debt escrow agent	(2,000)	(2,000)		
Sale of transportation equipment	3,053	7,515		
Sale of other property		27,006		
Operating transfers in	304,063	156,844	475,280	762,967
Other financing sources			4,403	
Operating transfers out	(304,063)	(156,844)	(475,280)	(762,967)
Other financing uses	(8,256)			(1,480)
Total Other Financing Sources (Uses)	76,384	111,287	516,240	(1,480)
Net Change in Fund Balances	(2,322)	439,220	686,037	(222,612)
Fund Balances:				
Beginning of period, as originally reported	1,638,978	1,177,523	483,363	733,045
Prior period adjustments	17,126	29,426		(32,507)
Beginning of period, as restated	1,656,104	1,206,949	483,363	700,538
Increase (Decrease) in reserve for inventory	(6,774)	(7,191)	8,123	5,437
End of Period	$ 1,647,008	$ 1,638,978	$ 1,177,523	$ 483,363

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

WATKINS, WARD AND STAFFORD
Professional Limited Liability Company
Certified Public Accountants

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

Superintendent and School Board
Richton School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Richton School District as of and for the year ended June 30, 2012, which collectively comprise Richton School District's basic financial statements and have issued our report thereon dated February 25, 2013. 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.

Internal Control Over Financial Reporting

Management of Richton School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
February 25, 2013

Watkins Ward and Stafford, PLLC

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INDEPENDENT AUDITOR'S REPORT

ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board
Richton School District

Compliance

We have audited the compliance of the Richton School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Richton School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs. Our responsibility is to express an opinion on compliance for each of Richton 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 Richton School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Richton School District's compliance.

In our opinion, Richton 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, 2012.

Internal Control Over Compliance

Management of the Richton School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Richton School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as Finding **2012-01**. 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.

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

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

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
February 25, 2013

Watkins Ward and Stafford, PLLC

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

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

Superintendent and School Board
Richton School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Richton School District as of and for the year ended June 30, 2012, which collectively comprise Richton School District's basic financial statements and have issued our report thereon dated February 25, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $856 of classroom supply funds carried over from previous years.

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

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

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

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

1. Finding

Miss. Code Section 37-9-27 provides, the superintendent of any school district, before entering upon the duties of his office, shall furnish a good and sufficient surety bond in the penal sum of One Hundred Thousand Dollars ($ 100,000.00), with sufficient surety. Such bond shall be filed and recorded in the office of the clerk of the chancery court in which the school district is located, and shall be payable, conditioned and approved in the manner provided by law. The premium on said bond shall be paid out of the school district maintenance fund.

During test work on surety bonds, we noted that the superintendent only had a 50,000 surety bond for the school district.

The cause is unknown.

The district did not comply with Miss Code Section 37-9-27.

We recommend that the district implement policies and procedures to ensure that all personnel required to have surety bonds maintain the proper amount and comply with Section 37-9-27, Mississippi Code Ann. (1972).

District's Response

The district will implement policies and procedures to ensure all personnel have adequate surety bond coverage and comply with Section 37-9-27, Mississippi Code Ann. (1972).

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

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

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

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
February 25, 2013

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

RICHTON SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4.	Internal control over major programs:	
	a. Material weakness identified?	No
	b. Significant deficiency identified?	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 Cluster
10.553; 10.555	Child Nutrition Cluster

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

Significant deficiencies not considered to be a material weakness

2012-1 Internal Controls Surrounding Eligibility Determinations Should Be Strengthened

Program: Child Nutrition Cluster,
Passed-through the Mississippi Department of Education - CFDA#s 10.553 and 10.555

Compliance requirement: Eligibility

Finding

Management is responsible for establishing a proper internal control system to ensure that the free and reduced meal application approval process is in compliance with the Mississippi Department of Education's Policy and Procedures Manual for Child Nutrition Programs.

During our test of child nutrition free and reduced meal applications, we noted the following items:

A) A student was allowed free meal status when the student was not eligible to receive free/reduced meals

B) One application tested was missing the parent signature.

C) Two applications tested were missing the parent's last four digits of their social security number.

Inadequate internal controls resulted in the district not identifying the proper status of a student.

Requiring more than one staff member to review the free/reduced meal applications reduces the risk of fraud and errors occurring and not being detected within a timely period. Improper internal controls concerning the Child Nutrition allocations could result in questioned costs by the Child Nutrition Cluster agencies.

Recommendation
We recommend the district implement stronger internal controls to ensure that all students are accurately determined for eligibility purposes.

AUDITEE'S CORRECTIVE ACTION PLAN

AND

SUMMARY OF PRIOR AUDIT FINDINGS

Richton School District
PO Box 568
Richton, MS 39476-0568
Noal Cochran - Superintendent
Jason Cuevas - Business Administrator

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section___.315(b) of OMB Circular A-133, the Richton School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2012:

Finding	Corrective Action Plan Details
2012-01	a. Name of Contact Person Responsible for Corrective Action: Name: Jason Cuevas Phone Number: 601-788-5904 b. Corrective Action Planned: The District will implement stronger internal controls to ensure that all students are accurately determined for eligibility purposes. c. Anticipated Completion Date: June 30, 2013

Richton School District
PO Box 568
Richton, MS 39476-0568
Noal Cochran - Superintendent
Jason Cuevas - Business Administrator

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section___.315(b) of OMB Circular A-133, the Richton School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2012:

Finding	Status
2011-01	Corrected
2011-02	Corrected