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**ALCORN SCHOOL DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

**ALCORN SCHOOL DISTRICT  
TABLE OF CONTENTS  
JUNE 30, 2013**

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	10
Exhibit B - Statement of Activities	11
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	12
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Exhibit D - Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Exhibit D-1 - Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes In Fund Balances to the Statement of Activities	15
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Net Position	16
Exhibit F - Statement of Changes in Fiduciary Net Position	17
Notes to the Financial Statements	18-34
Required Supplemental Information	
Budgetary Comparison Schedule - General Fund	36
Extended School Year	37
Title I Fund	38
Title I Cost Pool	39
IDEA Fund	40
21 <sup>st</sup> Century Fund	41
Notes to the Required Supplemental Information	42
Supplemental Information	
Schedule of Expenditures of Federal Awards	43-44
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	45
Other Information	
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	46
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	47
Reports on Internal Controls and Compliance	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49-50
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct And Material Effect on Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	51-52
Independent Auditor's Report on Compliance with State Laws and Regulations	53
Schedule of Findings and Questioned Costs	54-55
Summary of Prior Year Findings	56



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**INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
Alcorn School District

***Report on the Financial Statements***

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

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to 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 Alcorn School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 36-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alcorn School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balance-General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Funds, Last Four Years, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2014, on our consideration of the Alcorn School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alcorn School District's internal control over financial reporting and compliance.

*Pyrawner, Vanstony & Co. P.A*

October 13, 2014  
Booneville, Mississippi

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

The discussion and analysis of Alcorn School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total Net Position for 2013 decreased (\$898,046) including a prior period adjustment of \$46,805, which represents a 6.19% decrease from fiscal year 2012. Total Net Position for 2012 decreased (\$2,149,407) including a prior period adjustment of (\$2,602,282), which represents 12.90% decrease from fiscal year 2011.
- General revenues amounted to \$23,438,927 and \$22,524,042, or 80.04 % and 73.29% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,845,086, or 19.96% of the total revenues for 2013, and \$8,208,845, or 26.71% of the total revenues for 2012.
- The District had \$30,247,087 and \$30,280,012 in expenses for fiscal years 2013 and 2012; only \$5,845,086 for 2013 and \$8,208,845 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$23,438,927 for 2013, and \$22,524,042 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$23,603,795 in revenues and \$24,381,813 in expenditures for 2013, and \$23,431,478 in revenues and \$23,477,535 in expenditures for 2012. The General Fund's fund balance decreased by \$1,277,440 from 2012 to 2013, and decreased \$168,734 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by (\$466,070) for 2013 and decreased by (\$2,794,666) for 2012. The decrease for 2013 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$693,123 for 2013 and decreased by \$715,381 for 2012. The decrease for 2013 was due primarily to debt reduction. The liability for compensated absences decreased by \$57,914 for 2013 and increased by \$18,100 for 2012.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

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

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

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

**Government-wide Financial Statements (continued)**

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

**Fund Financial Statements**

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

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

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

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

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

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

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

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

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.

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

**Notes to the financial statements**

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

**Required 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 Balance-General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$13,615,587 as of June 30, 2013.

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

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

**Table 1  
Condensed Statement of Net Position**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 5,736,226	\$ 6,920,815	-17.12%
Restricted assets	520,404	228,740	127.51%
Capital assets, net	15,327,363	15,793,433	-2.95%
<b>Total assets</b>	<u>21,583,993</u>	<u>22,942,988</u>	-5.92%
Current liabilities	401,794	240,736	66.90%
Long-term debt outstanding	7,566,612	8,188,619	-7.60%
<b>Total liabilities</b>	<u>7,968,406</u>	<u>8,429,355</u>	-5.47%
<b>Net position:</b>			
Investment in capital assets	8,116,275	7,949,844	2.09%
Restricted	2,852,823	3,140,820	-9.17%
Unrestricted	2,646,489	3,422,969	-22.68%
<b>Total net position</b>	<u>\$ 13,615,587</u>	<u>\$ 14,513,633</u>	-6.19%

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - Net Position (continued)**

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

- Decrease of \$693,123 of long-term debt.

**Changes in Net Position.** The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$29,284,013 and \$30,732,887, respectively. The total cost of all programs and services was \$30,247,087 for 2013 and \$30,280,012 for 2012.

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

**Table 2  
Changes in Net Position**

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,286,248	\$ 1,902,558	-32.39%
Operating grants and contributions	4,558,838	6,185,720	-26.30%
Capital grants and contributions	-	120,567	-100.00%
General revenues:			
Property taxes	5,747,619	5,925,795	-3.01%
Grants and contributions not restricted	17,426,488	16,434,909	6.03%
Investment earnings	41,800	163,338	-74.41%
Other	223,020	-	-100.00%
<b>Total revenues</b>	<u>29,284,013</u>	<u>30,732,887</u>	-4.71%
<b>Expenses:</b>			
Instruction	18,796,346	19,199,672	-2.10%
Support services	9,276,040	9,460,348	-1.95%
Non-instructional	1,584,315	1,348,461	17.49%
Interest and other expense on long-term liabilities	590,386	271,531	117.43%
<b>Total expenses</b>	<u>30,247,087</u>	<u>30,280,012</u>	-0.11%
<b>Increase(decrease) in net assets</b>	<u>(963,074)</u>	<u>452,875</u>	-308.63%
<b>Net assets, July 1</b>	<u>14,513,633</u>	<u>16,663,040</u>	-12.90%
<b>Prior period adjustment</b>	<u>65,028</u>	<u>(2,602,282)</u>	-102.50%
<b>Net assets, July 1, as restated</b>	<u>14,578,661</u>	<u>14,060,758</u>	3.68%
<b>Net assets, June 30</b>	<u>\$ 13,615,587</u>	<u>\$ 14,513,633</u>	-6.19%

**Governmental activities.** The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, 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.

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

**Table 3  
Net Cost of Governmental Activities**

	Total Expenses		Percentage
	2013	2012	Change
Instruction	\$ 18,796,346	\$ 19,199,672	-2.10%
Support services	9,276,040	9,460,348	-1.95%
Non-instructional	1,584,315	1,348,461	17.49%
Interest on long-term debt	590,386	271,531	117.43%
<b>Total expenses</b>	<b>\$ 30,247,087</b>	<b>\$ 30,280,012</b>	<b>-0.11%</b>

  

	Net (Expense) Revenue		Percentage
	2013	2012	Change
Instruction	\$ (15,639,365)	\$ (14,246,937)	9.77%
Support services	(8,124,884)	(7,830,855)	3.75%
Non-instructional	(47,366)	278,156	-117.03%
Interest on long-term debt	(590,386)	(271,531)	117.43%
<b>Total net (expense) revenue</b>	<b>\$ (24,402,001)</b>	<b>\$ (22,071,167)</b>	<b>10.56%</b>

- Net cost of governmental activities (\$24,402,001) for 2013 and \$22,071,167 for 2012) was financed by general revenue, which is primarily made up of property taxes of (\$5,747,619 for 2013 and \$5,925,795 for 2012) and state and federal revenues of (\$17,426,488 for 2013 and \$16,434,909 for 2012).

- Investment earnings amounted to \$41,800 for 2013 and \$163,338 for 2012.

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

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,911,369, a decrease of \$1,042,905, which includes a decrease in inventory of \$29,532. \$2,515,483 or 42.55% 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 \$3,395,886 or 57.45% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$1,277,440. The fund balance of Other Governmental Funds showed an increase in the amount of \$182,335, which includes a decrease in reserve for food inventory of \$29,532. The increase (decrease) in the fund balances for the other major funds were as follows:

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

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)**

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Extended School Year	\$ -
Title I Fund	-
Title I Cost Pool	-
IDEA Fund	-
21st Century	(1,900)
3 Mill Note Retirement	54,100

**BUDGETARY HIGHLIGHTS**

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

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2013, the District's total capital assets were \$35,316,660, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment and construction in progress. This amount represents a decrease of \$198,511 from 2012. Total accumulated depreciation as of June 30, 2013, was \$19,989,297, and total depreciation expense for the year was \$680,888, resulting in total net capital assets of \$15,327,363.

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

	<u>June 30, 2012</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 241,502	\$ 241,502	-
Buildings	12,438,645	12,820,196	-2.98%
Building improvements	1,010,140	1,085,944	-6.98%
Mobile equipment	579,529	640,362	-9.50%
Furniture and equipment	872,593	775,715	12.49%
Leased property under capital leases	184,954	229,714	-19.49%
<b>Total</b>	<u>\$ 15,327,363</u>	<u>\$ 15,793,433</u>	-2.95%

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

**Debt Administration.** At June 30, 2013, the District had \$7,151,355 in outstanding long-term debt, of which \$739,970 is due within one year. The liability for compensated absences decreased \$57,914 from the prior year.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION - Debt Administration (continued)**

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 3,005,000	\$ 3,385,000	-11.23%
Three mill notes payable	1,775,000	1,950,000	-8.97%
Obligations under capital leases	173,333	292,300	-40.70%
Obligations under energy efficiency lease	38,022	56,289	-32.45%
Qualified school construction bonds payable	2,160,000	2,160,000	NA
Compensated absences payable	355,524	413,438	-14.01%
<b>Sub-Total</b>	<u>7,506,879</u>	<u>8,257,027</u>	-9.08%
<b>Premiums</b>	<u>59,733</u>	<u>2,708</u>	2105.80%
<b>Total</b>	<u>\$ 7,566,612</u>	<u>\$ 8,259,735</u>	-8.39%

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

**Current Issues**

The Alcorn 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 control is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

Enrollment for the 2012-2013 year decreased by 0.09% to 3,314 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report, contact the Superintendent's Office of the Alcorn School District, P.O. Box 1420, Corinth, MS 38835.

**ALCORN SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2013**

Exhibit A

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 4,293,994
Due from other governments	1,291,902
Inventories	40,106
Deferred charges, debt issuance costs	110,224
Restricted Assets	520,404
Capital assets, non-depreciable	
Land	241,502
Capital assets, net of accumulated depreciation:	
Buildings	12,438,645
Building improvements	1,010,140
Mobile equipment	579,529
Furniture and equipment	872,593
Leased property under capital leases	184,954
Total assets	21,583,993
<b>Liabilities</b>	
Accounts payable and accrued liabilities	254,427
Unearned revenue	111
Interest payable on long term liabilities	147,256
Long-term liabilities, due within one year	
Capital related liabilities	739,970
Long-term liabilities, due beyond one year	
Capital related liabilities	6,411,385
Capital related bond premiums	59,733
Non-capital related liabilities	355,524
Total liabilities	7,968,406
<b>Net Position</b>	
Net investment in captial assets	8,116,275
Restricted net assets:	
Expendable:	
School based activites	1,004,903
Debt service	1,675,802
Capital improvements	97,900
Unemployment benefits	74,218
Unrestricted	2,646,489
Total net position	\$ 13,615,587

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

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

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net(Expense) Revenue and Changes in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 18,796,346	923,645	2,233,336	-	(15,639,365)
Support services	9,276,040	-	1,151,156	-	(8,124,884)
Noninstructional services	1,584,315	362,603	1,174,346	-	(47,366)
Interest on long-term debt	590,386	-	-	-	(590,386)
Total governmental activities	\$ 30,247,087	1,286,248	4,558,838	-	(24,402,001)
General Revenues:					
Taxes:					
General purpose levies					5,443,115
Debt purpose levies					304,504
Unrestricted grants and contributions:					
State					16,859,785
Federal					566,703
Unrestricted investment earnings					41,800
Other					223,020
					23,438,927
					(963,074)
Net Position - beginning as originally reported					14,513,633
Prior Period Adjustments					65,028
					14,578,661
Net Position - beginning as restated					14,578,661
Net Position - ending					\$ 13,615,587

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

**ALCORN SCHOOL DISTRICT**  
**Balance Sheet – Governmental Funds**  
**June 30, 2013**

	Major Funds							Other Governmental	Total Governmental Funds
	General Fund	Extended School Year	Title I Fund	Title I Cost Pool	IDEA Fund	21st Century Fund	3 Mill Note Retirement Fund		
<b>Assets</b>									
Cash and cash equivalents	\$ 2,398,695	-	-	-	-	-	957,275	938,024	4,293,994
Cash with fiscal agents	-	-	-	-	-	-	-	520,404	520,404
Due from other governments	408,052	98,878	99,067	9,844	142,021	90,141	6,576	437,323	1,291,902
Due from other funds	495,389	-	-	-	-	-	-	21,053	516,442
Inventories and prepaid items	-	-	-	-	-	-	-	40,106	40,106
<b>Total Assets</b>	<u>3,302,136</u>	<u>98,878</u>	<u>99,067</u>	<u>9,844</u>	<u>142,021</u>	<u>90,141</u>	<u>963,851</u>	<u>1,956,910</u>	<u>6,662,848</u>
<b>Liabilities and Fund Balances</b>									
<b>Liabilities:</b>									
Accounts payable and accrued liabilities	221,402	-	-	-	12,832	-	-	692	234,926
Due to other funds	21,053	98,878	99,067	9,844	129,189	90,141	-	68,270	516,442
Unearned revenue	-	-	-	-	-	-	-	111	111
<b>Total liabilities</b>	<u>242,455</u>	<u>98,878</u>	<u>99,067</u>	<u>9,844</u>	<u>142,021</u>	<u>90,141</u>	<u>-</u>	<u>69,073</u>	<u>751,479</u>
<b>Fund Balances:</b>									
Non spendable:									
Inventory	-	-	-	-	-	-	-	40,106	40,106
Restricted for:									
Debt service	-	-	-	-	-	-	963,851	808,716	1,772,567
Grant activities	-	-	-	-	-	-	-	373,170	373,170
Unemployment benefits	-	-	-	-	-	-	-	74,218	74,218
Food services	-	-	-	-	-	-	-	591,627	591,627
Committed:									
Capital projects	97,900	-	-	-	-	-	-	-	97,900
Equipment	115,555	-	-	-	-	-	-	-	115,555
Assigned:									
Activity funds	330,743	-	-	-	-	-	-	-	330,743
Unassigned:	<u>2,515,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,515,483</u>
<b>Total fund balances</b>	<u>3,059,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>963,851</u>	<u>1,887,837</u>	<u>5,911,369</u>
<b>Total liabilities and fund balances</b>	<u>\$ 3,302,136</u>	<u>98,878</u>	<u>99,067</u>	<u>9,844</u>	<u>142,021</u>	<u>90,141</u>	<u>963,851</u>	<u>1,956,910</u>	<u>6,662,848</u>

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

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

		Amount
Total fund balance - governmental funds		\$ 5,911,369
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	241,502	
Buildings	28,296,334	
Building improvements	1,895,090	
Mobile equipment	2,451,499	
Furniture and equipment	1,477,921	
Leased property under capital leases	954,314	
Accumulated depreciation	(19,989,297)	
		15,327,363
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	(3,005,000)	
Notes payable	(1,775,000)	
Capital lease obligations	(173,333)	
Qualified school construction bond payable	(2,160,000)	
Energy efficiency lease	(38,022)	
Compensated absences payable	(355,524)	
Accrued interest payable	(147,256)	
Accounts Payable-debt issuance cost	(19,500)	
Unamortized charges	110,224	
Unamortized premiums	(59,733)	
Rounding	(1)	
		(7,623,145)
Total net position - governmental activities		\$ 13,615,587

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

	Major Funds								Total Governmental Funds
	General Fund	Extended School Year	Title I Fund	Title I Cost Pool	IDEA Fund	21st Century Fund	3 Mill Note Retirement Fund	Other Governmental Funds	
<b>Revenues:</b>									
Local sources	\$ 6,577,241	-	-	-	-	-	304,503	412,314	7,294,058
State sources	16,430,930	98,878	-	-	-	-	-	1,496,127	18,025,935
Federal sources	595,624	-	558,114	-	967,633	189,602	-	1,648,417	3,959,390
<b>Total Revenues</b>	<b>23,603,795</b>	<b>98,878</b>	<b>558,114</b>	<b>-</b>	<b>967,633</b>	<b>189,602</b>	<b>304,503</b>	<b>3,556,858</b>	<b>29,279,383</b>
<b>Expenditures:</b>									
Instruction	16,020,770	98,878	500,356	-	715,652	189,433	-	921,700	18,446,789
Support services	8,036,089	-	159,525	88,114	251,981	-	-	626,865	9,162,574
Noninstructional services	43,959	-	16,500	-	-	-	-	1,531,566	1,592,025
Debt service:									
Principal	137,234	-	-	-	-	-	175,000	445,000	757,234
Interest	140,989	-	-	-	-	-	75,403	165,870	382,262
Other	2,772	-	-	-	-	-	-	88,748	91,520
<b>Total Expenditures</b>	<b>24,381,813</b>	<b>98,878</b>	<b>676,381</b>	<b>88,114</b>	<b>967,633</b>	<b>189,433</b>	<b>250,403</b>	<b>3,779,749</b>	<b>30,432,404</b>
Excess Deficiency of Revenues over (under) Expenditures	(778,018)	-	(118,267)	(88,114)	-	169	54,100	(222,891)	(1,153,021)
<b>Other Financing Sources (Uses):</b>									
Refunding bonds issued	-	-	-	-	-	-	-	2,545,000	2,545,000
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(2,480,000)	(2,480,000)
Insurance loss recoveries	12,992	-	-	-	-	-	-	-	12,992
Premiums on refunding bonds issued	-	-	-	-	-	-	-	61,656	61,656
Operating transfers in	54,418	-	147,503	224,378	-	-	-	457,029	883,328
Operating transfers out	(566,832)	-	(29,236)	(136,264)	-	(2,069)	-	(148,927)	(883,328)
<b>Total Other Financing Sources (Uses)</b>	<b>(499,422)</b>	<b>-</b>	<b>118,267</b>	<b>88,114</b>	<b>-</b>	<b>(2,069)</b>	<b>-</b>	<b>434,758</b>	<b>139,648</b>
<b>Net change in fund balances</b>	<b>(1,277,440)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,900)</b>	<b>54,100</b>	<b>211,867</b>	<b>(1,013,373)</b>
<b>Fund Balances:</b>									
July 1, 2012	4,337,121	-	-	-	-	1,900	909,751	1,705,502	6,954,274
Increase (decrease) in reserve for inventory	-	-	-	-	-	-	-	(29,532)	(29,532)
<b>June 30, 2013</b>	<b>\$ 3,059,681</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>963,851</b>	<b>1,887,837</b>	<b>5,911,369</b>

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

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

Exhibit D-1

		Amount
Net Changes in fund balances - governmental funds	\$	<u>(1,013,373)</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
1	Governmental funds report capital outlays 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	139,596
	Depreciation expense	<u>(663,504)</u>
		(523,908)
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.	
	Loss on sale of capital assets	<u>(7,190)</u>
		(7,190)
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:	
	Refunding bonds issued	(2,545,000)
	Premiums on refunding bonds issued	(61,656)
	Payment to refunded bond escrow agent	2,480,000
	Payments of debt principal	757,234
	Accrued interest payable	(48,195)
	Bond issuance costs	<u>80,466</u>
		662,849
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	57,914
	Change in inventory reserve	(29,532)
	Amortization of deferred charges, premiums and discounts	(109,833)
	Rounding	<u>(1)</u>
		<u>(81,452)</u>
Change in net position governmental activities	\$	<u><u>(963,074)</u></u>

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

**ALCORN SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**June 30, 2013**

	Private-Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 8,712	\$ 1,638,966
Total Assets	<u>8,712</u>	<u>1,638,966</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	-	1,465,268
Due to student clubs	-	173,698
Total Liabilities	<u>-</u>	<u>\$ 1,638,966</u>
<b>Net Position</b>		
Held in trust	<u>8,712</u>	
Total Net Position	<u>\$ 8,712</u>	

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

**ALCORN SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
For the Year Ending June 30, 2013**

	<u>Private-Purpose Trust Funds</u>
<b>ADDITIONS</b>	
Interest on investments	\$ 3
Total Additions	<u>3</u>
<b>DEDUCTIONS</b>	
Scholarships awarded	<u>600</u>
Total Deductions	<u>600</u>
<b>CHANGES IN NET ASSETS</b>	
July 1, 2012	<u>9,309</u>
June 30, 2013	<u>\$ 8,712</u>

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

**Alcorn School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

For financial reporting purposes, Alcorn 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.

B. Government-wide and Fund Financial Statements

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

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

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

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

**Alcorn School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Extended School Year– This fund accounts for the revenues and expenditures of the Extended School Year Fund.

Title I Fund – This fund accounts for the revenues and expenditures of the funds provided by the Title I Grant.

Title I Cost Pool – This fund accounts for the revenues and expenditures of the Cost Pool for administration of the Title I Cost Pool.

21<sup>st</sup> Century Fund – This fund accounts for the revenues and expenditures provided by the 21<sup>st</sup> Century Grant.

IDEA Fund – This fund accounts for the revenues and expenditures of the funds provided by the IDEA Grant.

3 Mill Note Retirement Fund – This fund accounts for the revenues collected and expenditures made to pay the debt provided by this fund.

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

The District’s fiduciary funds include the following:

Student Club Funds – This fund is used to account for revenues raised by club activities and the club related expenditures of various student clubs in the district.

Private Purpose Trust Fund – This fund includes donations made to the School district for the purpose of scholarships to students.

Accounts Payable Clearing – This fund is used to account for the district’s claims payable and the payment of those claims.

Payroll Clearing – This fund is used to account for salaries and related salary expenditures payable and the payment of those payables.

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.

**Alcorn School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

Note 1 - Summary of Significant Accounting Policies (Continued)

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

**Alcorn School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

Note 1 - Summary of Significant Accounting Policies (Continued)

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

D. Encumbrances

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

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

(1) Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

(2) Receivables and payables

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

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.

**Alcorn School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

Note 1 - Summary of Significant Accounting Policies (Continued)

(4) Inventories and Prepaid Items

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

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

(5) Restricted Assets

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

(6) Capital Assets

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

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

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

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.

**Alcorn School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

Note 1 - Summary of Significant Accounting Policies (Continued)

(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 nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the Board.

*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 Board of Education.

*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.

**Alcorn School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

Note 1 - Summary of Significant Accounting Policies (Continued)

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 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 the 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.

Cash and Cash Equivalents - The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,293,994 and \$1,647,678, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$4,293,994. The bank balance was \$7,190,480.

*Custodial Credit Risk – Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$7,190,480 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 \$520,404.

**Alcorn School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

Note 3 - Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General fund	Extended School Year	\$ 98,878
	Title I	99,067
	Title I Cost Pool	9,844
	IDEA Part B fund	129,189
	21st Century fund	90,141
	Other governmental funds	68,270
School Food Service Fund	General fund	21,053
Total		<u>\$ 516,442</u>

Temporary loans of \$516,442 were made until funds are received from grantors.

B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General fund	21st Century	\$ 478
	Other governmental funds	53,940
Title I Fund	General Fund	11,239
	Title I Cost Pool	136,264
Title I Cost Pool	General Fund	100,155
	Title I Fund	29,236
Other governmental funds	Other governmental funds	94,987
	General Fund	455,438
Total	21st Century	1,591
		<u>\$ 883,328</u>

The principal purpose of interfund transfers was to provide funds for daily operation.

Note 4 – Restricted Assets

The restricted assets represent the cash with fiscal agents balance of \$236,673 of the QZAB Bond Retirement Fund. In addition, the restricted assets represent the cash with fiscal agents balance of \$283,731 of the QSCB Bond Retirement Fund

**Alcorn School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

Note 5 - Capital Assets

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

Governmental Activities:	Balance 7/1/2012	Increases	Decreases	Balance 6/30/2013
<u>Non-depreciable capital assets</u>				
Land	\$ 241,502	-	-	241,502
Total non-depreciable assets	<u>241,502</u>	<u>-</u>	<u>-</u>	<u>241,502</u>
<u>Depreciable capital assets:</u>				
Buildings	28,296,334	-	-	28,296,334
Building improvements	1,895,090	-	-	1,895,090
Mobile equipment	2,440,197	11,302	-	2,451,499
Furniture and equipment	1,687,734	210,706	(420,519)	1,477,921
Leased property under capital leases	954,314	-	-	954,314
Total depreciable capital assets	<u>35,273,669</u>	<u>222,008</u>	<u>(420,519)</u>	<u>35,075,158</u>
<u>Less accumulated depreciation for:</u>				
Buildings	15,476,138	381,551	-	15,857,689
Buildings improvements	809,146	75,804	-	884,950
Mobile Equipment	1,799,835	72,135	-	1,871,970
Furniture and equipment	912,019	106,638	(413,329)	605,328
Leased property under capital leases	724,600	44,760	-	769,360
Total accumulated depreciation	<u>19,721,738</u>	<u>680,888</u>	<u>(413,329)</u>	<u>19,989,297</u>
Total depreciable capital assets, net	<u>15,551,931</u>	<u>(458,880)</u>	<u>(7,190)</u>	<u>15,085,861</u>
Governmental activities capital assets, net	<u>\$ 15,793,433</u>	<u>\$ (458,880)</u>	<u>\$ (7,190)</u>	<u>\$ 15,327,363</u>

The following adjustments were made to capital assets:

Equipment previously omitted - net	Mobile Equipment	\$ 11,302
	Furniture and Equipment	71,110
		<u>82,412</u>
	Depreciaton Mobile Equipment	10,172
	Depreciation Furniture and Equipment	7,212
		<u>17,384</u>
	Net Amount	<u>\$ 65,028</u>

**Alcorn School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

Note 5 – Capital Assets (continued)

Depreciation expense was charged to the following functions:

	Amount
Instruction	\$ 497,261
Support services	133,430
Non-instructional	50,197
Total depreciation expense	\$ 680,888

Note 6 - Long-term liabilities

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

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A Limited obligation bonds payable	3,385,000	2,545,000	2,925,000	3,005,000	480,000
Less deferred refunded amounts	(68,408)		(68,408)		
B Three mill notes payable	1,950,000	-	175,000	1,775,000	185,000
C Obligations under capital leases	292,300	-	118,967	173,333	56,211
D Obligations under energy efficiency leases	56,289	-	18,267	38,022	18,759
E Qualified school construction bonds payable	2,160,000	-	-	2,160,000	-
F Compensated absences payable	413,438	-	57,914	355,524	-
	8,188,619	2,545,000	3,226,740	7,506,879	739,970
Premiums	2,708	61,656	4,631	59,733	-
	\$ 8,191,327	2,606,656	3,231,371	7,566,612	739,970

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 Refunding Bonds, Series 2006	3.625-4.00%	12/19/2006	2/1/2018	\$ 4,635,000	\$ 460,000
Refunding Bonds, Series 2013	.50-2.00%	5/7/2013	2/1/2018	\$ 2,545,000	\$ 2,545,000
Total				\$ 7,180,000	\$ 3,005,000

**Alcorn School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

Note 6 - Long-term liabilities (continued)

A. Limited obligation bonds payable (continued)

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

1. Limited obligation bond issue Series 2006:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 460,000	101,580	561,580
Total	<u>\$ 460,000</u>	<u>101,580</u>	<u>561,580</u>

This debt will be retired from the MAEP Retirement Fund.

2. Limited obligation refunding bond issue Series 2013:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 20,000	31,447	51,447
2015	510,000	41,575	551,575
2016	515,000	35,150	550,150
2017	525,000	24,750	549,750
2018	975,000	14,150	989,150
Total	<u>\$ 2,545,000</u>	<u>147,072</u>	<u>2,692,072</u>

This debt will be retired from the 2013 MAEP Retirement Fund.

Total limited obligation bond payments for all issues:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 480,000	133,027	613,027
2015	510,000	41,575	551,575
2016	515,000	35,150	550,150
2017	525,000	24,750	549,750
2018	975,000	14,150	989,150
Total	<u>\$ 3,005,000</u>	<u>248,652</u>	<u>3,253,652</u>

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 37-157-7, Miss. Code Ann. (1972). That state aid capital improvement bonds are not included in the computation of the debt limit percentage.

**Alcorn School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

Note 6 - Long-term liabilities (continued)

A. Limited obligation bonds payable (continued)

Advance Refunding

On May 7, 2013, the district issued \$2,545,000 in Limited Obligation Refunding Bonds with an average interest rate of 1.88% to advance refund \$2,480,000 of outstanding Limited Obligation Refunding Bonds with an average interest rate of 4.06%. The net proceeds of \$2,526,190 after payments of \$80,466 for issuance costs and premium of \$61,656 were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the Limited Obligation Refunding Bonds.

The Limited Obligation Refunding Bonds 2006 are considered to be defeased except for \$460,000 which will be returned in 2014. The liability for bonds has been removed from long-term liabilities.

The district advance refunded the Limited Obligation Refunding Bonds 2006 to reduce its total debt service payments over the remaining 5 years of the debt by approximately \$104,141 and to realize an economic gain of \$99,193.

B. Three-mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2007	4.75%	5/22/2007	9/1/2022	\$ 3,000,000	1,775,000
Total				<u>\$ 3,000,000</u>	<u>1,775,000</u>

1. Three mill notes payable issue of Series 2007:

Year Ending June 30	Principal	Interest	Total
2014	\$ 185,000	68,204	253,204
2015	190,000	60,704	250,704
2016	155,000	53,804	208,804
2017	160,000	47,504	207,504
2018	165,000	41,004	206,004
2019-2023	920,000	98,056	1,018,056
	<u>\$ 1,775,000</u>	<u>369,276</u>	<u>2,144,276</u>

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

C. Obligations under capital leases

The school district has entered into lease agreements, which qualify as capital leases for accounting purposes, for the acquisition of the following:

**Alcorn School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

Note 6- Long-term liabilities (continued)

C. Obligations under capital leases (continued)

1. Nine school buses at a cost of \$504,000.

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State Treas. Bus Lease Series 2006A	5.080%	5/23/2006	4/16/2016	\$ 504,000	173,333
<b>Total</b>				<u>\$ 504,000</u>	<u>173,333</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest and Maintenance Charges</u>	<u>Total</u>
2014	\$ 56,211	8,310	64,521
2015	59,102	5,418	64,520
2016	58,020	2,378	60,398
<b>Total</b>	<u>\$ 173,333</u>	<u>16,106</u>	<u>189,439</u>

This debt will be retired from the General Fund.

D. Obligations under energy efficiency lease

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Note Series C	2.69%	11/15/10	11/15/14	\$ 74,078	38,022
<b>Total</b>				<u>\$ 74,078</u>	<u>38,022</u>

This debt will be retired from the District Maintenance Fund.

1. Obligations under energy efficiency leases issue of 11-19-2010

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 18,759	1,023	19,782
2015	19,263	518	19,781
<b>Total</b>	<u>\$ 38,022</u>	<u>1,541</u>	<u>39,563</u>

This debt will be retired from the District Maintenance Fund.

E. Qualified school construction bonds payable

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

**Alcorn School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

Note 6- Long-term liabilities (continued)

E. Qualified school construction bonds payable (continued)

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2010 QSCB	2.90%	11/19/10	11/15/25	\$ 2,160,000	2,160,000
Total				<u>\$ 2,160,000</u>	<u>2,160,000</u>

The following is a schedule by years of payment due on this debt:

Year Ending	Principal	Interest	Total
2013	\$ -	126,360	126,360
2014	-	126,360	126,360
2015	-	126,360	126,360
2016	-	126,360	126,360
2017	-	126,360	126,360
2018-2022	-	631,800	631,800
2023-2026	2,160,000	505,440	2,665,440
	<u>\$ 2,160,000</u>	<u>1,769,040</u>	<u>3,929,040</u>

F. Compensated absences payable

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

Note 7 - Defined Benefit Pension Plan

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

**Funding Policy.** PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$2,421,707, \$2,128,234, and \$1,901,772, respectively, which equaled the required contributions for each year.

Note 8 - Contingencies

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

**Alcorn School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

Note 9- Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
Equipment previously omitted - net	\$ 65,028

Note 10 - Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.0

Note 11 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$288,000. 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	Amount
June 30	
2014	\$ 144,000
2015	144,000
2016	144,000
2017	144,000
2018	144,000
2019-2023	720,000
2024-2026	432,000
Total	<u>\$ 1,872,000</u>

**Alcorn School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2013**

Note 12 - Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated January 31, 1984, creating the Alcorn County Vocational Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Alcorn School District and Corinth School District. The center's name has been changed to The Alcorn Career & Technology Center.

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

The Alcorn School District has been designated as the fiscal agent for the Alcorn Career and Technology Center, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the Alcorn Career and Technology Center.

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

Revenues

Local sources

Tuition from other LEA's within the state:

Corinth School District \$ 46,077

State sources 748,699

Federal sources 48,187

Total revenues 842,963

Expenditures

Salaries 683,190

Employee benefits 150,841

Supplies 31,881

Property 76,781

Other 500

Total expenditures 943,193

Excess (deficiency) of revenues over expenditures (100,230)

Other Financial Sources (Uses)

Operating transfers in 167,438

Total financing sources (uses) 167,438

67,208

Fund Balance:

July 1, 2012 1,082

June 30, 2013 \$ 68,290

**Alcorn School District**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2013**

Note 13 - Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition of disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the District through October 13, 2014 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

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

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 6,738,119	6,577,241	6,577,241	(160,878)	-
State sources	16,872,192	16,430,930	16,430,930	(441,262)	-
Federal sources	378,252	594,914	595,624	216,662	710
Total Revenues	<u>23,988,563</u>	<u>23,603,085</u>	<u>23,603,795</u>	<u>(385,478)</u>	<u>710</u>
<b>Expenditures:</b>					
Instruction	15,881,255	16,020,060	16,020,770	(138,805)	(710)
Support services	8,015,380	7,963,940	8,036,089	51,440	(72,149)
Noninstructional services	36,285	43,959	43,959	(7,674)	-
Debt Service:					
Principal	118,967	137,234	137,234	(18,267)	-
Interest	13,114	140,989	140,989	(127,875)	-
Other	-	290,772	2,772	(290,772)	288,000
Total Expenditures	<u>24,065,001</u>	<u>24,596,954</u>	<u>24,381,813</u>	<u>(531,953)</u>	<u>215,141</u>
Excess (deficiency) of revenues over expenditures	<u>(76,438)</u>	<u>(993,869)</u>	<u>(778,018)</u>	<u>(917,431)</u>	<u>215,851</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	2,093,478	2,214,264	54,418	120,786	(2,159,846)
Insurance loss recoveries	-	12,992	12,992	12,992	-
Operating transfers out	<u>(2,093,478)</u>	<u>(2,468,678)</u>	<u>(566,832)</u>	<u>(375,200)</u>	<u>1,901,846</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(241,422)</u>	<u>(499,422)</u>	<u>(241,422)</u>	<u>(258,000)</u>
Net Change in Fund Balance	<u>(76,438)</u>	<u>(1,235,291)</u>	<u>(1,277,440)</u>	<u>(1,158,853)</u>	<u>(42,149)</u>
<b>Fund Balances:</b>					
July 1, 2012	<u>4,264,969</u>	<u>4,264,969</u>	<u>4,337,121</u>	<u>-</u>	<u>72,152</u>
June 30, 2013	<u>\$ 4,188,531</u>	<u>3,029,678</u>	<u>3,059,681</u>	<u>(1,158,853)</u>	<u>30,003</u>

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

**Alcorn School District**  
**Budgetary Comparison Schedule Extended School Year**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variances	
	Original	Final	GAAP Basis	Original to Final	Final to Actual
<b>Revenues:</b>					
State sources	\$ 98,878	98,878	98,878	-	-
Total Revenues	<u>98,878</u>	<u>98,878</u>	<u>98,878</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>					
Instruction	98,878	98,878	98,878	-	-
Total Expenditures	<u>98,878</u>	<u>98,878</u>	<u>98,878</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>					
July 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2013	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

**Alcorn School District**  
**Budgetary Comparison Schedule Title I**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 693,887	694,378	558,114	491	(136,264)
Total Revenues	693,887	694,378	558,114	491	(136,264)
<b>Expenditures:</b>					
Instruction	458,115	500,357	500,356	(42,242)	1
Support services	211,960	159,524	159,525	52,436	(1)
Noninstructional services	23,812	16,500	16,500	7,312	-
Total Expenditures	693,887	676,381	676,381	17,506	-
Excess (deficiency) of revenues over expenditures	-	17,997	(118,267)	17,997	(136,264)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	11,239	147,503	11,239	136,264
Operating transfers out	-	(29,236)	(29,236)	(29,236)	-
Total Other Financing Sources	-	(17,997)	118,267	(17,997)	136,264
Net Change in Fund Balance	-	-	-	-	-
<b>Fund Balances:</b>					
July 1, 2012	(93,962)	-	-	93,962	-
June 30, 2013	\$ (93,962)	-	-	93,962	-

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

**Alcorn School District**  
**Budgetary Comparison Schedule Title I Cost Pool**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 152,146	(136,264)	-	(288,410)	136,264
Total Revenues	152,146	(136,264)	-	(288,410)	136,264
<b>Expenditures:</b>					
Support services	152,146	89,872	88,114	62,274	1,758
Total Expenditures	152,146	89,872	88,114	62,274	1,758
Excess (deficiency) of revenues over expenditures	-	(226,136)	(88,114)	(226,136)	138,022
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	226,136	224,378	226,136	(1,758)
Operating transfers out	-	-	(136,264)	-	(136,264)
Total Other Financing Sources (Uses)	-	226,136	88,114	226,136	(138,022)
Net Change in Fund Balance	-	-	-	-	-
<b>Fund Balances:</b>					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ -	-	-	-	-

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

**Alcorn School District**  
**Budgetary Comparison Schedule IDEA Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 839,100	967,633	967,633	128,533	-
Total Revenues	839,100	967,633	967,633	128,533	-
<b>Expenditures:</b>					
Instruction	587,981	715,652	715,652	(127,671)	-
Support services	251,119	252,789	251,981	(1,670)	808
Total Expenditures	839,100	968,441	967,633	(129,341)	808
Excess (deficiency) of revenues over expenditures	-	(808)	-	(808)	808
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	808	-	808	(808)
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	808	-	808	(808)
Net Change in Fund Balance	-	-	-	-	-
<b>Fund Balances:</b>					
July 1, 2012	(83,809)	-	-	83,809	-
June 30, 2013	\$ (83,809)	-	-	83,809	-

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

**Alcorn School District**  
**Budgetary Comparison Schedule 21st Century**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	<b>Revenues:</b>				
Federal sources	\$ 185,000	189,602	189,602	4,602	-
Total Revenues	185,000	189,602	189,602	4,602	-
<b>Expenditures:</b>					
Instruction	185,000	189,433	189,433	(4,433)	-
Total Expenditures	185,000	189,433	189,433	(4,433)	-
Excess (deficiency) of revenues over expenditures	-	169	169	169	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(1,900)	(2,069)	(2,069)	(169)	-
Total Other Financing Sources (Uses)	(1,900)	(2,069)	(2,069)	(169)	-
Net Change in Fund Balance	(1,900)	(1,900)	(1,900)	-	-
<b>Fund Balances:</b>					
July 1, 2012	1,900	1,900	1,900	-	-
June 30, 2013	\$ -	-	-	-	-

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

**Alcorn School District**  
**Notes to the Required Supplemental Information**  
**For the Year Ended June 30, 2013**

Budgetary Comparison Schedule

1) Basis of Presentation

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

2) Budget Amendments and Revisions

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

Alcorn School District  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2013

Federal Grantor Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>		
Pass-through Mississippi Department of Education		
Child Nutrition Cluster:		
School breakfast program	10.553	\$ 270,776
National school lunch program	10.555	<u>860,534</u>
Total child nutrition cluster		<u>1,131,310</u>
Total pass-through Mississippi Department of Education		<u>1,131,310</u>
<b>Total U.S. Department of Agriculture</b>		<u>1,131,310</u>
<b>Federal Communications Commission</b>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.xxx	<u>279,479</u>
<b>Total Federal Communications Commission</b>		<u>279,479</u>
<b>U.S. Department of Education</b>		
Pass-through Mississippi Department of Education		
Career and technical education-basic grants to states	84.048	48,187
Rural and low income schools	84.358	82,234
Improving teacher quality - state grants	84.367	253,150
Title X education for homeless children and youth	84.381	<u>23,902</u>
<b>Subtotal</b>		<u>407,473</u>
<b>Title I Cluster</b>		
Title I Grants to local education agencies	84.010	<u>558,114</u>
<b>Total Title I Cluster</b>		<u>558,114</u>

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

(Continued)

Federal Grantor Pass-through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U.S. Department of Education (continued)</b>		
<b>Special Education Cluster</b>		
Special education-grants to states	84.027	996,555
Special education - preschool grants	84.173	<u>20,769</u>
<b>Total Special Education Cluster</b>		<u>1,017,324</u>
<b>Total Passed-through Mississippi Department of Education</b>		<u>1,982,911</u>
<b>Passed-through South Tippah School District</b>		
Twenty First Century Learning Centers	84.287	<u>191,523</u>
<b>Total Passed-through South Tippah School District</b>		<u>191,523</u>
<b>Total U. S Department of Education</b>		<u>2,174,434</u>
<b>U.S. Department of Health and Human Services</b>		
Passed-through Mississippi Department of Health		
Medical assistance program	93.778	<u>5,302</u>
<b>Total passed through U. S. Department of Health and Human Services</b>		<u>5,302</u>
<b>Total for All Federal Awards</b>		<u><u>\$ 3,590,525</u></u>

Notes to Schedule

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

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

Expenditures	Total	Instruction and Other	General	School	Other
		Student Instructional	Administration	Administration	
		Expenditures			
Salaries and fringe benefits	\$ 23,024,765	18,298,838	545,655	1,836,332	2,343,940
Other	7,407,639	2,348,154	180,877	119,540	4,759,068
Total	\$ 30,432,404	20,646,992	726,532	1,955,872	7,103,008
Total Number of Students *	3,315				
Cost per Student	\$ 9,180	6,228	219	590	2,143

NOTES TO SCHEDULE

1. 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, teacher's aides or classroom assistants of any type.
2. General Administration - includes expenditures for the following functions: Support Services-General Administration; Support Services – Business.
3. School Administration - includes expenditures for the following function: Support Services – School Administration
4. Other - includes all expenditure functions not included in Instruction or Administration Categories

\*Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

**Alcorn School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances-**  
**General Fund**  
**Last Four Years**

UNAUDITED

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 6,577,241	\$ 7,099,258	6,984,740	7,088,508
State sources	16,430,930	15,932,382	15,672,251	16,690,189
Federal sources	595,624	399,838	293,443	280,824
Total Revenues	<u>23,603,795</u>	<u>23,431,478</u>	<u>22,950,434</u>	<u>24,059,521</u>
<b>Expenditures:</b>				
Instruction	16,020,770	16,053,488	13,968,297	15,011,690
Support services	8,036,089	7,113,715	7,242,568	7,623,262
Noninstructional services	43,959	68,066	41,960	38,395
Debt Service:				
Principal	137,234	132,633	109,813	105,005
Interest	140,989	109,633	99,104	160,594
Other	2,772	-	-	-
Total Expenditures	<u>24,381,813</u>	<u>23,477,535</u>	<u>21,461,742</u>	<u>22,938,946</u>
Excess (Deficiency) of Revenues over(under) Expenditures	<u>(778,018)</u>	<u>(46,057)</u>	<u>1,488,692</u>	<u>1,120,575</u>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	12,992	-	-	-
Operating transfers in	54,418	363,214	2,659	3,399
Operating transfers out	(566,832)	(485,891)	(522,895)	(170,514)
Total Other Financing Sources	<u>(499,422)</u>	<u>(122,677)</u>	<u>(520,236)</u>	<u>(167,115)</u>
Net Change in Fund Balances	<u>(1,277,440)</u>	<u>(168,734)</u>	<u>968,456</u>	<u>953,460</u>
<b>Fund balances:</b>				
Beginning of period, as originally reported	4,337,121	4,505,855	3,592,963	2,631,533
Prior period adjustments	-	-	(55,564)	7,970
Beginning of period, as restated	<u>4,337,121</u>	<u>4,505,855</u>	<u>3,537,399</u>	<u>2,639,503</u>
End of period	<u>\$ 3,059,681</u>	<u>\$ 4,337,121</u>	<u>4,505,855</u>	<u>3,592,963</u>

\* SOURCE - PRIOR YEAR AUDIT REPORTS

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

UNAUDITED

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 7,294,058	\$ 7,991,691	7,817,910	7,940,819
State sources	18,025,935	17,289,805	17,053,010	18,060,222
Federal sources	3,959,390	5,451,391	5,728,377	5,667,512
Total Revenues	<u>29,279,383</u>	<u>30,732,887</u>	<u>30,599,297</u>	<u>31,668,553</u>
<b>Expenditures:</b>				
Instruction	18,446,789	18,741,982	17,085,976	19,013,172
Support services	9,162,574	9,482,098	8,636,449	8,956,028
Noninstructional services	1,592,025	1,397,727	1,584,548	1,393,094
Facilities acquisition and construction	-	183,257	2,866,816	-
Debt Service:				
Principal	757,234	727,633	684,813	660,005
Interest	382,262	329,017	342,638	426,728
Other	91,520	1,750	1,035	1,000
Total Expenditures	<u>30,432,404</u>	<u>30,863,464</u>	<u>31,202,275</u>	<u>30,450,027</u>
Excess (Deficiency) of Revenues over(under) Expenditures	<u>(1,153,021)</u>	<u>(130,577)</u>	<u>(602,978)</u>	<u>1,218,526</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans	2,545,000	-	2,234,078	-
Payment to refunded bond escrow agent	(2,480,000)	-	-	-
Premiums on refunding bonds issued	61,656	-	-	-
Insurance recovery	12,992	-	-	-
Operating transfers in	883,328	849,105	525,554	173,913
Operating transfers out	(883,328)	(849,105)	(525,554)	(173,913)
Total Other Financing Sources	<u>139,648</u>	<u>-</u>	<u>2,234,078</u>	<u>-</u>
Net Change in Fund Balances	<u>(1,013,373)</u>	<u>(130,577)</u>	<u>1,631,100</u>	<u>1,218,526</u>
<b>Fund balances:</b>				
Beginning of period, as originally reported	6,954,274	7,053,807	5,472,477	4,265,706
Prior period adjustments	-	-	(55,564)	7,863
Beginning of period, as restated	<u>6,954,274</u>	<u>7,053,807</u>	<u>5,416,913</u>	<u>4,273,569</u>
Increase(decrease) in reserve for inventory	<u>(29,532)</u>	<u>31,044</u>	<u>5,794</u>	<u>(19,618)</u>
End of period	<u>\$ 5,911,369</u>	<u>\$ 6,954,274</u>	<u>7,053,807</u>	<u>5,472,477</u>

\* SOURCE - PRIOR YEAR AUDIT REPORTS

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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 THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board  
Alcorn School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Alcorn School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Alcorn School District's basic financial statements, and have issued our report thereon dated October 13, 2014.

**Internal Control over Financial Reporting**

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

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

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. Finding 2013-1 and 2013-2.

**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*.

### **Alcorn School District's Response of Findings**

Alcorn School District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Alcorn School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Pyrawner, Vanstony & Co. P.A*

October 13, 2014  
Booneville, Mississippi



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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  
Alcorn School District

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

We have audited the Alcorn County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Alcorn County School District's major federal programs for the year ended June 30, 2013. The Alcorn County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management Responsibility**

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

**Auditor's Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance with those requirements.

**Opinion on Each Major Federal Program**

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

## Report on Internal Control Over Compliance

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

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

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

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

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

*Pyrawner, Vanstony & Co. P.A.*

October 13, 2014  
Booneville, Mississippi



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

Superintendent and School Board  
Alcorn School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alcorn County School District as of and for the year ended June 30, 2013, which collectively comprise Alcorn County School District's basic financial statements and have issued our report thereon dated October 13, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$0 of classroom supply funds carried over from previous years.

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

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

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

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

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

*Brawner, Vanstory & Co. P.A.*

October 13, 2014  
Booneville, Mississippi

**Alcorn School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013**

Section 1: 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? Yes
  - b. Significant deficiencies identified that are not considered to be material weaknesses? None Reported
3. Noncompliance material to financial statements noted? No

Federal Awards:

4. Internal control over major programs:
  - a. Material weaknesses identified? No
  - b. Significant deficiencies identified that are not considered to be material weaknesses? None reported
5. Type of auditor's report issued on compliance for major federal programs: Unqualified
6. Any audit findings disclosed that are required to be reported in Section \_\_.501 (a) of Circular A-133? No
7. Identified of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553	National School Breakfast Program
10.555	National School Lunch Program
	Special Education Cluster:
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants

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

Section 2: Financial Statement Findings

**Internal Control – Material Weakness**

**2013-1**

Condition: The school district did not maintain accurate subsidiary records documenting the completeness, existence, and valuation of capital assets.

Criteria: Management is responsible for safeguarding and properly recording all assets of the school district. The Financial Accounting Manual for Mississippi Public School Districts requires that all assets be properly recorded and provides thresholds for capital assets and instructions on the computations to be used for depreciation.

Cause: Failure of district personnel to reconcile acquisitions and disposals of capital assets to the capital assets records and to assign appropriate useful lives to certain assets for calculating depreciation expense.

**Alcorn School District**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2013**

Section 2: Financial Statement Findings -- (continued)

Effect: Improper recording of capital assets and related depreciation may cause the financial statements to be misstated.

Recommendation: We recommend the district implement procedures and internal controls with regard to purchase, disposal, and depreciation of capital assets as required by the Financial Accounting Manual for Mississippi Public School Districts.

Response: The District is in the process of reconciling capital assets. An inventory will take place district wide to account for assets. This is expected to be fully complete in the June 30, 2014 fiscal year.

**Internal Control – Material Weakness**

**2013-2**

Condition: The school district's internal control procedures were inadequate to determine if all activity deposits are being made in a timely manner. In tests performed, we found that eight out of the forty seven items tested either lacked proper documentation or were not deposited in a timely manner.

Criteria: Management is responsible for implementing proper controls over cash to insure that deposits are made timely.

Cause: The schools, where money is collected, are holding the money three or more days, before taking to the central office to be deposited. Also, schools do not give receipts to students for money collected, nor do they keep notes on the number of items sold or at what rate they were sold.

Effect: Failure to have controls in place could result in loss of revenues.

Recommendation: We recommend that the district put controls in place to insure that money is collected and turned in to the central office to be deposited in a timely manner.

Response: The Alcorn School District will have financial training at the beginning of each school year for all employees. All funds collected will be properly receipted, counted, and transported to the central office for deposit within twenty-four hours. No large sums of money will be kept in school building vaults overnight.

Section 3: Federal Award Findings and Questioned Costs

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

**Alcorn School District  
Summary of Prior Year Findings  
For the Year Ended June 30, 2013**

As required by Section \_\_.315(b) of OMB Circular A-133, the Alcorn School District has prepared and hereby submits the status of audit findings for the year ended June 30, 2012.

**Finding 2012-5**

During the audit for the year ended June 30, 2012, it was noted that internal controls were not in place to prevent the draw down of excess cash beyond the immediate needs of the district.

**Current Status:**

Corrected in Fiscal Year 2014