



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

DURANT PUBLIC SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2013**

**DURANT MUNICIPAL SCHOOL DISTRICT
TABLE OF CONTENTS**

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	14
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	15
Exhibit B – Statement of Activities	16
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	17
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	19
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Assets and Liabilities	21
Notes to the Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION	36
Budgetary Comparison Schedule – General Fund	37
Budgetary Comparison Schedule – Child Nutrition Fund	38
Budgetary Comparison Schedule – Title I Fund	39
Budgetary Comparison Schedule – 16th Section Interest Fund	40
Notes to the Required Supplementary Information	41
SUPPLEMENTARY INFORMATION	42
Schedule of Expenditures of Federal Awards	43
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	44
OTHER INFORMATION	45
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 CONTROL AND COMPLIANCE	48
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	49
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	51
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	53
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	57
AUDITEES CORRECTIVE ACTION PLAN	62

INDEPENDENT AUDITOR'S REPORT



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

521 N Church St. P.O. Box 270 Louisville, MS 39339
Phone (662) 773-7841 Fax (662) 773-9236

James L. Stafford, CPA	Robin Y. McCormick, CPA/PFS
Harry W. Stevens, CPA	J. Randy Scrivner, CPA
S. Keith Winfield, CPA	Kimberly S. Caskey, CPA
William B. Staggers, CPA	Susan M. Lummus, CPA
Aubrey R. Holder, CPA	Thomas J. Browder, CPA
Michael W. McCully, CPA	Stephen D. Flake, CPA
Mort Stroud, CPA	John N. Russell, CPA
R. Steve Sinclair, CPA	Thomas A. Davis, CPA
Michael L. Pierce, CPA	Anita L. Goodrum, CPA
Marsha L. McDonald, CPA	Ricky D. Allen, CPA
Wanda S. Holley, CPA	Jason D. Brooks, CPA
	Robert E. Cordle, Jr., CPA

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Durant Public 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 Durant Public School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Durant Public 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 above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Durant Public 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 6-13 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 Durant Public School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2014, on our consideration of the Durant Public 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 Durant Public School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

January 10, 2014

Watkins, Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2013 increased \$224,991 including a prior period adjustment of \$18,562, which represents a 52% increase from fiscal year 2012. Total net position for 2012 increased \$160,632, which represents a 58% increase from fiscal year 2011.
- General revenues amounted to \$3,387,134 and \$3,145,695 or 71% and 67% 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 \$1,407,190, or 29% of total revenues for 2013, and \$1,573,079 or 33% of total revenues for 2012.
- The District had \$4,587,895 and \$4,558,142 in expenses for fiscal years 2013 and 2012; only \$1,407,190, for 2013 and \$1,573,079 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$3,387,134, for 2013 and \$3,145,695 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$3,309,997 in revenues and \$3,422,686, in expenditures for 2013, and \$2,988,244 in revenues and \$2,972,996 in expenditures in 2012. The General Fund's fund balance decreased by \$90,289 from 2012 to 2013, and increased by \$88,064 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$19,973, for 2013 and decreased by \$89,534 for 2012. The increase for 2013 was due to the addition of technological equipment financed with e-rate funds less depreciation incurred during the year.
- Long-term debt decreased by \$145,053 for 2013 and deCocreated by \$160,404 for 2012. This decrease for 2013 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$7,053 for 2013 and increased by \$8,358 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

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 \$660,906 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	\$ 1,134,853	\$ 887,076	27.93 %
Restricted assets	38,734	37,706	2.73 %
Capital assets, net	1,063,771	1,043,798	1.91 %
Total assets	<u>2,237,358</u>	<u>1,968,580</u>	13.65 %
Current liabilities	225,069	36,229	521.24 %
Long-term debt outstanding	1,351,383	1,496,436	-9.69 %
Total liabilities	<u>1,576,452</u>	<u>1,532,665</u>	2.86 %
Net position:			
Net investment in capital assets	(270,229)	(428,202)	36.89 %
Restricted	553,335	392,516	40.97 %
Unrestricted	377,800	471,601	-19.89 %
Total net position	<u>\$ 660,906</u>	<u>\$ 435,915</u>	51.61 %

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

- Increase in net capital assets in the amount of \$ 19,973
- The principal retirement of \$138,000 of long-term debt.

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

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$4,794,324 and \$4,718,774, respectively. The total cost of all programs and services was \$4,587,895 for 2013 and \$4,558,142 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>
Revenues:			
Program revenues:			
Charges for services	\$ 48,850	\$ 65,325	(25.22) %
Operating grants and contributions	1,249,807	1,490,920	(16.17) %
Capital Grants and Contributions	108,533	16,834	544.72 %
General revenues:			
Property taxes	491,042	544,344	(9.79) %
Grants and contributions not restricted	2,734,891	2,511,717	8.89 %
Investment earnings	25,222	15,666	61.00 %
Sixteenth section sources	121,550	65,459	85.69 %
Other	14,429	8,509	69.57 %
Total revenues	<u>4,794,324</u>	<u>4,718,774</u>	1.60 %
Expenses:			
Instruction	2,543,046	2,611,817	(2.63) %
Support services	1,590,401	1,467,972	8.34 %
Non-instructional	411,048	412,525	(0.36) %
Interest on long-term liabilities	43,400	65,828	(34.07) %
Total expenses	<u>4,587,895</u>	<u>4,558,142</u>	0.65 %
Increase (Decrease) in net position	<u>206,429</u>	<u>160,632</u>	28.51 %
Net Position, July 1, as previously reported	<u>435,915</u>	<u>275,283</u>	58.35 %
Prior Period Adjustment	<u>18,562</u>		N/A %
Net Position, July 1, as restated	<u>454,477</u>	<u>275,283</u>	65.09 %
Net Position, June 30	<u>\$ 660,906</u>	<u>\$ 435,915</u>	51.61 %

Governmental activities

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

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

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2013	2012	
Instruction	\$ 2,543,046	\$ 2,611,817	(2.63) %
Support services	1,590,401	1,467,972	8.34 %
Non-instructional	411,048	412,525	(0.36) %
Interest on long-term liabilities	43,400	65,828	(34.07) %
Total expenses	\$ 4,587,895	\$ 4,558,142	0.65 %

	Net (Expense) Revenue		Percentage Change
	2013	2012	
Instruction	\$ (1,949,677)	\$ (1,710,492)	13.98 %
Support services	(1,244,757)	(1,198,600)	3.85 %
Non-instructional	57,129	(21,407)	(366.87) %
Sixteenth section	-	11,264	(100.00) %
Interest on long-term liabilities	(43,400)	(65,828)	(34.07) %
Total net (expense) revenue	\$ (3,180,705)	\$ (2,985,063)	6.55 %

- Net cost of governmental activities (\$3,180,705 for 2013 and \$2,985,063 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$491,042 for 2013 and \$544,344 for 2012) and state and federal revenues (\$2,734,891 for 2013 and \$2,511,717 for 2012). In addition, there was \$121,550 and \$65,459 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$25,222 for 2013 and \$15,666 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 \$950,879, an increase of \$54,415, which includes a decrease in inventory of \$1,753. \$395,183 or 42% 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 \$555,696 or 58% 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.

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

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$90,289. The fund balance of Other Governmental Funds showed a decrease in the amount of \$3,266. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
School Food Service	\$	49,699
Title I Fund	\$	no increase or decrease
16th Section Interest Fund	\$	98,271

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 \$2,504,678, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$94,572 from 2012. Total accumulated depreciation as of June 30, 2013, was \$1,440,907, and total depreciation expense for the year was \$107,122, resulting in total net capital assets of \$1,063,771.

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 38,890	\$ 38,890	0.00 %
Buildings	491,193	504,986	(2.73) %
Building improvements	365,964	390,362	(6.25) %
Improvements other than buildings	32,807	9,833	233.64 %
Mobile equipment	55,562	63,470	(12.46) %
Furniture and equipment	79,355	36,257	118.87 %
Total	\$ 1,063,771	\$ 1,043,798	1.91 %

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

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

Debt Administration. At June 30, 2013, the District had \$1,351,383 in outstanding long-term debt, of which \$146,000 is due within one year. The liability for compensated absences decreased \$7,053 from the prior year

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 800,000	\$ 860,000	(6.98) %
Limited obligation bonds payable	534,000	612,000	(12.75) %
Compensated absences payable	17,383	24,436	(28.86) %
Total	<u>\$ 1,351,383</u>	<u>\$ 1,496,436</u>	(9.69) %

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

CURRENT ISSUES

The Durant Public School District is financially stable. The District is proud of its community support of the public schools.

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

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

Enrollment for the 2012-2013 year increased 2% to 561 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Durant Public School District, PO Box 669, Durant, MS 39063

FINANCIAL STATEMENTS

Durant Public School District
Statement of Net Position
June 30, 2013

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 974,094
Investments	10,000
Due from other governments	138,568
Inventories	3,251
Deferred debt issuance costs	8,940
Restricted assets	38,734
Capital assets, non-depreciable:	
Land	38,890
Capital assets, net of accumulated depreciation:	
Buildings	491,193
Building improvements	365,964
Improvements other than buildings	32,807
Mobile equipment	55,562
Furniture and equipment	79,355
Total Assets	<u>2,237,358</u>
Liabilities	
Accounts payable and accrued liabilities	213,768
Interest payable on long-term liabilities	11,301
Long-term liabilities, due within one year:	
Capital related liabilities	146,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,188,000
Non-capital related liabilities	17,383
Total Liabilities	<u>1,576,452</u>
Net Position	
Net investment in capital assets	(270,229)
Restricted for:	
Expendable:	
School-based activities	499,362
Debt service	3,294
Unemployment benefits	11,945
Non-expendable:	
Sixteenth section	38,734
Unrestricted	377,800
Total Net Position	<u>\$ 660,906</u>

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

Durant Public School District
Statement of Activities
For The Year Ended June 30, 2013

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 2,543,046	\$ 24,765	\$ 568,604	\$ -	\$ (1,949,677)
Support services	1,590,401	-	237,111	108,533	(1,244,757)
Non-instructional	411,048	24,085	444,092	-	57,129
Interest on long-term liabilities	43,400	-	-	-	(43,400)
Total Governmental Activities	\$ 4,587,895	\$ 48,850	\$ 1,249,807	\$ 108,533	\$ (3,180,705)

General Revenues:

Taxes:

General purpose levies	413,990
Debt purpose levies	77,052

Unrestricted grants and contributions:

State	2,632,353
Federal	102,538
Unrestricted investment earnings	25,222
Sixteenth section sources	121,550
Other	14,429

Total General Revenues 3,387,134

Change in Net Position 206,429

Net Position - Beginning, as previously reported 435,915
Prior Period Adjustments 18,562

Net Position - Beginning, as restated 454,477

Net Position - Ending \$ 660,906

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

Durant Public School District
 Governmental Funds
 Balance Sheet
 June 30, 2013

Exhibit C

	Major Funds					
	General Fund	School Food Service Fund	Title I Fund	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 423,495	\$ 131,581	\$ 15,240	\$ 279,789	\$ 162,723	\$ 1,012,828
Investments	-	-	-	-	10,000	10,000
Due from other governments	31,604	-	47,330	-	59,634	138,568
Due from other funds	144,151	5,320	-	-	721	150,192
Inventories	-	3,251	-	-	-	3,251
Total assets	<u>\$ 599,250</u>	<u>\$ 140,152</u>	<u>\$ 62,570</u>	<u>\$ 279,789</u>	<u>\$ 233,078</u>	<u>\$ 1,314,839</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 18,460	\$ -	\$ -	\$ -	\$ -	\$ 18,460
Due to other funds	185,607	9,409	62,570	-	87,914	345,500
Total Liabilities	<u>204,067</u>	<u>9,409</u>	<u>62,570</u>	<u>-</u>	<u>87,914</u>	<u>363,960</u>
Fund Balances:						
Nonspendable:						
Inventory	-	3,251	-	-	-	3,251
Permanent fund principal	-	-	-	-	38,734	38,734
Restricted:						
Debt service	-	-	-	-	5,655	5,655
Grant activities	-	127,492	-	-	88,830	216,322
Unemployment benefits	-	-	-	-	11,945	11,945
16th section interest	-	-	-	279,789	-	279,789
Unassigned	<u>395,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>395,183</u>
Total Fund Balances	<u>395,183</u>	<u>130,743</u>	<u>-</u>	<u>279,789</u>	<u>145,164</u>	<u>950,879</u>
Total Liabilities and Fund Balances	<u>\$ 599,250</u>	<u>\$ 140,152</u>	<u>\$ 62,570</u>	<u>\$ 279,789</u>	<u>\$ 233,078</u>	<u>\$ 1,314,839</u>

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

**Durant Public School District
Governmental Funds**

Exhibit C-1

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

Total fund balances for governmental funds \$ 950,879

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

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

Land	\$ 38,890	
Buildings	1,169,883	
Building improvements	609,942	
Improvements other than buildings	64,350	
Mobile equipment	162,662	
Furniture and equipment	458,951	
Accumulated depreciation	<u>(1,440,907)</u>	1,063,771

2. Bond issuance costs are capitalized and amortized in the statement of net position but are not reported in the funds:

8,940

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

General obligation bonds	\$ (800,000)	
Limited obligation bonds	(534,000)	
Compensated absences	(17,383)	
Accrued interest payable	<u>(11,301)</u>	(1,362,684)

Net position of governmental activities \$ 660,906

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

Durant Public School District
Governmental Funds

Exhibit D

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

	Major Funds					Total Governmental Funds
	General Fund	School Food Service Fund	Title I Fund	16th Section Interest Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 466,790	\$ 27,370	\$ 452	\$ -	\$ 79,182	\$ 573,794
State sources	2,632,136	3,889	-	-	21,540	2,657,565
Federal sources	211,071	385,385	465,844	-	373,367	1,435,667
Sixteenth section sources	-	-	-	126,271	1,027	127,298
Total Revenues	3,309,997	416,644	466,296	126,271	475,116	4,794,324
Expenditures:						
Instruction	1,954,392	-	394,075	-	165,421	2,513,888
Support services	1,373,214	-	44,930	-	209,879	1,628,023
Noninstructional services	2,300	365,192	27,291	-	14,512	409,295
Debt service:						
Principal	78,000	-	-	-	60,000	138,000
Interest	14,780	-	-	-	34,170	48,950
Total Expenditures	3,422,686	365,192	466,296	0	483,982	4,738,156
Excess (Deficiency) of Revenues over (under) Expenditures	(112,689)	51,452	0	126,271	(8,866)	56,168
Other Financing Sources (Uses):						
Operating transfers in	28,000	-	-	-	5,600	33,600
Operating transfers out	(5,600)	-	-	(28,000)	-	(33,600)
Total Other Financing Sources (Uses)	22,400	0	0	(28,000)	5,600	-
Net Change in Fund Balances	(90,289)	51,452	0	98,271	(3,266)	56,168
Fund Balances:						
July 1, 2012,	485,472	81,044	0	181,518	148,430	896,464
Increase (Decrease) in reserve for inventory	-	(1,753)	-	-	-	(1,753)
June 30, 2013	\$ 395,183	\$ 130,743	\$ 0	\$ 279,789	\$ 145,164	\$ 950,879

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

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ 56,168

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

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

Capital outlay	\$ 108,533	
Depreciation expense	<u>(107,122)</u>	1,411

2. 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:

Payments of debt principal	138,000	
Accrued interest payable	7,175	
	<u>145,175</u>	145,175

3. 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	7,053	
Change in deferred bond issuance costs	(1,625)	
Change in inventory reserve	(1,753)	
	<u>3,675</u>	3,675

Change in net position of governmental activities \$ 206,429

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

**Durant Public School District
 Fiduciary Funds
 Statement of Fiduciary Assets and Liabilities
 June 30, 2013**

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 5,872
Other receivables	151
Due from other funds	213,935
Total Assets	<u>\$ 219,958</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 197,977
Due to other funds	18,627
Due to student clubs	3,354
Total Liabilities	<u>\$ 219,958</u>

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

DURANT PUBLIC SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

For financial reporting purposes, Durant Public 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.

DURANT PUBLIC SCHOOL DISTRICT

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

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

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

The school district reports the following major governmental funds:

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

School Food Service Fund - This is a special revenue fund that accounts for all revenues received in administering the child nutrition program.

Title I Fund- This is a special revenue fund that accounts for federal revenue received through Title I grants to local educational agencies and related expenditures incurred for Title 1 grants.

16th Section Interest Fund- This is a special revenue fund which serves to collect expendable sixteenth section revenues from various sixteenth section sources. Expendable revenues from this fund are transferred to the district's General Fund per specific statutory board order.

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

The District's fiduciary funds include the following:

Payroll Clearing Fund- This fund serves as a clearing fund for Payroll type transactions.

Student Club Fund- This fund accounts for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs

Accounts Payable Clearing Fund- This fund serves as a clearing fund for payables outstanding at year end.

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.

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.

DURANT PUBLIC SCHOOL DISTRICT

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

DURANT PUBLIC SCHOOL DISTRICT

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

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

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

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

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

D. Encumbrances

An encumbrance system is 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."

DURANT PUBLIC SCHOOL DISTRICT

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

DURANT PUBLIC SCHOOL DISTRICT

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

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

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

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

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund Balances

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

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

DURANT PUBLIC SCHOOL DISTRICT

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

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.

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

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

Note 2 – Cash and Cash Equivalents, and Investments

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

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

DURANT PUBLIC SCHOOL DISTRICT

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 1,022,828 (which includes \$10,000 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$5,872 respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$1,179,366 was exposed to custodial credit risk.

Investments

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Certificates of deposit	N/A	1 to 5	10,000

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

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

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

DURANT PUBLIC SCHOOL DISTRICT

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

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

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Certificates of Deposit	\$ 10,000	100%

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Basic Fund	\$ 47,330
	Other governmental funds	79,308
	Fiduciary Fund	17,513
School Food Service	Other governmental funds	4,206
	Fiduciary Fund	1,114
Other governmental funds	General Fund	721
	Fiduciary funds	
	General Fund	184,886
	School Food Service	9,409
	Title I Basic Fund	15,240
	Other governmental funds	4,400
Total		<u>\$ 364,127</u>

The purpose of the Due From/To other funds was to cover deficit cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 5,600
16th Section Interest	General Fund	28,000
Total		<u>\$ 33,600</u>

Transfers were made for indirect cost transfers and budgetary allocations. All transfers were routine and consistent with the fund making the transfer.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$38,734 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

DURANT PUBLIC SCHOOL DISTRICT

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

Note 5 – Capital Assets

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

	Balance 7/1/2012	Increases	Decreases	Adjustments	Balance 6/30/2013
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 38,890	\$ -	\$ -	\$ -	\$ 38,890
Total non-depreciable capital assets	<u>38,890</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,890</u>
<u>Depreciable capital assets:</u>					
Buildings	1,169,883	-	-	-	1,169,883
Building improvements	609,942	-	-	-	609,942
Improvements other than buildings	64,350	-	-	-	64,350
Mobile equipment	162,662	-	-	-	162,662
Furniture and equipment	364,379	108,533	-	(13,961)	458,951
Total depreciable capital assets	<u>2,371,216</u>	<u>108,533</u>	<u>-</u>	<u>(13,961)</u>	<u>2,465,788</u>
<u>Less accumulated depreciation for:</u>					
Buildings	664,897	13,793	-	-	678,690
Building improvements	219,580	24,398	-	-	243,978
Improvements other than buildings	54,517	1,424	-	(24,398)	31,543
Mobile equipment	99,192	7,908	-	-	107,100
Furniture and equipment	328,122	59,599	-	(8,125)	379,596
Total accumulated depreciation	<u>1,366,308</u>	<u>107,122</u>	<u>-</u>	<u>(32,523)</u>	<u>1,440,907</u>
Total depreciable capital assets, net	<u>1,004,908</u>	<u>1,411</u>	<u>-</u>	<u>18,562</u>	<u>1,024,881</u>
Governmental activities capital assets, net	<u>\$ 1,043,798</u>	<u>\$ 1,411</u>	<u>\$ -</u>	<u>\$ 18,562</u>	<u>\$ 1,063,771</u>

Adjustments represent prior year errors in reporting the cost and related depreciation on various assets.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 40,659
Support services	66,463
Total depreciation expense - Governmental activities	<u>\$ 107,122</u>

DURANT PUBLIC SCHOOL DISTRICT

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

Note 6 – Long-term Liabilities

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

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. General obligation bonds payable	\$ 860,000		60,000	800,000	65,000
B. Limited obligation bonds payable	612,000		78,000	534,000	81,000
C. Compensated absences payable	24,436		7,053	17,383	
Total	\$ 1,496,436	-	145,053	1,351,383	146,000

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General Obligation Series 2002	3.5-5.0%	11/1/2002	11/1/2022	\$ 1,300,000	\$ 800,000

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 65,000	\$ 31,826	\$ 96,826
2015	65,000	29,373	94,373
2016	70,000	26,737	96,737
2017	75,000	23,838	98,838
2018	80,000	20,738	100,738
2019 – 2023	445,000	50,561	495,561
Total	\$ 800,000	\$ 183,073	\$ 983,073

This debt will be retired from the Debt Service Fund

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

DURANT PUBLIC SCHOOL DISTRICT

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

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2010 Limited	2.25-				
1. Obligation Bonds payable	3.0%	2/1/2010	2/1/2019	\$ 690,000	\$ 534,000

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 81,000	\$ 12,991	\$ 93,991
2015	83,000	11,146	94,146
2016	85,000	9,150	94,150
2017	90,000	6,850	96,850
2018	95,000	2,806	97,806
2019 – 2023	100,000	1,500	101,500
Total	\$ 534,000	\$ 44,443	\$ 578,443

This debt will be retired from the District Maintenance Fund

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

C. Compensated absences payable

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

DURANT PUBLIC SCHOOL DISTRICT

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

Note 7 - Other Commitments

The school district has several operating lease for copiers.

Lease expenditures for the year ended June 30, 2013, amounted to \$17,142. Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2014	\$ 17,136
Total	<u>\$ 17,136</u>

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$337,431 \$285,099 and \$270,607, respectively, which equaled the required contributions for each year.

Note 9 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. To correct prior period errors in recording the cost and related depreciation of various capital assets	\$ 18,562
Total	<u>\$ 18,562</u>

DURANT PUBLIC SCHOOL DISTRICT

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

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. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 11 – Contingencies

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

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

Note 12 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Durant Public School District evaluated the activity of the district through January 10, 2014, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred that would require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**Durant Public School District
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 456,633	\$ 463,866	\$ 466,790	\$ 7,233	\$ 2,924
State sources	2,631,749	2,632,136	2,632,136	387	-
Federal sources	35,000	17,449	211,071	(17,551)	193,622
Total Revenues	3,123,382	3,113,451	3,309,997	(9,931)	196,546
Expenditures:					
Instruction	1,954,947	1,954,542	1,954,392	405	150
Support services	1,155,009	1,179,592	1,373,214	(24,583)	(193,622)
Noninstructional services	1,500	2,300	2,300	(800)	-
Debt service:					
Principal	78,000	78,000	78,000	-	-
Interest	35,535	14,780	14,780	20,755	-
Total Expenditures	3,224,991	3,229,214	3,422,686	(4,223)	(193,472)
Excess (Deficiency) of Revenues over (under) Expenditures	(101,609)	(115,763)	(112,689)	(14,154)	3,074
Other Financing Sources (Uses):					
Operating transfers in	363,784	333,067	28,000	(30,717)	(305,067)
Operating transfers out	(370,384)	(310,667)	(5,600)	59,717	305,067
Total Other Financing Sources (Uses)	(6,600)	22,400	22,400	29,000	-
Net Change in Fund Balances	(108,209)	(93,363)	(90,289)	14,846	3,074
Fund Balances:					
July 1, 2012, as previously reported *	485,309	485,309	485,472	-	163
Prior period adjustments	-	(6)	-	(6)	6
July 1, 2012	485,309	485,303	485,472	(6)	169
June 30, 2013	\$ 377,100	\$ 391,940	\$ 395,183	\$ 14,840	\$ 3,243

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

**Durant Public School District
Required Supplementary Information
Budgetary Comparison Schedule
School Food Service Fund
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 31,900	\$ 27,370	\$ 27,370	\$ (4,530)	\$ -
State sources	1,700	3,889	3,889	2,189	-
Federal sources	279,500	385,385	385,385	105,885	-
Total Revenues	313,100	416,644	416,644	103,544	-
Expenditures:					
Noninstructional services	352,748	365,192	365,192	(12,444)	-
Total Expenditures	352,748	365,192	365,192	(12,444)	-
Excess (Deficiency) of Revenues over (under) Expenditures	(39,648)	51,452	51,452	91,100	-
Other Financing Sources (Uses):					
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	(39,648)	51,452	51,452	91,100	-
Fund Balances:					
July 1, 2012	81,044	81,044	81,044	-	(0)
Increase (Decrease) in reserve for inventory	(1,753)	(1,753)	(1,753)	-	-
June 30, 2013	\$ 39,643	\$ 130,743	\$ 130,743	\$ 91,100	\$ (0)

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

**Durant Public School District
Required Supplementary Information
Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 0	\$ 536	\$ 452	\$ 536	\$ (84)
Federal sources	371,222	465,844	465,844	94,622	0
Total Revenues	371,222	466,380	466,296	95,158	(84)
Expenditures:					
Instruction	266,981	394,075	394,075	(127,094)	0
Support services	31,975	44,930	44,930	(12,955)	0
Noninstructional services	29,063	27,291	27,291	1,772	0
Total Expenditures	328,019	466,296	466,296	(138,277)	0
Excess (Deficiency) of Revenues over (under) Expenditures	43,203	84	0	(43,119)	(84)
Other Financing Sources (Uses):					
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	43,203	84	0	(43,119)	(84)
Fund Balances:					
July 1, 2012,	17	16	0	(1)	(16)
Prior period adjustments	0	(100)	0	(100)	100
July 1, 2012	17	(84)	0	(101)	84
June 30, 2013	\$ 43,220	\$ 0	\$ 0	\$ (43,220)	\$ 0

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

**Durant Public School District
Required Supplementary Information
Budgetary Comparison Schedule
16th Section Interest Fund
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ 4,721	\$ -	\$ 4,721	\$ (4,721)
Sixteenth section sources	3,400	121,550	126,271	118,150	4,721
Total Revenues	3,400	126,271	126,271	122,871	-
Expenditures:					
Total Expenditures	-	-	-	-	-
Excess (Deficiency) of Revenues over (under) Expenditures	3,400	126,271	126,271	122,871	-
Other Financing Sources (Uses):					
Operating transfers out	(3,400)	(28,000)	(28,000)	(24,600)	-
Total Other Financing Sources (Uses)	(3,400)	(28,000)	(28,000)	(24,600)	-
Net Change in Fund Balances	-	98,271	98,271	98,271	-
Fund Balances:					
July 1, 2012,	181,518	181,518	181,518	-	-
June 30, 2013	\$ 181,518	\$ 279,789	\$ 279,789	\$ 98,271	\$ -

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

DURANT PUBLIC SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

**Durant Public School District
 Supplementary Information
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2013**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 114,952
National school lunch program	10.555	270,433
Summer food service program for children	10.559	27,554
Total child nutrition cluster		<u>412,939</u>
Total passed-through Mississippi Department of Education		<u>412,939</u>
Total U.S. Department of Agriculture		<u>412,939</u>
<u>U.S. Department of Defense</u>		
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	201,356
Total Federal Communications Commission		<u>201,356</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	465,844
Safe and drug-free schools and communities- state grants	84.186	923
Twenty-first century community learning centers	84.287	116,979
Rural education	84.358	10,365
Improving teacher quality state grants	84.367	70,596
Subtotal		<u>664,707</u>
Special education cluster:		
Special education - grants to states	84.027	138,815
Special education - preschool grants	84.173	8,136
Total special education cluster		<u>146,951</u>
Total passed-through Mississippi Department of Education		<u>811,658</u>
Total U.S. Department of Education		<u>811,658</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	9,715
Total passed-through Mississippi Department of Education		<u>9,715</u>
Total U.S. Department of Health and Human Services		<u>9,715</u>
Total for All Federal Awards		<u>\$ 1,435,668</u>

NOTES TO SCHEDULE

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

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 3,253,611	2,634,541	264,409	92,368	262,293
Other	1,484,545	312,679	148,217	27,332	996,317
Total	<u>\$ 4,738,156</u>	<u>2,947,220</u>	<u>412,626</u>	<u>119,700</u>	<u>1,258,610</u>
Total number of students *	<u>561</u>				
Cost per student	<u>\$ 8,447</u>	<u>5,254</u>	<u>736</u>	<u>213</u>	<u>2,244</u>

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers

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

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

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

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

OTHER INFORMATION

Durant Public School District
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 466,790	\$ 476,273	\$ 458,029	\$ 478,472
State sources	2,632,136	2,476,979	2,195,291	2,400,707
Federal sources	211,071	34,992	20,772	0
Total Revenues	3,309,997	2,988,244	2,674,092	2,879,179
Expenditures:				
Instruction	1,954,392	1,709,600	1,674,653	1,912,374
Support services	1,373,214	1,165,433	1,145,580	1,306,301
Noninstructional services	2,300	3,428	48	689
Debt service:				
Principal	78,000	78,000	65,000	65,000
Interest	14,780	16,535	48,556	36,260
Other			13,000	
Total Expenditures	3,422,686	2,972,996	2,946,837	3,320,624
Excess (Deficiency) of Revenues over (under) Expenditures	(112,689)	15,248	(272,745)	(441,445)
Other Financing Sources (Uses):				
Bonds and notes issued				63,480
Insurance recovery			3,679	6,981
Refunding bonds issued			690,000	
Payment to Qualified Zone Academy debt escrow agent			(665,000)	
Operating transfers in	28,000	74,101	5,432	
Other financing sources			542	448
Operating transfers out	(5,600)	(1,285)	(65,525)	(9,524)
Other financing uses			(7,941)	
Total Other Financing Sources (Uses)	22,400	72,816	(38,813)	61,385
Net Change in Fund Balances	(90,289)	88,064	(311,558)	(380,060)
Fund Balances:				
Beginning of period,	485,472	397,408	708,966	1,089,026
End of Period	\$ 395,183	\$ 485,472	\$ 397,408	\$ 708,966

*SOURCE - PRIOR YEAR AUDIT REPORTS

**Durant Public School District
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
UNAUDITED**

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 573,794	\$ 622,580	\$ 594,968	\$ 576,977
State sources	2,657,565	2,508,051	2,223,029	2,476,461
Federal sources	1,435,667	1,511,420	1,474,285	1,577,399
Sixteenth section sources	127,298	76,723	108,686	5,361
Total Revenues	4,794,324	4,718,774	4,400,968	4,636,198
Expenditures:				
Instruction	2,513,888	2,544,973	2,435,564	2,786,487
Support services	1,628,023	1,447,273	1,581,518	1,720,348
Noninstructional services	409,295	402,963	367,521	365,591
Debt service:				
Principal	138,000	160,404	141,136	146,444
Interest	48,950	54,310	89,586	78,976
Other			15,781	
Total Expenditures	4,738,156	4,609,923	4,631,106	5,097,846
Excess (Deficiency) of Revenues over (under) Expenditures	56,168	108,851	(230,138)	(461,648)
Other Financing Sources (Uses):				
Bonds and notes issued				63,480
Insurance recovery			3,679	
Refunding bonds issued			690,000	
Payment to refunded bond escrow agent			(665,000)	
Sale of transportation equipment				6,981
Operating transfers in	33,600	96,885	83,910	14,563
Other financing sources			542	448
Operating transfers out	(33,600)	(96,885)	(83,910)	(14,563)
Other financing uses			(7,941)	
Total Other Financing Sources (Uses)	0	0	21,280	70,909
Net Change in Fund Balances	56,168	108,851	(208,858)	(390,739)
Fund Balances:				
Beginning of period	896,464	786,826	994,568	1,387,381
Increase (Decrease) in reserve for inventory	(1,753)	787	1,116	(2,074)
End of Period	\$ 950,879	\$ 896,464	\$ 786,826	\$ 994,568

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

521 N Church St. P.O. Box 270 Louisville, MS 39339
 Phone (662) 773-7841 Fax (662) 773-9236

James L. Stafford, CPA
 Harry W. Stevens, CPA
 S. Keith Winfield, CPA
 William B. Stagers, CPA
 Aubrey R. Holder, CPA
 Michael W. McCully, CPA
 Mort Stroud, CPA
 R. Steve Sinclair, CPA
 Michael L. Pierce, CPA
 Marsha L. McDonald, CPA
 Wanda S. Holley, CPA

Robin Y. McCormick, CPA/PFS
 J. Randy Scrivner, CPA
 Kimberly S. Caskey, CPA
 Susan M. Lummus, CPA
 Thomas J. Browder, CPA
 Stephen D. Flake, CPA
 John N. Russell, CPA
 Thomas A. Davis, CPA
 Anita L. Goodrum, CPA
 Ricky D. Allen, CPA
 Jason D. Brooks, CPA
 Robert E. Cordle, Jr., CPA

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

Superintendent and School Board
 Durant Public 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 Durant Public School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Durant Public School District's basic financial statements and have issued our report thereon dated January 10, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. [Findings 2013-1, 2013-2 and 2013-3].

Compliance and Other Matters

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

Durant Public School District's Response to Findings

Durant Public School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Durant Public 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.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

January 10, 2014

Watkins, Ward and Stafford, PLLC



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

521 N Church St. P.O. Box 270 Louisville, MS 39339
Phone (662) 773-7841 Fax (662) 773-9236

James L. Stafford, CPA	Robin Y. McCormick, CPA/PFS
Harry W. Stevens, CPA	J. Randy Scrivner, CPA
S. Keith Winfield, CPA	Kimberly S. Caskey, CPA
William B. Staggers, CPA	Susan M. Lummus, CPA
Aubrey R. Holder, CPA	Thomas J. Browder, CPA
Michael W. McCully, CPA	Stephen D. Flake, CPA
Mort Stroud, CPA	John N. Russell, CPA
R. Steve Sinclair, CPA	Thomas A. Davis, CPA
Michael L. Pierce, CPA	Anita L. Goodrum, CPA
Marsha L. McDonald, CPA	Ricky D. Allen, CPA
Wanda S. Holley, CPA	Jason D. Brooks, CPA
	Robert E. Cordle, Jr., CPA

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board
Durant Public School District

Report on Compliance for Each Major Federal Program

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

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for Durant Public School District’s major federal program 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 Durant Public School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Durant Public 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 its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Durant Public 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 Durant Public School District’s internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Durant Public School District’s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-4 that we consider to be a significant deficiency.

Durant Public School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Durant Public School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

January 10, 2014

Watkins, Ward and Stafford, PLLC

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



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

521 N Church St. P.O. Box 270 Louisville, MS 39339
 Phone (662) 773-7841 Fax (662) 773-9236

James L. Stafford, CPA
 Harry W. Stevens, CPA
 S. Keith Winfield, CPA
 William B. Stagers, CPA
 Aubrey R. Holder, CPA
 Michael W. McCully, CPA
 Mort Stroud, CPA
 R. Steve Sinclair, CPA
 Michael L. Pierce, CPA
 Marsha L. McDonald, CPA
 Wanda S. Holley, CPA

Robin Y. McCormick, CPA/PFS
 J. Randy Scrivner, CPA
 Kimberly S. Caskey, CPA
 Susan M. Lummus, CPA
 Thomas J. Browder, CPA
 Stephen D. Flake, CPA
 John N. Russell, CPA
 Thomas A. Davis, CPA
 Anita L. Goodrum, CPA
 Ricky D. Allen, CPA
 Jason D. Brooks, CPA
 Robert E. Cordle, Jr., CPA

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

Superintendent and School Board
 Durant Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Durant Public School District as of and for the year ended June 30, 2013, which collectively comprise Durant Public School District's basic financial statements and have issued our report thereon dated January 10, 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 \$1,900 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Sixteenth Section Child Lists Should Be Submitted By December 31

Finding

Miss. Code Section 29-3-121 provides, "It shall be the duty of the superintendent of each school district to make or cause to be made annual lists of the children enrolled in the schools of such district and who reside in such district, which lists shall be based upon the end of the first month enrollment required to be reported to the State Department of Education for the then current school year. The lists shall be made separately as to the townships in which such children reside. Such lists shall be filed with the superintendent of the custodial school district on or before December 31 of each year, and the lists shall be used in making the division of the available funds of each township during the ensuing calendar year."

During test of sixteenth section revenue, we noted that educable child lists were not sent to the Holmes County School District until after the December 31 deadline.

Noncompliance with Section 29-3-121, Miss. Code Ann. (1972), could result in the District not receiving their pro rata share of sixteenth section revenue from other school districts.

Recommendation

We recommend that the District implement policies and procedures to ensure all lists are prepared and sent to appropriate school districts by December 31 of each year, in accordance with Section 29-3-121, Miss. Code Ann. (1972).

School District's Response

Durant Public School District will implement policies and procedures to ensure that the appropriate enrollment lists are filed with the custodial school district on or before December 31 of each year in accordance with Section 29-3-121, Miss. Code Ann. (1972)

2. Annual Public Depositors Report Should Be Submitted to the Mississippi Treasury Department Within 30 Days of Fiscal Year End

Finding

Section 27-105-5, Miss Code Ann. (1972) requires a public depositor to file an annual report with the State Treasurer that contains the name of the public depositor, its tax identification number and provide a list of all bank accounts that are held by that depositor within 30 days of fiscal year end. The public depositor is also required to review the information on quarterly reports received by the public depositor from the State Treasurer to ensure that the information regarding accounts held by the public depositor are being correctly reported to the State Treasurer Office.

Per our audit procedures performed we noted the annual report was submitted to the State Treasurer's Office after the July 31st deadline.

Recommendation

We recommend the district comply with Section 27-105-5, Miss Code Ann. (1972) which requires a public depositor to file an annual report with the State Treasurer that contains the name of the public depositor, its tax identification number and provide a list of all bank accounts that are held by that depositor within 30 days of fiscal year end. District personnel should also review the information on quarterly reports received by the public depositor from the State Treasurer to ensure that the information regarding accounts held by the public depositor are being correctly reported to the State Treasurer Office.

School District's Response

Durant Public School District will comply with Section 27-105-5, Miss Code Ann. (1972) which requires a public depositor to file an annual report with the State Treasurer that contains the name of the public depositor, its tax identification number and provide a list of all bank accounts that are held by that depositor within 30 days of fiscal year end. The District will also review the information on quarterly reports received by the public depositor from the State Treasurer to ensure that the information regarding accounts held by the public depositor are being correctly reported to the State Treasurer Office.

3. Municipal School Board Members Should Be Bonded for the Statutorily Required Amount with the Bond Filed with the Appointing Authority

Finding

Section 37-6-15 Miss Code Ann. (1972) requires that municipal board members shall be bonded for at least \$50,000 and those bonds shall be recorded and on file with the applicable appointing authority in accordance with Section 25-1-19 Miss Code Ann. (1972). During our review of surety bonds we noted the surety bond for one board member was not on file with the appointing authority of the board member.

Recommendation

We recommend the school district comply with all applicable code sections and bond applicable personnel for the appropriate amounts with those bonds being recorded and on file in the appointing authority's office.

School District's Response

Durant Public School District will comply with Section 37-6-15 Miss Code Ann. (1972) and insure that municipal board members shall be bonded for at least \$50,000 and those bonds shall be recorded and on file with the applicable appointing authority in accordance with Section 25-1-19 Miss Code Ann. (1972).

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

The Durant Public School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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

Watkins, Ward and Stafford, PLLC

Louisville, Mississippi

January 10, 2014

Watkins, Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? (Yes/No) | No |
| | b. Significant deficiency(ies) identified? (Yes/None reported) | Yes |
| 3. | Noncompliance material to financial statements noted? (Yes/No) | No |

Federal Awards:

- | | | |
|----|---|---|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? (Yes/No) | No |
| | b. Significant deficiency(ies) identified? (Yes/None reported) | Yes |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? (Yes/No) | Yes |
| 7. | Identification of major programs: | |
| | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| | 10.553/10.555/10.559 | Child Nutrition Cluster |

- | | | |
|----|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? (yes/no) | Yes |

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

Section II: Financial Statement Findings

Significant Deficiency Not Considered To Be A Material Weakness

Controls over Payroll Expenditures Should Be Strengthened

2013-1 Finding

Management is responsible for ensuring that all payroll expenditures made by the district are adequately documented in a timely manner.

During our tests of internal controls related to payroll expenditures we noted the following:

- There was some duplication of time for some at-will contract employees. We noted the district had all at-will contract employees document their time worked through the use of a time clock for the hours they were to work per their at-will contract. Any hours worked over their normal hours were documented on a hand written sheet signed by their immediate supervisor. When compiling these hours to determine the amount the at-will contract employee should have been paid there was some duplication of time on the time clock and the overtime worksheet. These employees were paid for more time than they actually worked.
- We noted Board approval of a certified personnel salary scale in the board minutes however a detailed list by employee could not be located in the exhibits of the board minutes.
- We noted one employee's retirement wages and withholding was not calculated properly for three months.

Recommendation

We recommend the district simplify the procedures in compiling information to determine the amounts to be paid to at-will contract employees and simply have the employee clock in when they start their job responsibilities and clock out when they end their job responsibilities for the day. The overtime sheets should still be maintained to document approval for all overtime worked but should not be used to compile the actual hours worked. We recommend a detailed certified personnel salary scale be placed in the board minutes to document board approval of the certified employee pay scale. We recommend the payroll clerk review any new employees hired and determine that the payroll software is properly calculating PERS retirement wages and applicable withholding.

Significant Deficiency Not Considered To Be A Material Weakness

Internal Controls Over The Recording of Capital Assets Funded with E-Rate Funds Should Be Strengthened

2013-2 Finding

Management is responsible for safeguarding and properly recording all assets of the school district. An important aspect of effective internal controls over capital assets owned by the District is reconciliation of the capital asset subsidiary ledger to the general ledger.

During our tests performed on internal controls over capital assets, we noted that capital asset additions totaling \$72,717 (net of accumulated depreciation) were not added to the capital assets for financial reporting. An adjustment was proposed and made by the client to the financial statements.

DURANT PUBLIC SCHOOL DISTRICT

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

This error occurred due to the district receiving E-rate funds for improvements to technology. The assets that were purchased were recorded at the amount the district paid for the technology net of the E-rate discount. However they should have been recorded at the gross amount. This resulted in several assets being required to be reported as capital assets. Inadequate internal controls surrounding the recording of assets could result in the improper capital asset valuations.

Recommendation

We recommend that the district implement controls and procedures with regard to the purchase of assets through E-rate funding to ensure that these assets are recorded at the gross amount and not net of the E-rate discount.

Significant Deficiency Not Considered To Be A Material Weakness

Internal Controls Over Activity Fund Receipts Should Be Strengthened

2013-3 Finding

During our testing of activity fund receipts we noted the following deficiencies:

- We noted several instances where gate workers were not always signing to verify cash and did not always deposit change from the applicable gate receipt.
- We noted that gate workers were not calculating ticket sales properly on a consistent basis.

Proper internal controls were not in place to ensure deposits were made timely, revenue was coded to proper accounts and that documentation was retained to provide assurances that the proper amount of revenue was recorded.

Without proper internal controls being in place to account for all monetary transactions, the district increases the risk of misappropriation of assets and inaccurate recording of revenue.

Recommendation

We recommend the district implement internal controls to ensure that all deposits are made daily, revenue is properly reported and documentation is maintained to substantiate all receipts. We also recommend that all school event forms contain the correct information regarding beginning and ending ticket numbers for the applicable event, that tickets are issued sequentially with the gate workers and principal at the individual school verifying and signing the applicable event form. We also recommend that deposits are made intact on a daily basis.

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

Section III: Federal Award Findings and Questioned Costs

Significant Deficiency Not Considered To Be A Material Weakness

Internal Controls Surrounding Daily Food Sales Should Be Strengthened

Program: Child Nutrition Cluster, Passed-through the Mississippi Department of Education- CFDA 10.553, 10.555 and 10.559

Compliance requirement: Program Income

2013-4 Finding

Management is responsible for complying with the requirements of the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual, which recommends that two separate individuals be involved in cashiering, cash collection, daily reconciliations and deposits. Management is responsible for ensuring that all receipts are correctly recorded and deposited in order to safeguard the assets of the district.

During our test work performed on daily food sales for the month of September 2012, it was noted that daily cash sheets at the school cafeteria were not regularly signed by the cafeteria managers and/or the cashiers.

Inadequate internal controls surrounding collection of receipts in child nutrition could result in misappropriation of assets and improper revenue recognition.

Recommendation

We recommend that the district follow the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual by requiring more than one individual be involved in cash collection, daily reconciliation and deposit functions of daily food sales.

AUDITEE'S CORRECTIVE ACTION PLAN



Durant Public School District

Developing Performing Succeeding

Louise Sanders-Tate, Superintendent

Board of Trustees:
Louise Winters, President
Rena Pritchard, Vice President
Lillian Mitchell, Secretary
Tremain Johnson
Stacy Hightower
Ben Piazza, Board Attorney

Finance & Compliance Audit Division

As required by Section 315 of OMB Circular A-133, the Durant Public School District has prepared and hereby submits the following responses and/or corrective action plans for the findings included in the Schedule of Findings for the year ended June 30, 2013.

2013-1 Finding: Management is responsible for ensuring that all payroll expenditures made by the district are adequately documented in a timely manner.

During our tests of internal controls related to payroll expenditures we noted the following:

- There was some duplication of time for some at-will contract employees. We noted the district had all at-will contract employees document their time worked through the use of a time clock for the hours they were to work per their at-will contract. Any hours worked over their normal hours were documented on a hand written sheet signed by their immediate supervisor. When compiling these hours to determine the amount the at-will contract employee should have been paid there was some duplication of time on the time clock and the overtime worksheet. These employees were paid for more time than they actually worked.
- We noted Board approval of a certified personnel salary scale in the board minutes however a detailed list by employee could not be located in the exhibits of the board minutes.
- We noted one employee's retirement wages and withholding was not calculated properly for three months.

Corrective Action Plan Details

a. Name(s) of contact person(s) Responsible for Corrective Action:

Barbara Davis – Business Officer – 662-653-3175
Louise Sanders-Tate – Superintendent – 662-653-3175

“Failure is not an Option”

b. Corrective Action Planned

The District will simplify the procedures in compiling information to determine the amounts to be paid to at-will contract employees by having the employee clock in when they start their job responsibilities and clock out when they end their job responsibilities for the day. The overtime sheets will still be maintained to document approval for all overtime worked but will not be used to compile the actual hours worked. A detailed certified personnel salary scale be placed in the board minutes to document board approval of the certified employee pay scale. The payroll clerk will review any new employees hired and determine that the payroll software is properly calculating PERS retirement wages and applicable withholding.

c. Anticipated Completion Date

Immediately

Significant Deficiency Not Considered To Be A Material Weakness

2013-2 Finding: Internal Controls over the Recording of Capital Assets Funded with E-Rate Fund should be strengthened

Management is responsible for safeguarding and properly recording all assets of the school district. An important aspect of effective internal controls over capital assets owned by the District is reconciliation of the capital asset subsidiary ledger to the general ledger.

During our tests performed on internal controls over capital assets, we noted that capital asset additions totaling \$72,717 (net of accumulated depreciation) were not added to the capital assets for financial reporting. An adjustment was proposed and made by the client to the financial statements.

This error occurred due to the district receiving E-rate funds for improvements to technology. The assets that were purchased were recorded at the amount the district paid for the technology net of the E-rate discount. However they should have been recorded at the gross amount. This resulted in several assets being required to be reported as capital assets. Inadequate internal controls surrounding the recording of assets could result in the improper capital asset valuations.

Corrective Action Plan Details

a. Name(s) of contact person(s) Responsible for Corrective Action:

Barbara Davis – Business Officer – 662-653-3175
Louise Sanders-Tate – Superintendent – 662-653-3175

b. Corrective Action Planned

The Durant Public School District will implement controls and procedures with regard to the purchase of assets through E-rate funding to ensure that these assets are recorded at the gross amount and not net of the E-rate discount.

c. Anticipated Completion Date

Immediately

Significant Deficiency Not Considered To Be A Material Weakness

**2013-3 Finding: Internal Controls over Activity Fund Receipts Should be strengthened
During our testing of activity fund receipts, we noted the following deficiencies:**

- We noted several instances where gate workers were not always signing to verify cash from the applicable gate receipt.
- We noted that gate workers were not calculating ticket sales properly on a consistent basis.

Proper internal controls were not in place to ensure deposits were made timely, revenue was coded to proper accounts and that documentation was retained to provide assurances that the proper amount of revenue was recorded.

Without proper internal controls being in place to account for all monetary transactions, the district increases the risk of misappropriation of assets and inaccurate recording of revenue.

Corrective Action Plan Details

a. Name(s) of contact person(s) Responsible for Corrective Action:

Barbara Davis – Business Officer – 662-653-3175
Louise Sanders-Tate – Superintendent – 662-653-3175

b. Corrective Action Planned

The Durant Public School District will implement internal controls to ensure that all deposits are made daily, revenue is properly reported and documentation is maintained to substantiate all receipts. All staff on duty during school events will be retrained on how to fill out school event forms accurately. The Principal and/or game administrator will review all forms for accuracy. All school event forms will be reviewed to ensure the correct information is displayed regarding beginning and ending ticket numbers for the applicable event and that tickets are issued sequentially with the gate workers and principal at the individual school verifying and signing the applicable event form. Deposits will be made intact on a daily basis.

c. Anticipated Completion Date

Immediately

Significant Deficiency Not Considered To Be A Material Weakness

2014-4 Finding Internal Controls Surrounding Daily Food Sales Should Be Strengthened

Program: Child Nutrition Cluster, Passed-through the Mississippi Department of Education-
CFDA 10.553, 10.555 and 10.559

Compliance requirement: Program Income

Management is responsible for complying with the requirements of the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual, which recommends that two separate individuals be involved in cashing, cash collection, daily reconciliations and deposits. Management is responsible for ensuring that all receipts are correctly recorded and deposited in order to safeguard the assets of the district.

During our test work performed on daily food sales for the month of September 2012, it was noted that daily cash sheets at school were not regularly signed by the cafeteria managers and/or the cashiers.

Inadequate internal controls surrounding collection of receipts in child nutrition could result in misappropriation of assets and improper revenue recognition.

Corrective Action Plan Details

a. Name(s) of contact person(s) Responsible for Corrective Action:

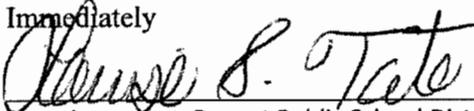
Barbara Davis – Business Officer – 662-653-3175
Louise Sanders-Tate – Superintendent – 662-653-3175
Clara Ware – Food Service Manager – 662-653-3910

b. Corrective Action Planned

The Durant Public School District will follow the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual by requiring more than one individual be involved in cash collection, daily reconciliation and deposit functions of daily food sales.

c. Anticipated Completion Date

Immediately



Superintendent, Durant Public School District