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Audited Financial Statements
For the Year Ended June 30, 2013

Fortenberry & Ballard, PC
Certified Public Accountants

**Itawamba County School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Itawamba County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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.

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

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 Itawamba County School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 to 18 and 54 to 57 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 Itawamba County School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2014, on our consideration of the Itawamba County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Itawamba County School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
February 5, 2014

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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

FINANCIAL HIGHLIGHTS

- Total net position for 2013 increased \$868,246, including a prior period adjustment (\$203,107), which represents a 4% increase from fiscal year 2012. Total net position for 2012 increased \$1,065,057, including a prior period adjustment of (\$153,381), which represents a 5% increase from fiscal year 2011.
- General revenues amounted to \$23,423,418 and \$23,541,124 or 81% and 81% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,475,693 or 19% of total revenues for 2013, and \$5,663,121, or 19% of total revenues for 2012.
- The District had \$27,827,758 and \$27,985,807 in expenses for fiscal years 2013 and 2012; only \$5,475,693 for 2013 and \$5,633,121 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$23,423,418 for 2013 and \$23,541,124 for 2012 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$22,421,722 in revenues and \$21,767,397 in expenditures for 2013, and \$22,608,825 in revenues and \$20,758,695 in expenditures for 2012. The General Fund's fund balance increased by \$999,458 from 2012 to 2013, and increased by \$1,043,473 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$104,830 for 2013 and decreased by \$670,558 for 2012. The increase for 2013 was due primarily to the additions of construction in progress, mobile equipment, and furniture and equipment.
- Long-term debt decreased by \$1,597,666 for 2013 decreased by \$844,242 for 2012. The decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$10,942 for 2013 and increased by \$2,272 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.

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$22,620,309 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.

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Table 1
Condensed Statement of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 6,789,838	6,516,303	4%
Restricted assets	677,262	1,912,663	(65)%
Capital assets, net	30,001,550	29,896,720	0%
Total assets	<u>37,468,650</u>	<u>38,325,686</u>	(2)%
Current liabilities	355,125	471,799	(25)%
Long-term debt outstanding	14,493,216	16,101,824	(10)%
Total liabilities	<u>14,848,341</u>	<u>16,573,623</u>	(10)%
Net position:			
Net investment in capital assets	16,620,550	15,124,720	10%
Restricted	1,993,072	3,831,264	(48)%
Unrestricted	4,006,687	2,796,079	43%
Total net position	<u>\$ 22,620,309</u>	<u>21,752,063</u>	4%

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 \$104,830.
- The principal retirement of \$1,826,059 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$28,899,111 and \$29,204,245 respectively. The total cost of all programs and services was \$27,827,758 for 2013 and \$27,985,807 for 2012.

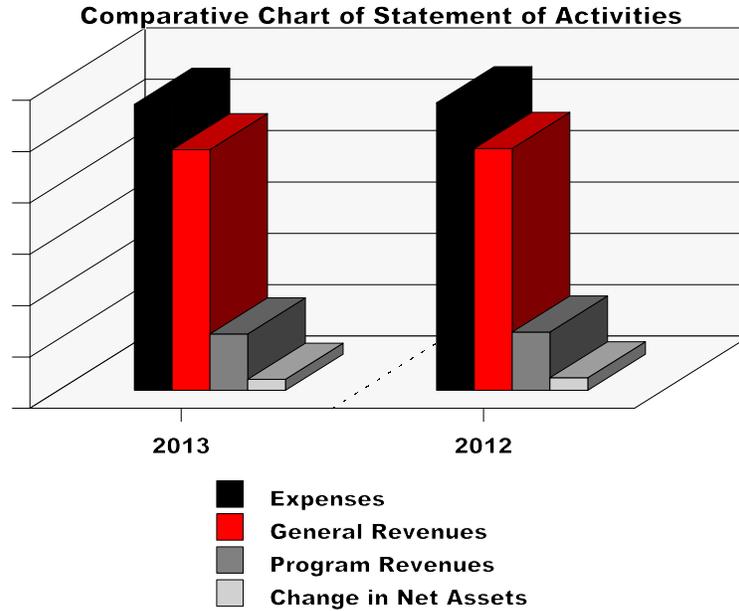
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Table 2
Changes in Net Position

	Year Ended June 30, 2013	Year Ended June 30, 2012	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,116,748	1,275,905	(12)%
Operating grants and contributions	4,358,945	4,387,216	(1)%
Total program revenues	5,475,693	5,663,121	(3)%
General revenues:			
Property taxes	6,241,013	6,422,021	(3)%
Grants and contributions not restricted	17,026,890	17,102,139	0%
Unrestricted investment earnings	15,126	16,638	(9)%
Other	140,389	326	42964%
Total general revenues	23,423,418	23,541,124	(1)%
Total revenues	28,899,111	29,204,245	(1)%
Expenses:			
Instruction	18,021,917	17,191,359	5%
Support services	7,670,431	8,080,788	(5)%
Non-instructional	1,690,424	2,118,309	(20)%
Sixteenth section	2,035		
Interest on long-term liabilities	442,951	595,351	(26)%
Total expenses	27,827,758	27,985,807	(1)%
Increase (Decrease) in net position	1,071,353	1,218,438	(12)%
Net Position, July 1, as previously	21,752,063	20,687,006	5%
Prior Period Adjustment	(203,107)	(153,381)	(32)%
Net Position, July 1, as restated	21,548,956	20,533,625	5%
Net Position, June 30	\$ 22,620,309	21,752,063	4%

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013



Governmental activities

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

Table 3
Net Cost of Governmental Activities

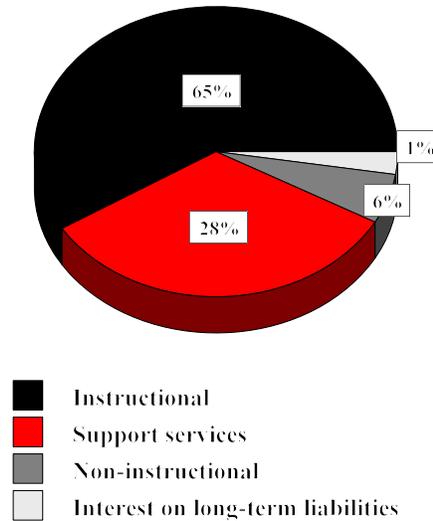
	Total Expenses		
	2013	2012	Percentage Change
Instruction	\$ 18,021,917	17,191,359	5%
Support services	7,670,431	8,080,788	(5)%
Non-instructional	1,690,424	2,118,309	(20)%
Sixteenth section	2,035	0	
Interest on long-term liabilities	442,951	595,351	(26)%
Total expenses	\$ 27,827,758	27,985,807	(1)%

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Net (Expense) Revenue

	2013	2012	Percentage Change
Instruction	\$ (15,076,520)	(14,215,074)	6%
Support services	(7,070,938)	(7,462,422)	(5)%
Non-instructional	240,379	(49,839)	(582)%
Sixteenth section	(2,035)	0	
Interest on long-term liabilities	(442,951)	(595,351)	(26)%
Total net (expense) revenue	\$ (22,352,065)	(22,322,686)	0%

Chart of Expenses per Statement of Activities



- Net cost of governmental activities (\$22,352,065 for 2013 and \$22,322,686 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$6,241,013 for 2013 and \$6,422,021 for 2012) and state and federal revenues (\$17,026,890 for 2013 and \$17,102,139 for 2012).
- Investment earnings amounted to \$15,126 for 2013 and \$16,638 for 2012.

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$7,254,654, a decrease of \$885,457, which includes a prior period adjustment of (\$21,987) and an increase in inventory of \$13,991. \$4,807,640 or 66% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,447,014 or 34% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$999,458. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,842,523, which includes a prior period adjustment of (\$21,987) and an increase in inventory of \$13,991. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
EHA Part B Fund	\$ 50,675
Bond Issue Retirement Fund	(93,067)

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.

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$45,791,276, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$1,071,686 from 2012. Total accumulated depreciation as of June 30, 2013, was \$15,789,726, and total depreciation expense for the year was \$989,619, resulting in total net capital assets of \$30,001,550.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 1,161,634	1,161,634	0%
Construction in progress	0	247,997	(100)%
Buildings	25,719,747	26,492,054	(3)%
Building improvements	1,079,378	530,213	104%
Improvements other than buildings	1,070,568	445,644	140%
Mobile equipment	821,889	954,562	(14)%
Furniture and equipment	148,334	64,616	130%
Total	<u>\$ 30,001,550</u>	<u>29,896,720</u>	<u>0%</u>

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

Debt Administration. At June 30, 2013, the District had \$14,493,216 in outstanding long-term debt, of which \$1,855,235 is due within one year. The liability for compensated absences decreased \$10,942 from the prior year. The District made principal payments on long-term debt in the amount of \$1,826,059. During the fiscal year, the District received proceeds from the issuance of shortfall notes in the amount of \$228,393.

Itawamba County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 3,560,000	4,065,000	(12)%
Limited obligation bonds payable	2,943,000	3,378,000	(13)%
Certificates of participation payable	1,175,000	1,415,000	(17)%
Three mill notes payable	2,703,000	2,914,000	(7)%
Shortfall notes payable	796,570	1,003,236	(21)%
Qualified school construction bonds payable	3,000,000	3,000,000	0%
Compensated absences payable	315,646	326,588	(3)%
Total	<u>\$ 14,493,216</u>	<u>16,101,824</u>	<u>(10)%</u>

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

CURRENT ISSUES

The District's enrollment for the 2012-2013 year decreased by 3% to 3,319 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the Itawamba County School District, 605 S. Cummings Street, Fulton, MS 38843.

FINANCIAL STATEMENTS

ITAWAMBA COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities
Assets	
<i>Cash and cash equivalents</i>	\$ 5,153,687
<i>Due from other governments</i>	1,498,411
<i>Other receivables, net</i>	40,672
<i>Inventories</i>	58,323
<i>Deferred debt issuance costs</i>	38,745
<i>Restricted assets</i>	677,262
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	1,161,634
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	25,719,747
<i>Buildings improvements</i>	1,079,378
<i>Improvements other than buildings</i>	1,070,568
<i>Mobile equipment</i>	821,889
<i>Furniture and equipment</i>	148,334
Total Assets	<u>37,468,650</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	173,551
<i>Other payables</i>	150
<i>Interest payable on long-term liabilities</i>	181,424
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	1,449,000
<i>Non-capital related liabilities</i>	406,235
Long-term liabilities (due beyond one year):	
<i>Capital related liabilities</i>	11,932,000
<i>Non-capital related liabilities</i>	705,981
Total Liabilities	<u>14,848,341</u>
Net Position	
Net Investment in Capital Assets	16,620,550
Restricted For:	
Expendable:	
School Based Activities	78,638
Debt Service	1,698,373
Capital Projects	125,227
Unemployment Benefits	90,834
Unrestricted	4,006,687
Total Net Position	<u>\$ 22,620,309</u>

The accompanying notes are an integral part of this statement.

ITAWAMBA COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
<i>Instruction</i>	18,021,917	618,424	2,326,973	(15,076,520)
<i>Support services</i>	7,670,431	--	599,493	(7,070,938)
<i>Noninstructional services</i>	1,690,424	498,324	1,432,479	240,379
<i>Sixteenth section</i>	2,035	--	--	(2,035)
<i>Interest on long-term liabilities</i>	442,951	--	--	(442,951)
Total Governmental Activities	<u>\$ 27,827,758</u>	<u>\$ 1,116,748</u>	<u>\$ 4,358,945</u>	<u>(22,352,065)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				4,959,674
<i>Debt purpose levies</i>				1,281,339
Unrestricted grants and contributions:				
<i>State</i>				16,892,631
<i>Federal</i>				134,259
<i>Unrestricted investment earnings</i>				15,126
<i>Other</i>				140,389
Total General Revenues				<u>23,423,418</u>
Change in Net Position				<u>1,071,353</u>
Net Position - Beginning, as previously reported				21,752,063
Prior Period Adjustment				(203,107)
Net Position - Beginning, as restated				<u>21,548,956</u>
Net Position - Ending				<u>\$ 22,620,309</u>

The accompanying notes are an integral part of this statement.

ITAWAMBA COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	General Fund	EHA Part B Fund
	<u> </u>	<u> </u>
Assets		
<i>Cash and cash equivalents</i>	\$ 3,725,596	\$ --
<i>Investments</i>	--	--
<i>Due from other governments</i>	359,857	650,153
<i>Other receivables, net</i>	40,222	--
<i>Due from other funds</i>	1,084,938	--
<i>Inventories</i>	--	--
Total Assets	<u>\$ 5,210,613</u>	<u>\$ 650,153</u>
 Liabilities and Fund Balances:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 130,305	\$ 25,043
Due to other funds	--	625,110
Other payables	150	--
Total Liabilities	<u>130,455</u>	<u>650,153</u>
 Fund Balances:		
Nonspendable:		
Inventory	--	--
Restricted:		
Unemployment benefits	--	--
Capital projects	--	--
Debt service	--	--
Grant Activities	--	--
Food Service	--	--
Assigned:		
Activity fund	272,518	--
Unassigned		
Total Fund Balances	<u>4,807,640</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 5,210,613</u>	<u>\$ 650,153</u>

The accompanying notes are an integral part of this statement.

Bond Issue Retirement Fund	Other Governmental Funds	Total Governmental Funds
\$ 445,328	\$ 982,763	\$ 5,153,687
--	677,262	677,262
14,753	473,648	1,498,411
--	450	40,672
--	--	1,084,938
--	58,323	58,323
<u>\$ 460,081</u>	<u>\$ 2,192,446</u>	<u>\$ 8,513,293</u>
\$ --	\$ 18,203	\$ 173,551
301,000	158,828	1,084,938
--	--	150
<u>301,000</u>	<u>177,031</u>	<u>1,258,639</u>
--	58,323	58,323
--	90,834	90,834
--	125,227	125,227
159,081	1,720,716	1,879,797
--	17,771	17,771
--	2,544	2,544
--	--	272,518
--	--	4,807,640
<u>159,081</u>	<u>2,015,415</u>	<u>7,254,654</u>
<u>\$ 460,081</u>	<u>\$ 2,192,446</u>	<u>\$ 8,513,293</u>

ITAWAMBA COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balances for governmental funds	\$ 7,254,654
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	30,001,550
Liabilities due in one year are not reported in the funds.	(1,855,235)
Payables for bond principal which are not due in the current period are not reported in the funds.	(8,523,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(181,424)
Payables for notes which are not due in the current period are not reported in the funds.	(2,874,335)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(315,646)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(925,000)
Bond issuance costs are recognized in the SNP.	<u>38,745</u>
Net position of governmental activities	<u>\$ 22,620,309</u>

The accompanying notes are an integral part of this statement.

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ITAWAMBA COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	EHA Part B Fund
Revenues:		
Local sources	\$ 5,768,986	\$ 707
State sources	16,531,955	--
Federal sources	120,781	911,648
Total Revenues	<u>22,421,722</u>	<u>912,355</u>
Expenditures:		
Instruction	14,592,681	575,649
Support services	7,018,096	408,456
Noninstructional services	--	--
Sixteenth section	--	--
Facilities acquisition and construction	43,767	--
Debt service:		
Principal	80,000	--
Interest	29,813	--
Other	3,040	--
Total Expenditures	<u>21,767,397</u>	<u>984,105</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>654,325</u>	<u>(71,750)</u>
Other Financing Sources (Uses):		
Proceeds of loans	228,393	--
Transfers in	800,250	122,425
Payments held by escrow agent	--	--
Transfers out	(683,510)	--
Payment to QSCB debt escrow agent	--	--
Total Other Financing Sources (Uses)	<u>345,133</u>	<u>122,425</u>
Net Change in Fund Balances	<u>999,458</u>	<u>50,675</u>
Fund Balances:		
July 1, 2012, as previously reported	4,080,700	(50,675)
Prior period adjustments	--	--
July 1, 2012, as restated	<u>4,080,700</u>	<u>(50,675)</u>
Increase (decrease) in inventory	--	--
June 30, 2013	<u>\$ 5,080,158</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

Bond Issue Retirement Fund	Other Governmental Funds	Total Governmental Funds
\$ 561,318	\$ 1,230,738	\$ 7,561,749
--	1,289,081	17,821,036
--	2,483,897	3,516,326
<u>561,318</u>	<u>5,003,716</u>	<u>28,899,111</u>
--	2,159,544	17,327,874
1,062	298,100	7,725,714
--	1,603,703	1,603,703
--	2,035	2,035
--	986,138	1,029,905
505,000	1,241,059	1,826,059
146,383	305,549	481,745
1,940	2,950	7,930
<u>654,385</u>	<u>6,599,078</u>	<u>30,004,965</u>
<u>(93,067)</u>	<u>(1,595,362)</u>	<u>(1,105,854)</u>
--	--	228,393
--	561,085	1,483,760
--	175,000	175,000
--	(800,250)	(1,483,760)
--	(175,000)	(175,000)
<u>--</u>	<u>(239,165)</u>	<u>228,393</u>
<u>(93,067)</u>	<u>(1,834,527)</u>	<u>(877,461)</u>
252,148	3,857,938	8,140,111
--	(21,987)	(21,987)
<u>252,148</u>	<u>3,835,951</u>	<u>8,118,124</u>
--	13,991	13,991
<u>\$ 159,081</u>	<u>\$ 2,015,415</u>	<u>\$ 7,254,654</u>

ITAWAMBA COUNTY SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	\$ (877,461)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,327,661
The depreciation of capital assets used in governmental activities is not reported in the funds.	(989,619)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(52,092)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	940,000
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	646,059
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	240,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(6,458)
(Increase) decrease in accrued interest from beginning of period to end of period.	46,724
Change in inventory affects fund balance in the funds expense in the SOA.	13,991
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	10,942
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(228,393)
Rounding difference	<u>(1)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,071,353</u>

The accompanying notes are an integral part of this statement.

ITAWAMBA COUNTY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 JUNE 30, 2013

	Agency Funds
Assets	
<i>Cash and other deposits</i>	\$ 1,550,892
Total Assets	<u>\$ 1,550,892</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	\$ 1,491,703
<i>Due to student clubs</i>	59,189
Total Liabilities	<u>\$ 1,550,892</u>

The accompanying notes are an integral part of this statement.

Itawamba County School District

Notes to the Financial Statements
June 30, 2013

Itawamba County School District

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

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

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.

Itawamba County School District

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

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

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

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

The school district reports the following major governmental funds:

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

EHA Part B Fund - This fund accounts for the federal funds received to provide special education and related services to all children with disabilities.

Bond Issue Retirement Fund - This fund accounts for the general obligation bond revenue and expenditures.

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.

Itawamba County School District

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

Itawamba County School District

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

collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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

Itawamba County School District

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

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."

Itawamba County School District

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds.

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.

Itawamba County School District

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

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

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

Itawamba County School District

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

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

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

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

9. Fund Balances

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

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

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

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

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

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

Itawamba County School District

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

Business Manager pursuant to authorization established by the policy adopted by the school district.

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of actual revenues of that fiscal year. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 - Cash and Cash Equivalents and Investments

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

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

Itawamba County School District

Notes to the Financial Statements For the 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 \$5,153,687 and \$1,550,892, 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 \$7,384,850 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>
Hancock Horizon Treasury Securities Market Mutual Funds	AAAm	less than one year	\$ 230,234
Trustmark Treasury Securities Market Mutual Funds	AAAm	less than one year	447,028
Total			\$ <u><u>677,262</u></u>

Itawamba County School District

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

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. The instruments in the Hancock Horizon Treasury Securities Money Market Mutual Funds is uninsured and unregistered and are not backed by the full faith and credit of the federal government.

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.

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	EHA Part B Fund	\$ 625,110
	Bond Issue Retirement Fund	301,000
	Other Governmental Funds	158,828
		<u>\$ 1,084,938</u>

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

Itawamba County School District

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

B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 800,250
EHA Part B Fund	General Fund	122,425
Other Governmental Funds	General Fund	561,085
Total		<u>\$ 1,483,760</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 investment balance in the amount of \$447,028 of the QSCB Sinking Fund. In addition, the restricted assets represent the investment balance in the amount \$230,234 of the MAEP Bonds Capitalized Interest Fund.

Note 5 - Capital Assets

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

	Balance 7-1-2012	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2013
<u>Non-depreciable capital assets:</u>						
Land	\$ 1,161,634					1,161,634
Construction in progress	247,997	1,029,905		(1,254,304)	(23,598)	0
Total non-depreciable capital assets	<u>1,409,631</u>	<u>1,029,905</u>	<u>0</u>	<u>(1,254,304)</u>	<u>(23,598)</u>	<u>1,161,634</u>
<u>Depreciable capital assets:</u>						
Buildings	36,957,140		55,215			36,901,925
Building improvements	582,948			585,481		1,168,429
Improvements other than buildings	1,180,550			668,823		1,849,373
Mobile equipment	3,838,281	170,800	169,069			3,840,012
Furniture and equipment	751,040	126,956	8,093			869,903
Total depreciable capital assets	<u>43,309,959</u>	<u>297,756</u>	<u>232,377</u>	<u>1,254,304</u>	<u>0</u>	<u>44,629,642</u>
<u>Less accumulated depreciation for:</u>						
Buildings	10,465,086	714,949	44,172		46,315	11,182,178
Building improvements	52,735	40,602			(4,286)	89,051
Improvements other than buildings	734,906	43,899				778,805
Mobile equipment	2,883,719	149,302	134,968		120,070	3,018,123
Furniture and equipment	686,424	40,867	1,145		(4,577)	721,569
Total accumulated depreciation	<u>14,822,870</u>	<u>989,619</u>	<u>180,285</u>	<u>0</u>	<u>157,522</u>	<u>15,789,726</u>
Total depreciable capital assets, net	<u>28,487,089</u>	<u>(691,863)</u>	<u>52,092</u>	<u>1,254,304</u>	<u>(157,522)</u>	<u>28,839,916</u>
Governmental activities capital assets, net	<u>\$ 29,896,720</u>	<u>338,042</u>	<u>52,092</u>	<u>0</u>	<u>(181,120)</u>	<u>30,001,550</u>

Itawamba County School District

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

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

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 692,733
Support services	197,924
Non-instructional	98,962
Total depreciation expense	<u>\$ 989,619</u>

Note 6 - Long-term Liabilities

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

	<u>Balance</u>			<u>Balance</u>	<u>Amount due</u>
	7-1-2012	Additions	Reductions	6-30-2013	within one
					year
A. General obligation bonds payable	\$ 4,065,000		505,000	3,560,000	530,000
B. Limited obligation bonds payable	3,378,000		435,000	2,943,000	450,000
C. Certificates of participation	1,415,000		240,000	1,175,000	250,000
D. Three mill notes payable	2,914,000		211,000	2,703,000	219,000
E. Shortfall notes payable	1,003,236	228,393	435,059	796,570	406,235
F. Qualified school construction bonds payable	3,000,000			3,000,000	
G. Compensated absences payable	326,588		10,942	315,646	
Total	<u>\$ 16,101,824</u>	<u>228,393</u>	<u>1,837,001</u>	<u>14,493,216</u>	<u>1,855,235</u>

A. General obligation bonds payable

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

<u>Description</u>	<u>Interest</u>	<u>Issue</u>	<u>Maturity</u>	<u>Amount</u>	<u>Amount</u>
	Rate	Date	Date	Issued	Outstanding
General obligation bonds, Series 2003	3.5-4.0%	04-01-03	04-01-19	\$ <u>6,700,000</u>	<u>3,560,000</u>

Itawamba County School District

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

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 530,000	129,718	659,718
2015	555,000	111,698	666,698
2016	580,000	92,273	672,273
2017	605,000	71,393	676,393
2018	630,000	48,705	678,705
2019	660,000	25,080	685,080
Total	\$ <u>3,560,000</u>	<u>478,867</u>	<u>4,038,867</u>

This debt will be retired from the Bond Retirement #2 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 3% of property assessments as of October 1, 2012.

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Bonds, Series 2008	3.32%	04-15-08	02-01-18	\$ <u>4,282,000</u>	<u>2,943,000</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 450,000	90,238	540,238
2015	465,000	75,049	540,049
2016	480,000	59,362	539,362
2017	496,000	43,160	539,160
2018	1,052,000	26,411	1,078,411
Total	\$ <u>2,943,000</u>	<u>294,220</u>	<u>3,237,220</u>

Itawamba County School District

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

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.

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

C. Certificates of participation payable

As more fully explained in Note 10, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 1998	4.5-5.7%	06-01-98	06-01-18	\$ 1,300,000	450,000
Series 2001	3.1-4.8%	10-01-01	10-01-16	2,200,000	725,000
Total				\$ <u>3,500,000</u>	<u>1,175,000</u>

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

1. Certificates of participation issue date of 6/1/1998:

Year Ending June 30	Principal	Interest	Total
2014	\$ 80,000	22,030	102,030
2015	85,000	18,130	103,130
2016	90,000	13,965	103,965
2017	95,000	9,555	104,555
2018	100,000	4,900	104,900
Total	\$ <u>450,000</u>	<u>68,580</u>	<u>518,580</u>

This debt will be retired from the District Maintenance Fund.

2. Certificates of participation issue date of 10/1/2001:

Year Ending June 30	Principal	Interest	Total
2014	\$ 170,000	29,930	199,930
2015	175,000	22,080	197,080
2016	185,000	13,708	198,708
2017	195,000	4,680	199,680
Total	\$ <u>725,000</u>	<u>70,398</u>	<u>795,398</u>

Itawamba County School District

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

This debt will be retired from the District Maintenance Fund.

Total certificates of participation payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ 250,000	51,960	301,960
2015	260,000	40,210	300,210
2016	275,000	27,673	302,673
2017	290,000	14,235	304,235
2018	100,000	4,900	104,900
Total	\$ <u>1,175,000</u>	<u>138,978</u>	<u>1,313,978</u>

D. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2009	3.97%	07-15-08	07-15-23	\$ <u>3,500,000</u>	<u>2,703,000</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 219,000	107,309	326,309
2015	228,000	98,615	326,615
2016	237,000	89,563	326,563
2017	200,000	80,154	280,154
2018	260,000	72,214	332,214
2019 - 2023	1,341,000	190,044	1,531,044
2024	218,000	8,655	226,655
Total	\$ <u>2,703,000</u>	<u>646,554</u>	<u>3,349,554</u>

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

Itawamba County School District

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

E. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2009	3.91%	08-20-09	08-20-12	\$ 320,975	0
Series 2010	2.98%	07-09-10	07-09-13	295,416	101,377
Series 2011	2.32%	08-01-11	10-01-14	692,292	466,800
Series 2012	2.67%	08-15-12	08-15-15	228,393	228,393
Total				\$ 1,537,076	796,570

1. Shortfall notes payable issue of 8/20/2009:

This debt was paid off and retired from the Shortfall Debt Retirement Fund.

2. Shortfall notes payable issue of 7/9/2010:

Year Ending June 30	Principal	Interest	Total
2014	\$ 101,377	3,021	104,398

This debt will be retired from the Shortfall Debt Retirement Fund.

3. Shortfall notes payable issue of 8/1/2011:

Year Ending June 30	Principal	Interest	Total
2014	\$ 230,724	10,830	241,554
2015	236,076	5,477	241,553
Total	\$ 466,800	16,307	483,107

This debt will be retired from the Shortfall Debt Retirement Fund.

4. Shortfall notes payable issue of 8/15/2012:

Year Ending June 30	Principal	Interest	Total
2014	\$ 74,134	6,098	80,232
2015	76,114	4,119	80,233
2016	78,145	2,086	80,231
Total	\$ 228,393	12,303	240,696

Itawamba County School District

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

This debt will be retired from the Shortfall Debt Retirement Fund.

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ 406,235	19,949	426,184
2015	312,190	9,596	321,786
2016	78,145	2,086	80,231
Total	<u>\$ 796,570</u>	<u>31,631</u>	<u>828,201</u>

F. Qualified school construction bonds payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2010	0.84%	01-15-10	09-15-24	\$ <u>3,000,000</u>	<u>3,000,000</u>

G. Compensated absences payable

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

Note 7 - Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2013 was 14.26% of the 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

Itawamba County School District

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

\$2,237,964, \$1,945,108, and \$1,807,667, respectively, which equaled the required contributions for each year.

Note 8 - Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 member's 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 up 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 9 - Contingencies

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

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

Itawamba County School District

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

Note 10 - Trust Certificates

A trust agreement date June 1, 1998, was executed by and between the school district and the Itawamba County School District Finance Corporation, with the People's Bank of Biloxi, Mississippi as trustee. The trust agreement authorized the issuance of trust certificates in the principal amount of \$1,300,000. The proceeds are to be used for capital improvements within the school district.

Another trust agreement dated October 1, 2001, was executed by and between the school district and the Itawamba County School District Finance Corporation, with the First National Bank of Clarksdale, Mississippi as trustee. The trust agreement authorized the issuance of trust certificates in the principal amount of \$2,200,000. The proceeds are to be used for capital improvements within the school district.

The above projects are leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-51, *et seq.*, Miss. Code Ann. (1972). The leases represent capital leases under which ownership of the projects will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustees in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustees to pay the principal and interest payments due on the trust certificates.

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

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

Itawamba County School District

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

Note 11 - Prior Period Adjustments

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

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1 See below.	\$ (21,987)
2 To properly present capital assets at year end.	(181,120)
Total	\$ <u>(203,107)</u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
1 Other Governmental Funds	To correctly present receivables in the proper period.	\$ (17,417)
2 Other Governmental Funds	Adjustments were made to record rebate to State Treasurer.	(4,570)
Total		\$ <u>(21,987)</u>

Note 12 - Qualified School Construction Bonds

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

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100%

Itawamba County School District

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

must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$447,028. The indicated deposit amounts are estimates since they will be reduced by the amount of the prior 12 months' interest earnings. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2014	\$	175,000
2015		175,000
2016		210,000
2017		210,000
2018		210,000
2019 - 2023		1,050,000
2024 - 2025		525,000
Total	\$	<u>2,555,000</u>

Note 13 - 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 Itawamba County School District evaluated the activity of the district through the date the financial statements were available to be issued and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

On October 15, 2013, the school district issued a revenue shortfall note in the amount of \$25,758 that will bear interest at 2.23% and will mature on October 15, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

ITAWAMBA COUNTY SCHOOL DISTRICT

Exhibit 1

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	\$ 5,654,345	5,997,379	5,768,986	343,034	(228,393)
State sources	16,357,727	16,531,955	16,531,955	174,228	0
Federal sources	207,630	120,781	120,781	(86,849)	0
Total Revenues	<u>22,219,702</u>	<u>22,650,115</u>	<u>22,421,722</u>	<u>430,413</u>	<u>(228,393)</u>
Expenditures:					
Instruction	14,244,332	14,292,475	14,592,681	(48,143)	(300,206)
Support services	6,823,211	7,019,000	7,018,096	(195,789)	904
Facilities acquisition and construction		43,767	43,767	(43,767)	0
Debt service:					
Principal	415,000	80,000	80,000	335,000	0
Interest	63,185	29,813	29,813	33,372	0
Other	5,500	3,040	3,040	2,460	0
Total Expenditures	<u>21,551,228</u>	<u>21,468,095</u>	<u>21,767,397</u>	<u>83,133</u>	<u>(299,302)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>668,474</u>	<u>1,182,020</u>	<u>654,325</u>	<u>513,546</u>	<u>(527,695)</u>
Other Financing Sources (Uses):					
Proceed of loans			228,393	0	228,393
Operating transfers in	2,407,173	3,236,542	800,250	829,369	(2,436,292)
Operating transfers out	(3,068,580)	(3,119,802)	(683,510)	(51,222)	2,436,292
Total Other Financing Sources (Uses)	<u>(661,407)</u>	<u>116,740</u>	<u>345,133</u>	<u>778,147</u>	<u>228,393</u>
Net Change in Fund Balances	<u>7,067</u>	<u>1,298,760</u>	<u>999,458</u>	<u>1,291,693</u>	<u>(299,302)</u>
Fund Balances:					
July 1, 2012	<u>3,781,398</u>	<u>3,781,398</u>	<u>4,080,700</u>	<u>0</u>	<u>299,302</u>
June 30, 2013	<u>\$ 3,788,465</u>	<u>5,080,158</u>	<u>5,080,158</u>	<u>1,291,693</u>	<u>0</u>

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

ITAWAMBA COUNTY SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule
 EHA Part B 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	\$	707	707	707	0
Federal sources	790,950	911,648	911,648	120,698	0
Total Revenues	790,950	912,355	912,355	121,405	0
Expenditures:					
Instructional	576,529	528,371	575,649	48,158	(47,278)
Support services	425,634	408,456	408,456	17,178	0
Total Expenditures	1,002,163	936,827	984,105	65,336	(47,278)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(211,213)	(24,472)	(71,750)	186,741	(47,278)
Other Financing Sources (Uses):					
Operating transfers in	226,213	122,425	122,425	(103,788)	0
Operating transfers out	(15,000)			15,000	0
Total Other Financing Sources (Uses)	211,213	122,425	122,425	(88,788)	0
Net Change in Fund Balances	0	97,953	50,675	97,953	(47,278)
Fund Balances:					
July 1, 2012	(97,953)	(97,953)	(50,675)	0	47,278
June 30, 2013	<u>(97,953)</u>	<u>0</u>	<u>0</u>	<u>97,953</u>	<u>0</u>

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Itawamba County School District

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

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

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

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 414,057
National School Lunch Program	10.555	1,092,600
Summer Food Service Program for Children	10.559	2,899
Total Child Nutrition Cluster		<u>1,509,556</u>
Total passed-through the Mississippi Department of Education		<u>1,509,556</u>
Total U. S. Department of Agriculture		<u>1,509,556</u>
<u>Federal Communications Commission</u>		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	93,284
Total Federal Communications Commission		<u>93,284</u>
<u>U. S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	677,074
Rural Education	84.358	51,024
Improving Teacher Quality - State Grants	84.367	163,439
Subtotal		<u>891,537</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	936,827
Special Education - Preschool Grants	84.173	70,420
Total Special Education Cluster		<u>1,007,247</u>
Total passed-through the Mississippi Department of Education		<u>1,898,784</u>
Total U. S. Department of Education		<u>1,898,784</u>
TOTAL FOR ALL FEDERAL AWARDS		\$ <u>3,501,624</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.

Itawamba County School District**Schedule 2**

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	\$ 21,457,167	16,681,525	716,195	1,663,831	2,395,616
Other	8,547,798	1,499,283	220,162	122,129	6,706,224
Total	\$ <u>30,004,965</u>	<u>18,180,808</u>	<u>936,357</u>	<u>1,785,960</u>	<u>9,101,840</u>
Total number of students *	<u>3,319</u>				
Cost per student	\$ <u>9,040</u>	<u>5,478</u>	<u>282</u>	<u>538</u>	<u>2,742</u>

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

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

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

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

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

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

OTHER INFORMATION

ITAWAMBA COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	<u>2013</u>	<u>2012*</u>	<u>2011*</u>	<u>2010*</u>
Revenues:				
Local sources	\$ 5,768,986	5,915,724	5,121,793	4,813,290
State sources	16,531,955	16,584,842	15,306,219	15,487,485
Federal sources	120,781	108,259	170,643	141,587
Total Revenues	<u>22,421,722</u>	<u>22,608,825</u>	<u>20,598,655</u>	<u>20,442,362</u>
Expenditures:				
Instruction	14,592,681	13,808,948	11,139,437	13,177,396
Support services	7,018,096	6,580,470	6,013,618	6,909,579
Noninstructional services				14,614
Sixteenth section			2,397	
Facilities acquisition and construction	43,767	36,969	107,185	7,500
Debt service:				
Principal	80,000	230,000	220,000	355,000
Interest	29,813	98,918	83,715	96,463
Other	3,040	3,390	3,040	4,440
Total Expenditures	<u>21,767,397</u>	<u>20,758,695</u>	<u>17,569,392</u>	<u>20,564,992</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>654,325</u>	<u>1,850,130</u>	<u>3,029,263</u>	<u>(122,630)</u>
Other Financing Sources (Uses):				
Proceeds of notes	228,393	692,292	295,416	320,975
Insurance recovery			41,155	16,106
Sale of transportation equipment		326		
Sale of other property				17,574
Operating transfers in	800,250	2,879	2,878	1,129,422
Other financing sources				491
Operating transfers out	(683,510)	(1,502,154)	(985,575)	(934,010)
Total Other Financing Sources (Uses)	<u>345,133</u>	<u>(806,657)</u>	<u>(646,126)</u>	<u>550,558</u>
Net Change in Fund Balances	<u>999,458</u>	<u>1,043,473</u>	<u>2,383,137</u>	<u>427,928</u>
Fund Balances:				
July 1, as previously reported	4,080,700	3,037,227	705,536	439,883
Prior Period Adjustments			(51,446)	(162,275)
July 1, as restated	<u>4,080,700</u>	<u>3,037,227</u>	<u>654,090</u>	<u>277,608</u>
June 30,	<u>\$ 5,080,158</u>	<u>4,080,700</u>	<u>3,037,227</u>	<u>705,536</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

ITAWAMBA COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 7,561,749	7,800,177	6,859,871	6,450,784
State sources	17,821,036	17,747,433	16,499,210	16,640,698
Federal sources	3,516,326	3,656,308	5,660,665	5,294,340
Total Revenues	<u>28,899,111</u>	<u>29,203,918</u>	<u>29,019,746</u>	<u>28,385,822</u>
Expenditures:				
Instruction	17,327,874	16,523,298	15,527,393	17,152,949
Support services	7,725,714	7,902,596	7,365,943	8,177,256
Noninstructional services	1,603,703	2,015,818	1,937,465	1,910,996
Sixteenth section	2,035		2,397	
Facilities acquisition and construction	1,029,905	421,900	579,756	31,600
Debt service:				
Principal	1,826,059	1,536,534	1,390,913	1,063,000
Interest	481,745	611,118	553,932	568,063
Debt service costs				23,358
Other	7,930	8,315	5,980	14,014
Total Expenditures	<u>30,004,965</u>	<u>29,019,579</u>	<u>27,363,779</u>	<u>28,941,236</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,105,854)</u>	<u>184,339</u>	<u>1,655,967</u>	<u>(555,414)</u>
Other Financing Sources (Uses):				
Proceeds of loans	228,393	692,292	295,416	3,320,975
Insurance recovery			41,155	16,106
Payment held by escrow agent	175,000			
Payment to QSCB debt escrow agent	(175,000)			
Sale of transportation equipment		326		
Sale of other property				17,574
Operating transfers in	1,483,760	1,505,033	999,842	2,544,933
Other financing sources				491
Operating transfers out	(1,483,760)	(1,505,033)	(999,842)	(2,544,933)
Total Other Financing Sources (Uses)	<u>228,393</u>	<u>692,618</u>	<u>336,571</u>	<u>3,355,146</u>
Net Change in Fund Balances	<u>(877,461)</u>	<u>876,957</u>	<u>1,992,538</u>	<u>2,799,732</u>
Fund Balances:				
July 1, as previously reported	8,140,111	7,270,549	5,270,139	2,498,228
Prior period adjustments	(21,987)		2	(24,967)
July 1, as restated	<u>8,118,124</u>	<u>7,270,549</u>	<u>5,270,141</u>	<u>2,473,261</u>
Increase (Decrease) in inventory	13,991	(7,395)	7,870	(2,854)
June 30,	<u>\$ 7,254,654</u>	<u>8,140,111</u>	<u>7,270,549</u>	<u>5,270,139</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Itawamba County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Itawamba County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Itawamba County School District's basic financial statements, and have issued our report thereon dated February 5, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
February 5, 2014

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Itawamba County School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
February 5, 2014

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Itawamba County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Itawamba County School District as of and for the year ended June 30, 2013, which collectively comprise the Itawamba County School District's basic financial statements and have issued our report thereon dated February 5, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$15,108 of classroom supply funds carried over from previous years.

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

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

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
February 5, 2014

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Itawamba County School District

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unqualified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027 & 84.173	Special Education Cluster
84.010	Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality - State Grants

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S SUMMARY OF PRIOR FEDERAL AUDIT FINDING

Itawamba County School District
605 S. Cummings Street
Fulton, MS 38843
Mr. Michael Nanney - Superintendent
Mrs. Cheree Brown - Business Manager

AUDITEE'S SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDING

As required by Section _____.315(b) of OMB Circular A-133, the Itawamba County School District has prepared and hereby submits the following summary schedule of prior audit finding as of June 30, 2013:

<u>Finding</u>	<u>Status</u>
2012-2	Corrected