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MARSHALL COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

MARSHALL COUNTY SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

J.E. VANCE & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Marshall 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 Marshall 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 Marshall 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall County School District, as of June 30, 2013, and the respective changes in financial position 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 8-17 and 47-48 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 Marshall 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 November 15, 2013, on our consideration of the Marshall 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 Marshall County School District's internal control over financial reporting and compliance.

Tupelo, MS
November 15, 2013

J E Vance & Company

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Marshall 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 decreased $861,706, including prior period adjustments of $(102,140), which represents a 4% decrease from fiscal year 2012. Total net position for 2012 decreased $642,827, which represents a 3% decrease from fiscal year 2011.

General revenues amounted to $19,675,246 and $18,793,641, or 77% and 76% 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 $5,768,468, or 23% of total revenues for 2013, and $6,077,473, or 24 % of total revenues for 2012.

The District had $26,203,280 and $25,513,941 in expenses for fiscal years 2013 and 2012; only $5,768,468 for 2013 and $6,077,473 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $19,675,246 for 2013 and $18,793,641 for 2012 were not adequate to provide for these programs.

Among major funds, the General Fund had $18,769,675 in revenues and $20,213,537 in expenditures for 2013, and $17,932,894 in revenues and $19,023,649 in expenditures in 2012. The General Fund's fund balance decreased by $995,680 from 2012 to 2013, and decreased by $3,823,777 from 2011 to 2012.

Among major funds, the Construction and Transportation Fund had $75,411 in revenues and $616,557 in expenditures for 2013, and $37,304 in revenues and $1,344,103 in expenditures in 2012. The Construction and Transportation Fund's fund balance decreased by $741,146 from 2012 to 2013, and increased by $1,693,201 from 2011 to 2012.

Among major funds, the $8,000,000 Bond Issue Fund had $519,701 in revenues and $592,053 in expenditures for 2013, and $368,911 in revenues and $649,059 in expenditures in 2012. The $8,000,000 Bond Issue Fund's fund balance decreased by $72,352 from 2012 to 2013, and decreased by $280,148 from 2011 to 2012.

Capital assets, net of accumulated depreciation, decreased by $86,027 for 2013 and increased by $1,027,678 for 2012. The decrease for 2013 was primarily due to the increase in accumulated depreciation.

Long-term debt decreased by $795,159 for 2013 and decreased by $917,026 for 2012. This decrease for 2013 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by $8,529 for 2013 and increased by $52,016 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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, and interest on long-term liabilities.

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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 (if applicable) 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 and deferred outflows of resources exceeded liabilities by $20,369,259 as of June 30, 2013.

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Percentage
Current assets	$ 7,769,623	$ 9,649,004	-19.48 %
Restricted assets	798,552	729,583	9.45 %
Capital assets, net	20,747,888	20,833,915	-0.41 %
Total assets	**29,316,063**	**31,212,502**	**-6.08 %**
Deferred outflows of resources	**69,311**	**-0-**	**N/A %**
Current liabilities	508,224	678,487	-25.09 %
Long-term debt outstanding	8,507,891	9,303,050	-8.55 %
Total liabilities	**9,016,115**	**9,981,537**	**-9.67 %**
Net position:			
Net investment in capital assets	12,459,981	11,690,067	6.59 %
Restricted	4,672,261	5,226,074	-10.60 %
Unrestricted	3,237,017	4,314,824	-24.98 %
Total net position	**$ 20,369,259**	**$ 21,230,965**	**-4.06 %**

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

- Decrease in net capital assets in the amount of $86,027.
- Decrease in long-term debt outstanding in the amount of $795,159.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were $25,443,714 and $24,871,114, respectively. The total cost of all programs and services was $26,203,280 for 2013 and $25,513,941 for 2012.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2013	Year Ended June 30, 2012	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 796,578	$ 738,409	7.88 %
Operating grants and contributions	4,871,856	5,239,506	(7.02) %
Capital Grants and Contributions	100,034	99,558	0.48 %
General revenues:			
Property taxes	4,807,158	4,315,414	11.40 %
Grants and contributions not restricted	14,629,819	14,300,209	2.30 %
Investment earnings	212,754	142,610	49.19 %
Other	25,515	35,408	(27.94) %
Total revenues	**25,443,714**	**24,871,114**	**2.30 %**
Expenses:			
Instruction	14,068,009	13,885,247	1.32 %
Support services	9,919,361	9,262,658	7.09 %
Non-instructional	2,005,039	2,089,521	(4.04) %
Interest on long-term liabilities	210,871	276,515	(23.74) %
Total expenses	**26,203,280**	**25,513,941**	**2.70 %**
Decrease in net position	**(759,566)**	**(642,827)**	**18.16 %**
Net Position, July 1, as previously reported	**21,230,965**	**21,873,792**	(2.94) %
Prior Period Adjustments	**(102,140)**	**-0-**	N/A %
Net Position, July 1, as restated	**21,128,825**	**21,873,792**	**(3.41) %**
Net Position, June 30	**$ 20,369,259**	**$ 21,230,965**	**(4.06) %**

Governmental activities

The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, 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		Percentage
	2013	**2012**	**Change**
Instruction	$ 14,068,009	$ 13,885,247	1.32 %
Support services	9,919,361	9,262,658	7.09 %
Non-instructional	2,005,039	2,089,521	(4.04) %
Interest on long-term liabilities	210,871	276,515	(23.74) %
Total expenses	**$ 26,203,280**	**$ 25,513,941**	**2.70 %**

	Net (Expense) Revenue		Percentage
	2013	**2012**	**Change**
Instruction	$ (12,400,185)	$ (11,885,404)	4.33 %
Support services	(8,127,335)	(7,368,064)	10.30 %
Non-instructional	303,579	93,515	224.63 %
Interest on long-term liabilities	(210,871)	(276,515)	(23.74) %
Total net (expense) revenue	**$ (20,434,812)**	**$ (19,436,468)**	**5.14 %**

- Net cost of governmental activities ($20,434,812 for 2013 and $19,436,468 for 2012) was financed by general revenue, which is primarily made up of property taxes ($4,807,158 for 2013 and $4,315,414 for 2012) and state and federal revenues ($14,629,819 for 2013 and $14,300,209 for 2012).

- Investment earnings amounted to $212,754 for 2013 and 142,610 for 2012.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $8,124,103, a decrease of $1,542,787, which includes an increase in inventory of $6,736. $3,285,122 or 40% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of $4,838,981 or 60% is either nonspendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was $995,680. The fund balance of Other Governmental Funds showed an increase in the amount of $266,391, which includes an increase in reserve for inventory of $6,736. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund		Increase (Decrease)
Construction & Transportation Fund	$	(741,146)
$8,000,000 Bond Issue Fund	$	(72,352)

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 is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were $32,017,455, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of $845,480 from 2012. Total accumulated depreciation as of June 30, 2013, was $11,269,567, and total depreciation expense for the year was $959,614, resulting in total net capital assets of $20,747,888.

Table 4
Capital Assets, Net of Accumulated Depreciation

		June 30, 2013		June 30, 2012	Percentage Change
Land	$	526,160	$	339,659	54.91 %
Construction in Progress		291,106		3,293,958	(91.16) %
Buildings		12,707,613		12,256,011	3.68 %
Building improvements		3,337,926		1,418,998	135.23 %
Improvements other than buildings		2,148,982		1,633,984	31.52 %
Mobile equipment		1,298,016		1,500,339	(13.49) %
Furniture and equipment		438,085		390,966	12.05 %
Total	**$**	**20,747,888**	**$**	**20,833,915**	**(0.41) %**

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 $8,507,891 in outstanding long-term debt, of which $895,000 is due within one year. The liability for compensated absences decreased $8,529 from the prior year.

The District maintains a AA bond rating.

Table 5
Outstanding Long-Term Debt

	June 30, 2013	June 30, 2012	Percentage Change
General obligation bonds payable	$ 3,280,000	$ 3,770,000	(13.00) %
Limited obligation refunding bonds payable	2,055,000	2,430,000	(15.43) %
Deferred amount on refunding	-0-	(83,117)	(100.00) %
Unamortized premium	22,218	26,965	(17.60) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	150,673	159,202	(5.36) %
Total	**$ 8,507,891**	**$ 9,303,050**	**(8.55) %**

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

CURRENT ISSUES

The Marshall County School District is financially stable. The District is proud of its community support of the public schools.

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

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

Enrollment for the 2012- 2013 year decreased by 1% to 3,262 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Marshall County School District, 158 E. College Ave., Holly Springs, MS 38635.

FINANCIAL STATEMENTS

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

Exhibit A

		Governmental Activities
Assets		
Cash and cash equivalents	$	7,024,202
Due from other governments		708,561
Other receivables, net		2,064
Inventories		34,796
Restricted assets		798,552
Capital assets, non-depreciable:		
Land		526,160
Construction in progress		291,106
Capital assets, net of accumulated depreciation:		
Buildings		12,707,613
Building improvements		3,337,926
Improvements other than buildings		2,148,982
Mobile equipment		1,298,016
Furniture and equipment		438,085
Total Assets		29,316,063
Deferred Outflows of Resources		
Current:		
Deferred amount on refunding		13,806
Noncurrent:		
Deferred amount on refunding		55,505
Total deferred outflows of resources		69,311
Liabilities		
Accounts payable and accrued liabilities		412,420
Unearned revenue		31,652
Interest payable on long-term liabilities		64,152
Long-term liabilities, due within one year:		
Capital related liabilities		899,747
Long-term liabilities, due beyond one year:		
Capital related liabilities		7,457,471
Non-capital related liabilities		150,673
Total Liabilities		9,016,115
Net Position		
Net investment in capital assets		12,459,981
Restricted for:		
Expendable:		
School-based activities		1,004,910
Debt service		1,018,497
Capital improvements		2,593,753
Unemployment benefits		55,101
Unrestricted		3,237,017
Total Net Position	$	20,369,259

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

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 14,068,009	506,692	1,161,132		$ (12,400,185)
Support services	9,919,361		1,691,992	100,034	(8,127,335)
Non-instructional	2,005,039	289,886	2,018,732		303,579
Interest on long-term liabilities	210,871				(210,871)
Total Governmental Activities	$ 26,203,280	796,578	4,871,856	100,034	$ (20,434,812)

General Revenues:	
Taxes:	
General purpose levies	4,087,029
Debt purpose levies	720,129
Unrestricted grants and contributions:	
State	14,434,089
Federal	195,730
Unrestricted investment earnings	212,754
Other	25,515
Total General Revenues	19,675,246
Change in Net Position	(759,566)
Net Position - Beginning, as previously reported	21,230,965
Prior Period Adjustments	(102,140)
Net Position - Beginning, as restated	21,128,825
Net Position - Ending	$ 20,369,259

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

MARSHALL COUNTY SCHOOL DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2013

Exhibit C

	Major Funds				
	General Fund	Construction & Transportation Fund	$8,000,000 Bond Bond Issue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 3,117,995	2,659,249	47,914	1,763,375	$ 7,588,533
Cash with fiscal agents				2	2
Investments				234,219	234,219
Due from other governments	226,063		127,784	354,714	708,561
Due from other funds	178,309				178,309
Inventories				34,796	34,796
Total Assets	$ 3,522,367	2,659,249	175,698	2,387,106	$ 8,744,420
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	$ 134,678	65,496	47,606	164,640	$ 412,420
Due to other funds			119,306	56,939	176,245
Unearned revenue				31,652	31,652
Total Liabilities	134,678	65,496	166,912	253,231	620,317
Fund Balances:					
Nonspendable:					
Inventory				34,796	34,796
Restricted:					
Debt service			8,786	1,073,863	1,082,649
Capital projects		2,593,753			2,593,753
Unemployment benefits				55,101	55,101
Child nutrition				802,075	802,075
Grant activities				168,040	168,040
Assigned:					
Student activities	102,567				102,567
Unassigned	3,285,122				3,285,122
Total Fund Balances	3,387,689	2,593,753	8,786	2,133,875	8,124,103
Total Liabilities and Fund Balances	$ 3,522,367	2,659,249	175,698	2,387,106	$ 8,744,420

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

MARSHALL COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Exhibit C-1

Total fund balances for governmental funds		$	8,124,103
Amounts reported for governmental activities in the statement of Net Position are			
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:			
Land	$ 526,160		
Construction in progress	291,106		
Buildings	19,200,849		
Building improvements	4,087,509		
Improvements other than buildings	2,670,775		
Mobile equipment	3,956,438		
Furniture and equipment	1,284,618		
Accumulated depreciation	(11,269,567)		20,747,888
2. In a transaction involving refunding of a bond issue, any difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized to interest			
Deferred amount on refunding			69,311
3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the			
General obligation bonds	3,280,000		
Limited obligation bonds	2,055,000		
Qualified school construction bonds	3,000,000		
Compensated absences	150,673		
Unamortized premiums	22,218		
Accrued interest payable	64,152		(8,572,043)
Net position of governmental activities		$	20,369,259

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

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

Exhibit D

	Major Funds				
	General Fund	Construction & Transportation Fund	$8,000,000 Bond Bond Issue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	$ 4,883,559	75,411	519,701	363,334	$ 5,842,005
State sources	13,690,386			1,212,928	14,903,314
Federal sources	195,730			4,502,665	4,698,395
Total Revenues	18,769,675	75,411	519,701	6,078,927	25,443,714
Expenditures:					
Instruction	12,524,095	10,413		1,536,612	14,071,120
Support services	7,575,339	51,832		1,559,622	9,186,793
Noninstructional services	87,419			1,885,540	1,972,959
Facilities acquisition and construction	26,684	554,312		109,780	690,776
Debt service:					
Principal			490,000	375,000	865,000
Interest			100,113	103,536	203,649
Other			1,940	1,000	2,940
Total Expenditures	20,213,537	616,557	592,053	5,571,090	26,993,237
Excess (Deficiency) of Revenues over (under) Expenditures	(1,443,862)	(541,146)	(72,352)	507,837	(1,549,523)
Other Financing Sources (Uses):					
Operating transfers in	448,182			509,093	957,275
Operating transfers out		(200,000)		(757,275)	(957,275)
Total Other Financing Sources (Uses)	448,182	(200,000)	-0-	(248,182)	-0-
Net Change in Fund Balances	(995,680)	(741,146)	(72,352)	259,655	(1,549,523)
Fund Balances:					
July 1, 2012	4,383,369	3,334,899	81,138	1,867,484	9,666,890
Increase in reserve for inventory				6,736	6,736
June 30, 2013	$ 3,387,689	2,593,753	8,786	2,133,875	$ 8,124,103

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

MARSHALL COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2013

Exhibit D-1

Net change in fund balances - total governmental funds		$ (1,549,523)
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	876,334	
Depreciation expense	(959,614)	(83,280)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.		(2,747)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Payments of debt principal	865,000	
Accrued interest payable	4,778	869,778
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	8,529	
Change in inventory reserve	6,736	
Amortization of deferred charges	(13,806)	
Amortization of premiums	4,747	6,206
Change in net position of governmental activities		$ (759,566)

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

MARSHALL COUNTY SCHOOL DISTRICT
FIDUCIARY FUNDS STATEMENT OF
FIDUCIARY ASSETS AND LIABILITIES
FOR YEAR ENDED JUNE 30, 2013

Exhibit E

		Agency Funds
Assets		
Cash and cash equivalents	$	1,018,846
Total Assets	$	1,018,846
Liabilities		
Accounts payable and accrued liabilities	$	984,103
Due to other funds		2,064
Due to student clubs		32,679
Total Liabilities	$	1,018,846

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

Note 1: Summary of Significant Accounting Policies

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

Basis of Presentation

In July 2011, the GASB issued GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is effective for periods beginning after December 15, 2011. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

In April 2012, the GASB issued GASBS No. 65, *Items Previously Reported as Assets and Liabilities,* which is effective for periods beginning after December 15, 2012, with earlier implementation encouraged. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows or resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

Implementation of the above GASB statements resulted in a prior period adjustment of ($90,658) to remove previously deferred bond issue costs. Additionally, the deferred amount on refunding of $69,311 is reported on the Statement of Net Position as deferred outflows of resources. In prior years, the deferred amount on refunding was netted against long-term debt, as deferred debt costs.

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, Marshall 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.

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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.

Construction and Transportation Fund – This is the district's fund for accounting for the construction of building projects and/or purchase of transportation equipment.

Note 1: Summary of Significant Accounting Policies (Continued)

$8,000,000 Debt Retirement Fund – This debt service fund accounts for the accumulation of resources for, and the payment of principal, interest, and related costs of the District's $8,000,000 bond issue.

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 is used to account for all payroll transactions including salaries and wages, withholding, employee benefits, and payroll taxes.

School Agency Account Fund – This fund is used to account for student club funds.

Accounts Payable Clearing Fund – This fund is used to account for the payment of all claims against the school district.

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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Encumbrances

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

Assets, liabilities, deferred outflows/inflows, 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."

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

See Note 13 for further details.

8. 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).

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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

In the government-wide financial statements, outstanding debt is reported as liabilities. 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. Bond issuance costs are expensed immediately when incurred.

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.

10. 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, 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.

Note 1: Summary of Significant Accounting Policies (Continued)

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are not restricted. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted. Assignments of fund balance are created by the Superintendent and Business Manager pursuant to authorization established by the policy adopted by the school district.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted 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 (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 (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 assigned resources first, 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 general revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2: Cash and Cash Equivalents, Cash with Fiscal Agents, 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.

Note 2: Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments (Continued)

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) and bond sinking funds (Debt Service 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 $7,588,533 and $1,018,846, 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.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was $2. This amount is also reflected as restricted assets on Exhibit A (see Note 4).

Note 2: Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments (Continued)

Investments

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

Investment Type	Rating	Maturities (in years)		Fair Value
U.S. Treasury Bill	AA	less than one year	$	234,219
Total			$	234,219

This amount is also reflected as a restricted asset on Exhibit A (see Note 4).

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. Of the district's investments $234,219 of underlying securities are held by the investment's counterparty, not in the name of the district.

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

Receivable Fund	Payable Fund		Amount
General Fund	$8,000,000 bond issue fund	$	119,306
	Other governmental funds		56,939
	Fiduciary funds		2,064
Total		$	178,309

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

B. Inter-fund Transfers

Transfers Out	Transfers In		Amount
Construction & Transportation	General Fund	$	200,000
Other governmental funds	General Fund		248,182
	Other governmental funds		509,093
Total		$	957,275

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

Note 4: Restricted Assets

The restricted assets represent the cash with fiscal agent and investment balance, totaling $2 and $234,219, respectively, of the MAEP Limited Obligation Bond/Note Fund.

In addition, the restricted assets represent the cash balance totaling $564,331 of the QSCB Bond Retirement Fund.

Note 5: Capital Assets

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

	Balance 7/1/2012	Increases	Decreases	Completed Construction	Balance 6/30/2013
Governmental Activities:					
Non-depreciable capital assets:					
Land	$ 339,659	186,501			$ 526,160
Construction-in-progress	3,293,958	504,275		(3,507,127)	291,106
Total non-depreciable capital assets	3,633,617	690,776	-0-	(3,507,127)	817,266
Depreciable capital assets:					
Buildings	18,372,080			828,769	19,200,849
Building improvements	2,005,080			2,082,429	4,087,509
Improvements other than buildings	2,048,946	25,900		595,929	2,670,775
Mobile equipment	3,956,438				3,956,438
Furniture and equipment	1,155,814	159,658	30,854		1,284,618
Total depreciable capital assets	27,538,358	185,558	30,854	3,507,127	31,200,189
Less accumulated depreciation for:					
Buildings	6,116,069	377,167			6,493,236
Building improvements	586,082	163,501			749,583
Improvements other than buildings	414,962	106,831			521,793
Mobile equipment	2,456,099	202,323			2,658,422
Furniture and equipment	764,848	109,792	28,107		846,533
Total accumulated depreciation	10,338,060	959,614	28,107	-0-	11,269,567
Total depreciable capital assets, net	17,200,298	(774,056)	2,747	3,507,127	19,930,622
Governmental activities capital assets, net	$ 20,833,915	(83,280)	2,747	-0-	$ 20,747,888

Note 5: Capital Assets (Continued)

Depreciation expense was charged to the following governmental functions:

		Amount
Governmental activities:		
Instruction	$	36,588
Support services		373,708
Non-instructional		549,318
Total depreciation expense	$	959,614

Construction in progress is composed of:

		Spent to June 30, 2013		Remaining Commitment
Governmental Activities:				
Potts Camp Baseball/Softball Field	$	249,806	$	75,000
Byhalia Fieldhouse		41,300		117,175
Total construction in progress	$	291,106	$	192,175

Construction projects included in governmental activities are funded with Construction and Transportation Fund and Other Capital Projects Fund.

Note 6: Long-term Liabilities

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

		Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A.	General obligation bonds payable	$ 3,770,000	$	$ 490,000	$ 3,280,000	$ 505,000
B.	Limited obligation refunding bonds payable	2,430,000		375,000	2,055,000	390,000
	Unamortized premium	26,965		4,747	22,218	4,747
C.	Qualified school construction bonds payable	3,000,000			3,000,000	
D.	Compensated absences payable	159,202		8,529	150,673	
	Total	$ 9,386,167	$ -0-	$ 878,276	$ 8,507,891	$ 899,747

Note 6: Long-term Liabilities (Continued)

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 2010	2.0-3.5%	12/1/2010	2/1/2019	$ 4,310,000	3,280,000
Total				$ 4,310,000	3,280,000

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

Year Ending June 30	Principal	Interest	Total
2014	$ 505,000	$ 95,213	$ 600,213
2015	515,000	85,113	600,113
2016	530,000	72,238	602,238
2017	555,000	56,337	611,337
2018	575,000	39,687	614,687
2019	600,000	21,000	621,000
Total	$ 3,280,000	$ 369,588	$ 3,649,588

This debt will be retired from the $8,000,000 Bond Issue Fund and the School Bond Debt 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 1% of property assessments as of October 1, 2012.

Note 6: Long-term Liabilities (Continued)

B. Limited obligation refunding 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	2.0-3.0%	6/2/2009	12/1/2017	$ 3,480,000	2,055,000
Total				$ 3,480,000	2,055,000

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

Year Ending June 30	Principal	Interest	Total
2014	$ 390,000	$ 55,800	$ 445,800
2015	395,000	44,025	439,025
2016	410,000	31,950	441,950
2017	425,000	19,425	444,425
2018	435,000	6,525	441,525
Total	$ 2,055,000	$ 157,725	$ 2,212,725

This debt will be retired from the MAEP Debt Fund.

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

Note 6: Long-term Liabilities (Continued)

C. 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
Qualified school construction bond	1.24%	12/15/2009	12/15/2025	$ 3,000,000	3,000,000
Total				$ 3,000,000	3,000,000

This debt will be retired from the Other Capital Projects Fund.

D. Compensated absences payable

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

Note 7: Other Commitments

Commitments under construction contracts are described in Note 5.

Note 8: Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were $1,967,452, $1,680,711 and $1,597,329, respectively, which equaled the required contributions for each year.

Note 9: Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

Exhibit B - Statement of Activities

Explanation		Amount
1. To accrue prior year additional interest payable on QSCB bond.	$	(11,482)
2. To restate net position due to implementation of GASB 65.		(90,658)
Total	$	(102,140)

Note 10: Contingencies

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

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

Note 11: Risk Management

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

Note 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% 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 $564,331. 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	$	187,500
2015		187,500
2016		187,500
2017		187,500
2018		187,500
2019 – 2023		937,500
2024 – 2028		562,500
Total	$	2,437,500

Note 13: Effect of Deferred Amounts on Net Position

The unrestricted net position amount of $3,237,017 includes the effect of deferring the recognition of deferred refunding charges due to the issuance of limited obligation refunding bonds. The $69,311 balance of the deferred outflow of resources at June 30, 2013 will be recognized as expense and decrease unrestricted net position over the remaining 6 year life of the related bond.

Note 14: Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Marshall County School District evaluated the activity of the district through November 15, 2013, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements:

REQUIRED SUPPLEMENTARY INFORMATION

MARSHALL COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 4,981,647	4,498,521	4,883,559	(483,126)	$ 385,038
State sources	14,075,419	13,690,386	13,690,386	(385,033)	-0-
Federal sources	328,000	192,409	195,730	(135,591)	3,321
Total Revenues	19,385,066	18,381,316	18,769,675	(1,003,750)	388,359
Expenditures:					
Instruction	12,589,394	12,521,223	12,524,095	68,171	(2,872)
Support services	7,287,151	7,530,494	7,575,339	(243,343)	--44845-
Noninstructional services	83,062	87,419	87,419	(4,357)	-0-
Facilities acquisition and construction		71,529	26,684	(71,529)	-44845-
Total Expenditures	19,959,607	20,210,665	20,213,537	(251,058)	(2,872)
Excess (Deficiency) of Revenues over (under) Expenditures	(574,541)	(1,829,349)	(1,443,862)	(1,254,808)	385,487
Other Financing Sources (Uses):					
Bonds and notes issued	461,870	-0-	-0-	(461,870)	-0-
Operating transfers in	100,073	313,910	448,182	213,837	134,272
Other financing sources	-0-	147,952	-0-	147,952	(147,952)
Operating transfers out	(17,548)	(13,680)	-0-	3,868	13,680
Other financing uses	-0-	(2,872)	-0-	(2,872)	2,872
Total Other Financing Sources (Uses)	544,395	445,310	448,182	(99,085)	2,872
Net Change in Fund Balances	(30,146)	(1,384,039)	(995,680)	(1,353,893)	388,359
Fund Balances:					
July 1, 2012	4,393,240	4,383,369	4,383,369	(9,871)	-0-
Prior Period Adjustments	-0-	385,038	-0-	385,038	(385,038)
July 1, 2012, as restated *	4,393,240	4,768,407	4,383,369	375,167	(385,038)
June 30, 2013	$ 4,363,094	3,384,368	3,387,689	(978,726)	$ 3,321

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

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO THE BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR YEAR ENDED JUNE 30, 2013

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED JUNE 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 546,410
National school lunch program	10.555	1,319,328
Total child nutrition cluster		1,865,738
Fresh fruit and vegetable program	10.582	46,246
Subtotal		46,246
Total passed-through Mississippi Department of Education		1,911,984
Total U.S. Department of Agriculture		1,911,984
Appalachian Regional Commission		
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	36,375
Total Appalachian Regional Commission		36,375
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The School Libraries Program of the Universal Service Fund	32.XXX	43,943
Total Federal Communications Commission		43,943
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	48,618
Rural education	84.358	59,415
English language acquisition grants	84.365	22,696
Improving teacher quality-State Grants	84.367	99,601
Subtotal		230,330
Title I Part A cluster:		
Title I grants to local educational agencies	84.010	1,249,484
Total Title I Part A cluster		1,249,484
Special education cluster:		
Special education - grants to states	84.027	687,772
Special education - preschool grants	84.173	15,229
Total special education cluster		703,001
School Improvement Grants Cluster		
School Improvement Grants (Section 1003(g) of the ESEA)	84.377	139,969
Total School Improvement Grants Cluster		139,969
Total passed-through Mississippi Department of Education		2,322,784
Total U.S. Department of Education		2,322,784

(Continued)

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Health and Human Services		
Passed-through the Mississippi Department of Education:		
Medicaid cluster:		
Medical assistance program	93.778	15,861
Total Medicaid cluster		15,861
Total passed-through Mississippi Department of Education		15,861
Total U.S. Department of Health and Human Services		15,861
Total for All Federal Awards		$ 4,330,947

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.

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND OTHER EXPENDITURES – GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2013

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	18,750,161	13,733,829	840,576	1,688,250	2,487,506
Other		8,243,076	2,559,278	570,025	61,948	5,051,825
Total	$	26,993,237	16,293,107	1,410,601	1,750,198	7,539,331
Total number of students		3,262				
Cost per student	$	8,275	4,995	432	537	2,311

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type - (all the 1000, 2100, & 2200 functional codes.)

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s).

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s).

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

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GENERAL FUND
LAST FOUR YEARS

		UNAUDITED		
	2013	2012*	2011*	2010*
Revenues:				
Local sources	$ 4,883,559	$ 4,346,035	$ 4,389,265	$ 4,257,979
State sources	13,690,386	13,308,281	12,464,308	13,115,108
Federal sources	195,730	278,578	185,430	205,873
Total Revenues	18,769,675	17,932,894	17,039,003	17,578,960
Expenditures:				
Instruction	12,524,095	11,971,928	9,882,694	10,599,312
Support services	7,575,339	6,748,738	6,180,681	5,919,445
Noninstructional services	87,419	98,981	57,098	54,996
Facilities acquisition and construction	26,684	204,002	-0-	12,373
Total Expenditures	20,213,537	19,023,649	16,120,473	16,586,126
Excess (Deficiency) of Revenues over (under) Expenditures	(1,443,862)	(1,090,755)	918,530	992,834
Other Financing Sources (Uses):				
Bonds and notes issued	-0-	-0-	-0-	134,655
Sale of transportation equipment	-0-	4,800	30,989	1,000
Sale of other property	-0-	200	-0-	-0-
Operating transfers in	448,182	1,305,055	86,939	88,439
Operating transfers out	-0-	(4,033,352)	(20,600)	(217,001)
Other financing uses	-0-	(9,725)	(6,252)	(12,500)
Total Other Financing Sources (Uses)	448,182	(2,733,022)	91,076	(5,407)
Net Change in Fund Balances	(995,680)	(3,823,777)	1,009,606	987,427
Fund Balances:				
Beginning of period	4,383,369	8,207,146	7,197,540	6,210,113
End of Period	$ 3,387,689	$ 4,383,369	$ 8,207,146	$ 7,197,540

*SOURCE - PRIOR YEAR AUDIT REPORTS

MARSHALL 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	$ 5,842,005	$ 5,228,637	$ 5,298,816	$ 5,098,485
State sources	14,903,314	14,515,797	13,742,334	14,093,702
Federal sources	4,698,395	5,123,476	7,115,615	6,272,052
Total Revenues	25,443,714	24,867,910	26,156,765	25,464,239
Expenditures:				
Instruction	14,071,120	13,838,547	13,650,715	13,788,537
Support services	9,186,793	8,493,950	8,425,495	7,844,173
Noninstructional services	1,972,959	2,151,422	1,749,005	1,735,864
Facilities acquisition and construction	690,776	1,706,930	2,334,710	673,364
Debt service:				
Principal	865,000	926,085	492,289	780,322
Interest	203,649	246,986	333,047	303,923
Other	2,940	38,452	49,948	3,646
Total Expenditures	26,993,237	27,402,372	27,035,209	25,129,829
Excess (Deficiency) of Revenues over (under) Expenditures	(1,549,523)	(2,534,462)	(878,444)	334,410
Other Financing Sources (Uses):				
Bonds and notes issued	-0-	-0-	-0-	3,213,696
Refunding bonds issued	-0-	-0-	4,272,014	-0-
Sale of transportation equipment	-0-	4,800	30,989	1,000
Sale of other property	-0-	3,204	-0-	-0-
Operating transfers in	957,275	5,524,593	395,039	539,037
Operating transfers out	(957,275)	(5,524,593)	(395,039)	(539,037)
Other financing uses	-0-	(9,725)	(4,561,252)	(12,500)
Total Other Financing Sources (Uses)	-0-	(1,721)	(258,249)	3,202,196
Net Change in Fund Balances	(1,549,523)	(2,536,183)	(1,136,693)	3,536,606
Fund Balances:				
Beginning of period	9,666,890	12,204,285	13,352,038	9,800,418
Increase (Decrease) in reserve for inventory	6,736	(1,212)	(11,060)	15,014
End of Period	$ 8,124,103	$ 9,666,890	$ 12,204,285	$ 13,352,038

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

J.E. VANCE & COMPANY, P.A.

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

Superintendent and School Board
Marshall 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 Marshall 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 District's basic financial statements, and have issued our report thereon dated November 15, 2013.

Internal Control Over Financial Reporting

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

Tupelo, MS
November 15, 2013

J E Vance + Company

J.E. VANCE & COMPANY, P.A.

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

Superintendent and School Board
Marshall County School District

Report on Compliance for Each Major Federal Program

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

Management'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 the 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the 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 District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 District's internal control over compliance.

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

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

Tupelo, MS
November 15, 2013

J E Vance + Company

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

Superintendent and School Board
Marshall County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marshall County School District as of and for the year ended June 30, 2013, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $4,706 of classroom supply funds carried over from previous years.

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

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

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

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

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

J. E. Vance & Company

Tupelo, MS
November 15, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR 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:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.010	Title I Part A
84.027, 84.173	Special Education Cluster
84.377	School Improvement Grants

8.	Dollar threshold used to distinguish between type A and type B programs:	$300,000
9.	Auditee qualified as low-risk auditee?	Yes

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2013

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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