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**NATCHEZ-ADAMS SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS,  
MANAGEMENT'S DISCUSSION AND ANALYSIS,  
SUPPLEMENTAL INFORMATION AND  
AUDITOR'S REPORTS ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING,  
COMPLIANCE AND OTHER MATTERS**

**YEAR ENDED JUNE 30, 2013**

NATCHEZ-ADAMS SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

To the Natchez-Adams School Board  
Natchez, Mississippi

### **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 Natchez-Adams 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 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 from 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 Natchez-Adams 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 through 17 and 52 through 54 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 Natchez-Adams School District's basic financial statements. The schedule of expenditures of federal awards and the schedule of instructional, administrative and other expenditures – governmental funds are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Mississippi, and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the schedule of instructional, administrative and other expenditures – 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are 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, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2014, on our consideration of the Natchez-Adams 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 Natchez-Adams School District's internal control over financial reporting and compliance.

*The Miller Group, PLLC*

Natchez, Mississippi  
February 6, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

**FINANCIAL HIGHLIGHTS**

- Total net position for 2013 increased \$1,148,074, including a prior period adjustment of (\$1,963), which represents a 3.6% increase from fiscal year 2012. Total net position for 2012 decreased \$840,800, including a prior period adjustment of (\$5,731) which represents a 2.5% decrease from fiscal year 2011.
- General revenues amounted to \$28,836,622 and \$28,229,483, or 76% and 72% 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 \$9,191,183, or 24% of total revenues for 2013, and \$11,124,150, or 28% of total revenues for 2012.
- The District had \$36,877,768 and \$40,188,702 in expenses for fiscal years 2013 and 2012; only \$9,191,183 for 2013 and \$11,124,150 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$28,836,622 for 2013 were adequate to provide for these programs; however general revenues of \$28,229,483 for 2012 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$27,013,421 in revenues and \$25,893,137 in expenditures for 2013, and \$26,721,676 in revenues and \$27,586,269 in expenditures in 2012. The General Fund's fund balance increased by \$602,963 from 2012 to 2013, and decreased by \$133,216 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$571,347 for 2013 and decreased by \$608,203 for 2012. The decrease for 2013 was due to the disposal of land and mobile equipment coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$861,208 for 2013 and decreased by \$814,636 for 2012. This decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$70,792 for 2013 and decreased by \$16,636 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.

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

**Government-wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

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

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

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

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

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.

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

**Required Supplementary Information**

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

**Supplementary Information**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

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

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

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

**Table 1  
Condensed Statement of Net Position**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 9,232,988	\$ 8,704,470	6.07 %
Restricted assets	18,233,884	18,294,215	-0.33 %
Capital assets, net	14,317,022	14,888,369	-3.84 %
<b>Total assets</b>	<b><u>41,783,894</u></b>	<b><u>41,887,054</u></b>	<b>-0.25 %</b>
Current liabilities	3,435,569	3,792,595	-9.41 %
Long-term debt outstanding	4,916,244	5,810,452	-15.39 %
<b>Total liabilities</b>	<b><u>8,351,813</u></b>	<b><u>9,603,047</u></b>	<b>-13.03 %</b>
<b>Net position:</b>			
Net investment in capital assets	8,802,022	8,441,369	4.27 %
Restricted	19,594,622	19,682,494	-0.45 %
Unrestricted	5,035,437	4,160,144	21.04 %
<b>Total net position</b>	<b><u>\$ 33,432,081</u></b>	<b><u>\$ 32,284,007</u></b>	<b>3.56 %</b>

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 \$571,347.
- The principal retirement of \$932,000 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$38,027,805 and \$39,353,633, respectively. The total cost of all programs and services was \$36,877,768 for 2013 and \$40,188,702 for 2012.

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

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

**Table 2  
Changes in Net Position**

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 417,407	\$ 466,819	(10.58) %
Operating grants and contributions	8,738,476	10,657,331	(18.01) %
Capital grants and contributions	35,300	-	N/A
General revenues:			
Property taxes	11,311,620	10,938,696	3.41 %
Grants and contributions not restricted	16,456,021	16,533,352	(0.47) %
Investment earnings	290,738	126,750	129.38 %
Sixteenth section sources	702,492	556,311	26.28 %
Other	75,751	74,374	1.85 %
<b>Total revenues</b>	<b>38,027,805</b>	<b>39,353,633</b>	<b>(3.37) %</b>
<b>Expenses:</b>			
Instruction	18,972,474	22,194,712	(14.52) %
Support services	15,001,060	15,089,811	(0.59) %
Non-instructional	2,528,144	2,615,163	(3.33) %
Sixteenth section	241,564	12,686	1,804.18 %
Interest on long-term liabilities	134,526	276,330	(51.32) %
<b>Total expenses</b>	<b>36,877,768</b>	<b>40,188,702</b>	<b>(8.24) %</b>
<b>Increase (Decrease) in net position</b>	<b>1,150,037</b>	<b>(835,069)</b>	<b>(237.72) %</b>
<b>Net Position, July 1, as previously reported *</b>	<b>32,284,007</b>	<b>33,124,807</b>	<b>(2.54) %</b>
<b>Prior Period Adjustment</b>	<b>(1,963)</b>	<b>(5,731)</b>	<b>(65.75) %</b>
<b>Net Position, July 1, as restated *</b>	<b>32,282,044</b>	<b>33,119,076</b>	<b>(2.53) %</b>
<b>Net Position, June 30</b>	<b>\$ 33,432,081</b>	<b>\$ 32,284,007</b>	<b>3.56 %</b>

**Governmental activities**

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

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

**Table 3  
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 18,972,474	\$ 22,194,712	(14.52) %
Support services	15,001,060	15,089,811	(0.59) %
Non-instructional	2,528,144	2,615,163	(3.33) %
Sixteenth section	241,564	12,686	1,804.18 %
Interest on long-term liabilities	134,526	276,330	(51.32) %
<b>Total expenses</b>	<b>\$ 36,877,768</b>	<b>\$ 40,188,702</b>	<b>(8.24) %</b>
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (14,844,716)	\$ (16,780,963)	(11.54) %
Support services	(12,648,414)	(12,230,942)	3.41 %
Non-instructional	182,635	236,369	(22.73) %
Sixteenth section	(241,564)	(12,686)	1,804.18 %
Interest on long-term liabilities	(134,526)	(276,330)	(51.32) %
<b>Total net (expense) revenue</b>	<b>\$ (27,686,585)</b>	<b>\$ (29,064,552)</b>	<b>(4.74) %</b>

- Net cost of activities (\$27,686,585 for 2013 and \$29,064,552 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$11,311,620 for 2013 and \$10,938,696 for 2012) and state and federal revenues (\$16,456,021 for 2013 and 16,533,352 for 2012). In addition, there was \$702,492 and \$556,311 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$290,738 for 2013 and \$126,750 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.

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

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 \$25,072,951, an increase of \$862,808, which includes a prior period adjustment of (\$1,963) and an increase in inventory of \$3,474. \$2,207,883 or 8.8% 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 \$22,865,068 or 91.2% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$602,965, which includes an increase in reserve for inventory of \$1,940. The fund balance of Other Governmental Funds showed an increase in the amount of \$313,989, which includes a prior period adjustment of (\$1,963) and an increase in reserve for inventory of \$1,534, due primarily to the sale of timber and increased revenue from investments. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Title I Funds	\$	(14,799)
Sixteenth Section Principal Fund	\$	(39,345)

**BUDGETARY HIGHLIGHTS**

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue fund(s) 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 \$29,416,211, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$58,810 from 2012. Total accumulated depreciation as of June 30, 2013, was \$15,099,189, and total depreciation expense for the year was \$671,770, resulting in total net capital assets of \$14,317,022.

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

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 2,003,222	\$ 2,054,130	(2.48) %
Buildings	9,421,033	9,566,535	(1.52) %
Building improvements	2,353,086	2,559,497	(8.06) %
Improvements other than buildings	247,921	260,143	(4.70) %
Mobile equipment	62,640	42,730	46.59 %
Furniture and equipment	229,120	405,334	(43.47) %
<b>Total</b>	<b><u>\$ 14,317,022</u></b>	<b><u>\$ 14,888,369</u></b>	<b>(3.84) %</b>

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 \$5,901,244 in outstanding long-term debt, of which \$985,000 is due within one year. The liability for compensated absences increased \$70,792 from the prior year.

The District maintains an AA- bond rating.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	\$ 2,225,000	\$ 2,632,000	(15.46) %
Limited obligation bonds payable	3,290,000	3,815,000	(13.76) %
Compensated absences payable	386,244	315,452	22.44 %
<b>Total</b>	<b><u>\$ 5,901,244</u></b>	<b><u>\$ 6,762,452</u></b>	<b>(12.74) %</b>

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

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

**CURRENT ISSUES**

The Natchez-Adams School District is financially stable. The District is proud of its community support of the public schools.

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

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Natchez-Adams School District, 10 Homochitto Street, Natchez, Ms. 39120.

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FINANCIAL STATEMENTS

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**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2013**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 6,305,683
Cash with fiscal agents	285,870
Due from other governments	2,302,851
Accrued interest receivable	67,632
Lease receivable	55,950
Other receivables, net	92,618
Inventories	122,384
Restricted assets	18,233,884
Capital assets, non-depreciable:	
Land	2,003,222
Capital assets, net of accumulated depreciation:	
Buildings	9,421,033
Building improvements	2,353,086
Improvements other than buildings	247,921
Mobile equipment	62,640
Furniture and equipment	229,120
Total Assets	41,783,894
<b>Liabilities</b>	
Accounts payable and accrued liabilities	2,393,921
Interest payable on long-term liabilities	56,648
Long-term liabilities, due within one year:	
Capital related liabilities	965,000
Non-capital related liabilities	20,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,550,000
Non-capital related liabilities	366,244
Total Liabilities	8,351,813
<b>Net Position</b>	
Invested in capital assets, net of related debt	8,802,022
Restricted for:	
Expendable:	
School-based activities	651,244
Debt service	559,813
Forestry improvements	63,972
Unemployment benefits	83,429
Non-expendable:	
Sixteenth section	18,236,161
Unrestricted	5,035,440
Total Net Position	\$ 33,432,081

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

**NATCHEZ ADAMS SCHOOL DISTRICT**

**Statement of Activities**  
**For the Year Ended June 30, 2013**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 18,972,474	\$ 226,957	\$ 3,865,501	\$ 35,300	\$ (14,844,716)
Support services	15,001,060	-	2,352,646	-	(12,648,414)
Non-instructional	2,528,144	190,450	2,520,329	-	182,635
Sixteenth section	241,564	-	-	-	(241,564)
Interest on long-term liabilities	134,526	-	-	-	(134,526)
Total Governmental Activities	\$ 36,877,768	\$ 417,407	\$ 8,738,476	\$ 35,300	\$ (27,686,585)

General Revenues:

Taxes:

General purpose levies	11,311,516
Debt purpose levies	104

Unrestricted grants and contributions:

State	16,036,612
Federal	276,779
Other	142,630
Unrestricted investment earnings	290,738
Sixteenth section sources	702,492
Other	75,751
Total General Revenues	28,836,622

Change in Net Position	1,150,037
Net Position - Beginning, as originally reported	32,284,007
Prior Period Adjustments	(1,963)
Net Position - Beginning, as restated	32,282,044
Net Position - Ending	\$ 33,432,081

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
**June 30, 2013**

**Exhibit C**

	Major Funds				
	General Fund	Title I Funds	Sixteenth Section Principal	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 4,808,800	\$ -	\$ 152,195	\$ 1,496,883	\$ 6,457,878
Cash with fiscal agents	-	-	-	285,870	285,870
Investments	-	-	18,081,689	-	18,081,689
Due from other governments	453,249	1,135,882	-	713,720	2,302,851
Accrued interest receivable	1,779	-	65,852	1	67,632
Lease receivables	-	-	-	55,950	55,950
Other receivables, net	5,194	8,882	16,698	25,058	55,832
Due from other funds	1,086,362	4,584	-	2,374,794	3,465,740
Advance to other funds	-	-	142,462	-	142,462
Inventories	84,722	-	-	37,662	122,384
Total assets	<u>\$ 6,440,106</u>	<u>\$ 1,149,348</u>	<u>\$ 18,458,896</u>	<u>\$ 4,989,938</u>	<u>\$ 31,038,288</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 1,691,406	\$ 303,799	\$ -	\$ 395,871	\$ 2,391,076
Due to other funds	2,215,683	845,549	222,735	147,832	3,431,799
Advances from other funds	142,462	-	-	-	142,462
Total Liabilities	<u>4,049,551</u>	<u>1,149,348</u>	<u>222,735</u>	<u>543,703</u>	<u>5,965,337</u>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	\$ 84,722	\$ -	\$ -	\$ 37,662	\$ 122,384
Permanent fund principal	-	-	18,236,161	-	18,236,161
<b>Restricted:</b>					
Debt service	-	-	-	616,461	616,461
Forestry improvement purposes	-	-	-	63,972	63,972
Unemployment benefits	-	-	-	83,429	83,429
<b>Assigned:</b>					
School-based activities	97,950	-	-	3,644,711	3,742,661
<b>Unassigned</b>	<b>2,207,883</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,207,883</b>
Total Fund Balances	<u>2,390,555</u>	<u>-</u>	<u>18,236,161</u>	<u>4,446,235</u>	<u>25,072,951</u>
Total Liabilities and Fund Balances	<u>\$ 6,440,106</u>	<u>\$ 1,149,348</u>	<u>\$ 18,458,896</u>	<u>\$ 4,989,938</u>	<u>\$ 31,038,288</u>

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Governmental Funds**

**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** \$ 25,072,951

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

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

Land	\$	2,003,222	
Buildings		18,903,734	
Building improvements		5,160,541	
Improvements other than buildings		305,533	
Mobile equipment		326,804	
Furniture and equipment		2,716,377	
Accumulated depreciation		<u>(15,099,189)</u>	14,317,022

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

Limited obligation bonds	\$	(5,515,000)	
Compensated absences		(386,244)	
Accrued interest payable		<u>(56,648)</u>	(5,957,892)

**Net position of governmental activities** \$ 33,432,081

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D**

	Major Funds				Total Governmental Funds
	General Fund	Title I Funds	Sixteenth Section Principal	Other Governmental Funds	
<b>Revenues:</b>					
Local sources	\$ 11,627,544	\$ -	\$ -	\$ 232,008	\$ 11,859,552
State sources	15,071,697	-	-	1,692,953	16,764,650
Federal sources	314,180	3,797,145	-	4,275,003	8,386,328
Sixteenth section sources	-	-	459,100	522,875	981,975
<b>Total Revenues</b>	<b>27,013,421</b>	<b>3,797,145</b>	<b>459,100</b>	<b>6,722,839</b>	<b>37,992,505</b>
<b>Expenditures:</b>					
Instruction	13,860,331	1,811,784	-	2,722,699	18,394,814
Support services	12,027,549	1,752,912	-	1,152,745	14,933,206
Noninstructional services	5,257	183,936	-	2,310,501	2,499,694
Sixteenth section	-	-	221,018	20,546	241,564
Debt service:					
Principal	-	-	-	932,000	932,000
Interest	-	-	-	128,680	128,680
Other	-	-	-	1,250	1,250
<b>Total Expenditures</b>	<b>25,893,137</b>	<b>3,748,632</b>	<b>221,018</b>	<b>7,268,421</b>	<b>37,131,208</b>
Excess (Deficiency) of Revenues over (under) Expenditures	1,120,284	48,513	238,082	(545,582)	861,297
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	1,529,971	-	-	1,358,501	2,888,472
Operating transfers out	(2,049,232)	(63,312)	(277,427)	(498,501)	(2,888,472)
<b>Total Other Financing Sources (Uses)</b>	<b>(519,261)</b>	<b>(63,312)</b>	<b>(277,427)</b>	<b>860,000</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>601,023</b>	<b>(14,799)</b>	<b>(39,345)</b>	<b>314,418</b>	<b>861,297</b>
<b>Fund Balances:</b>					
July 1, 2012, as originally reported	1,787,592	14,799	18,275,506	4,132,246	24,210,143
Prior period adjustments	-	-	-	(1,963)	(1,963)
July 1, 2012, as restated	1,787,592	14,799	18,275,506	4,130,283	24,208,180
Increase (Decrease) in reserve for inventory	1,940	-	-	1,534	3,474
<b>June 30, 2013</b>	<b>\$ 2,390,555</b>	<b>\$ -</b>	<b>\$ 18,236,161</b>	<b>\$ 4,446,235</b>	<b>\$ 25,072,951</b>

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D-1**

<b>Net change in fund balances - total governmental funds</b>	<b>\$</b>	<b>861,297</b>
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	\$ 155,956	
Depreciation expense	<u>(671,770)</u>	(515,814)
2. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Payments of debt principal	\$ 932,000	
Accrued interest payable	<u>(4,595)</u>	927,405
3. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	\$ (70,792)	
Change in inventory reserve	<u>3,474</u>	(67,318)
4. 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.		
		(50,908)
5. Losses on the disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.		
		<u>(4,625)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>1,150,037</u></b>

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

NATCHEZ-ADAMS SCHOOL DISTRICT

**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2013**

**Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 387,630
Due from other funds	4,598
Prepaid items	32,204
Total Assets	<u>\$ 424,432</u>
<b>Liabilities</b>	
Salary withholding payable	\$ 345,369
Due to other funds	38,539
Due to student clubs	40,524
Total Liabilities	<u>\$ 424,432</u>

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

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

### **Note 1 – Summary of Significant Accounting Policies**

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

#### **A. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board, where two are appointed by the Adams County Board of Supervisors and three are appointed by the City of Natchez Board of Aldermen.

For financial reporting purposes, Natchez-Adams 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.

#### Blended component unit

The Natchez-Adams School District Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a six member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 14 ).

NATCHEZ-ADAMS SCHOOL DISTRICT

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

**B. Government-wide and Fund Financial Statements**

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

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

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

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

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.

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

Title I Funds - This is the school district's federal reimbursable fund that serves to fund remedial math and reading services to low-income, program eligible students.

Sixteenth Section Principal Fund - This fund contains non-expendable Sixteenth Section funds. Sources include revenues from easements and right-of-ways, permanent damages, sale of sixteenth section lands, sale of non-renewable resources, sale of buildings, and interest. Funds may be used to purchase investments, purchase lieu lands, loans for school building purposes, forest stand improvements and purchase of school buses.

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

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

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

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

### FIDUCIARY FUNDS

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

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

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

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

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

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

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

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

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

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

NATCHEZ-ADAMS SCHOOL DISTRICT

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

expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

**D. Encumbrances**

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

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, as well as for its component units are reported at fair market value.

### 2. Receivables and payables

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

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

### 3. Due from Other Governments

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

### 4. Inventories and Prepaid Items

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

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

### 5. Restricted Assets

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

NATCHEZ-ADAMS SCHOOL DISTRICT

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

leave in accordance with school district policy. The District pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

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

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

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

### 9. Fund Balances

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

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

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

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

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

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

resolution approved by the School Board. Currently there is no committed fund balance for this school district.

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

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

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

It is the policy of the District, adopted May 12, 2011, to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of District Maintenance fund 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

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 6,457,878 and \$387,630, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the District. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the District. As of June 30, 2013, none of the District's bank balance of \$7,634,955 was exposed to custodial credit risk

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$285,870.

#### Investments

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

NATCHEZ-ADAMS SCHOOL DISTRICT

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

Investment Type	Rating	Maturities (in years)	Fair Value
Fidelity Us Government Fund Certificate of Deposit	NR	Less than 1 year	\$ 379,267
Sallie Mae Bank Murray Utah	NR	1 to 5 years	246,344
Full Faith and Credit Bonds-US Treasury Guaranteed SBIC 2013	Aaa	5 to 10 years	734,130
US Government Agency Bonds			
Federal Home Loan Mortgage Corporation	Aaa	1 to 5 years	1,574,063
Federal National Mortgage Association	Aaa	1 to 5 years	1,985,453
Federal Farm Credit Bank	Aaa	5 to 10 years	238,370
Corporate Bonds			
AT&T Incorporated	A3	1 to 5 years	400,208
Bank of Montreal	Aa2	1 to 5 years	410,028
BB&T Corporation	A2	1 to 5 years	200,328
General Electric Capital Corporation	A1	1 to 5 years	401,450
Hewlett Packard Co	A3	1 to 5 years	411,680
J P Morgan Chase & Company	A2	1 to 5 years	401,720
Wells Fargo Co	A2	1 to 5 years	414,468
Taxable Municipal Bonds			
Lincoln Cnty MS Kings Daughters Med Ctr	NR	1 to 5 years	100,323
MS Development Bank Special Oblig Bonds	NR	1 to 5 years	518,502
MS Development Bank Special Oblig Bonds	NR	5 to 10 years	115,576
MS St GO Bonds	Aa2	1 to 5 years	246,616
MS St GO Bonds	Aa2	5 to 10 years	312,108
Choctaw Cnty Miss Go Bonds	NR	5 to 10 years	365,906
Choctaw Cnty Miss Go Bonds	NR	10 to 15 years	84,469
MS Home Corp Single Family Loan	Aaa	30 to 35 years	251,045
Mortgage Backed Securities			
Federal Home Loan Mortgage Corporation	Aaa	5 to 10 years	405,428
Federal Home Loan Mortgage Corporation	Aaa	10 to 15 years	301,937
Federal Home Loan Mortgage Corporation	Aaa	25 to 30 years	302,054
Federal National Mortgage Association	Aaa	1 to 5 years	150,085
Federal National Mortgage Association	Aaa	5 to 10 years	3,325,461
Federal National Mortgage Association	Aaa	10 to 15 years	888,060
Collateralized Mortgage Obligations			
Federal Home Loan Mortgage Corporation	Aaa	5 to 10 years	91,513
Federal Home Loan Mortgage Corporation	Aaa	10 to 15 years	477,237
Federal National Mortgage Association	Aaa	5 to 10 years	480,766
Federal National Mortgage Association	Aaa	10 to 15 years	621,715
Federal National Mortgage Association	Aaa	25 to 30 years	211,631
Government National Mortgage Association	Aaa	25 to 30 years	330,009
Small Business Administration GTD Dev PTC	Aaa	5 to 10 years	243,897
Small Business Administration GTD Dev PTC	Aaa	25 to 30 years	459,842
Total			\$ 18,081,689

NATCHEZ-ADAMS SCHOOL DISTRICT

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

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

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

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

*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	General Fund	\$ 79,446
	Title I Funds	845,549
	Other governmental funds	134,322
	Fiduciary funds	27,045
Title I Funds	Fiduciary funds	4,584
	General Fund	2,131,639
Other governmental funds	Other governmental funds	13,510
	Sixteenth Section Principal	222,735
	Fiduciary funds	6,910
	General Fund	4,598
Fiduciary funds		

The amounts due to/from other funds represent amounts advanced or received, for timing differences between revenues and expenditures, and loans to cover cash deficits.

NATCHEZ-ADAMS SCHOOL DISTRICT

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

**B. Advances To/From Other Funds**

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal	General Fund	\$ 142,462
Total		<u>\$ 142,462</u>

The advance from Sixteenth Section Principal Fund to General Fund is a loan for capital expenditures and repairs.

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances.

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 4,784	\$ 5,699	\$ 10,483
2015	4,975	5,508	10,483
2016	5,175	5,308	10,483
2017	5,381	5,102	10,483
2018	5,597	4,886	10,483
2019 - 2023	31,526	20,887	52,413
2024 - 2028	38,357	14,056	52,413
2029 - 2033	46,667	5,746	52,413
Total	<u>\$ 142,462</u>	<u>\$ 67,192</u>	<u>\$ 209,654</u>

NATCHEZ-ADAMS SCHOOL DISTRICT

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

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	General Fund	\$ 1,408,307
	Other governmental funds	640,925
Tilte I Funds	General Fund	63,312
Sixteenth Section Principal Fund	Other governmental funds	277,427
Other governmental funds	General Fund	58,352
	Other governmental funds	440,149
Total		\$ 2,888,472

The transfers represent operating transfers for school operation and transfers for indirect costs, debt service, and unrestricted Sixteenth Section interest earnings.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance and investment balance, totaling \$ 152,195 and \$18,081,689, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the District's programs.

NATCHEZ-ADAMS SCHOOL DISTRICT

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

**Note 5 – Capital Assets**

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

	Balance 7/1/2012	Increases	Decreases	Balance 6/30/2013
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 2,054,130	-	\$ 50,908	\$ 2,003,222
Construction-in-progress	-	-	-	-
Total non-depreciable capital assets	2,054,130	-	50,908	2,003,222
<u>Depreciable capital assets:</u>				
Buildings	18,783,434	120,300	-	18,903,734
Building improvements	5,160,541	-	-	5,160,541
Improvements other than buildings	305,533	-	-	305,533
Mobile equipment	337,386	35,656	46,238	326,804
Furniture and equipment	2,716,377	-	-	2,716,377
Leased property under capital leases	-	-	-	-
Intangible assets	-	-	-	-
Total depreciable capital assets	27,303,271	155,956	46,238	27,412,989
Less accumulated depreciation for:				
Buildings	9,216,899	265,802	-	9,482,701
Building improvements	2,601,044	206,411	-	2,807,455
Improvements other than buildings	45,390	12,222	-	57,612
Mobile equipment	294,656	11,121	41,613	264,164
Furniture and equipment	2,311,043	176,214	-	2,487,257
Leased property under capital leases	-	-	-	-
Intangible assets	-	-	-	-
Total accumulated depreciation	14,469,032	671,770	41,613	15,099,189
Total depreciable capital assets, net	12,834,239	(515,814)	4,625	12,313,800
Governmental activities capital assets, net	\$ 14,888,369	\$ (515,814)	\$ 55,533	\$ 14,317,022

NATCHEZ-ADAMS SCHOOL DISTRICT

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

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
<b>Governmental activities:</b>	
Instruction	\$ 589,623
Support services	53,178
Non-instructional	28,969
Total depreciation expense - Governmental activities	<u>\$ 671,770</u>

**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 refunding bonds payable	\$ 2,632,000	\$ -	\$ 407,000	\$ 2,225,000	\$ 420,000
B. Limited obligation bonds payable	3,815,000	-	525,000	3,290,000	545,000
C. Compensated absences payable	315,452	70,792	-	386,244	20,000
Total	<u>\$ 6,762,452</u>	<u>\$ 70,792</u>	<u>\$ 932,000</u>	<u>\$ 5,901,244</u>	<u>\$ 985,000</u>

**A. General obligation bonds payable**

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2012 Refunding Bonds	1.61%	5/3/2012	12/30/2017	\$ 2,632,000	2,225,000
Total				<u>\$ 2,632,000</u>	<u>2,225,000</u>

NATCHEZ-ADAMS SCHOOL DISTRICT

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

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

General obligation bond issue of 5/3/2012.

Year Ending June 30	Principal	Interest	Total
2014	\$ 420,000	\$ 33,763	\$ 453,763
2015	425,000	29,562	454,562
2016	440,000	24,250	464,250
2017	460,000	17,650	477,650
2018	480,000	9,600	489,600
Total	\$ 2,225,000	\$ 114,825	\$ 2,339,825

This debt will be retired from the Refunding Bond Series 2012 A & B.

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 2.47% of property assessments as of October 1, 2012.

**B. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement, Refund Bond Series 2009	2.94%	4/28/2009	2/1/2018	\$ 5,102,500	\$ 3,290,000
Total				\$ 5,102,500	\$ 3,290,000

NATCHEZ-ADAMS SCHOOL DISTRICT

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

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

Limited obligation bond issue of 4/28/2009.

Year Ending June 30	Principal	Interest	Total
2014	\$ 545,000	\$ 88,715	\$ 633,715
2015	565,000	72,398	637,398
2016	580,000	55,566	635,566
2017	600,000	38,220	638,220
2018	1,000,000	20,213	1,020,213
Total	<u>\$ 3,290,000</u>	<u>\$ 275,112</u>	<u>\$ 3,565,112</u>

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

**C. Compensated absences payable**

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

**Note 7 – Prior Year Defeasance of Debt**

In prior years, the Natchez-Adams School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2013, \$5,340,000 of bonds outstanding are defeased.

NATCHEZ-ADAMS SCHOOL DISTRICT

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

**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 \$2,851,998, \$2,692,870 and \$2,592,307, respectively, which equaled the required contributions for each year.

**Note 9 – Sixteenth Section Lands**

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2014	\$ 158,834
2015	137,205
2016	12,576
Total	<u>\$ 308,615</u>

NATCHEZ-ADAMS SCHOOL DISTRICT

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

**Note 10 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
Overstated receivables	\$ 1,963
Total	<u>\$ 1,963</u>

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

Fund	Explanation	Amount
Other governmental funds	Overstated receivables	\$ 1,963
Total		<u>\$ 1,963</u>

**Note 11 – Contingencies**

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

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

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

### **Note 12 – Risk Management**

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 13 – Uncertainties**

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. (1972). Because none of the school districts which share townships with the Natchez-Adams School District nor the Natchez-Adams School District itself filed lists of children as required, no division of sixteenth section revenues has been accrued as a receivable or payable, as the case may be.

Of the townships with which Natchez-Adams School District is shared by other school districts, Natchez-Adams School District has control of some of the sixteenth section property. A portion of the sixteenth section revenues (rents, leases, timber sales, etc.) to which Natchez-Adams School District received on these sections may be due other school districts. In addition, for the other townships where another school district controls the sixteenth section property, Natchez-Adams School District may be entitled to a portion of the sixteenth section revenues that the other school district received. Because none of the school districts compiled and filed lists of educable children as state law requires in either the current year or in preceding years, neither the amounts of any liabilities owed to other school districts nor the amounts of any receivables due from other school districts can be determined.

### **Note 14 – Trust Certificates**

A trust agreement dated December 30, 1997, was executed by and between the school district and Trustmark National Bank of Jackson, Mississippi, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$6,285,000. Approximately \$6,232,948 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$52,015 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district.

These trust certificates were refunded in the previous fiscal year.

### **Note 15- 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 Natchez-Adams School District evaluated the activity of the district through the date the financial statements were available to be issued. There are no items that require disclosure.

REQUIRED SUPPLEMENTAL INFORMATION

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NATCHEZ-ADAMS SCHOOL DISTRICT

Required Supplemental Information  
For the Year Ended June 30, 2013

NATCHEZ-ADAMS SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 12,069,056	\$ 12,050,206	\$ 11,627,544	\$ (18,850)	\$ (422,662)
State sources	15,030,710	15,858,472	15,071,697	827,762	(786,775)
Federal sources	536,300	536,300	314,180	-	(222,120)
Total Revenues	27,636,066	28,444,978	27,013,421	808,912	(1,431,557)
<b>Expenditures:</b>					
Instruction	15,269,719	15,231,997	13,860,331	37,722	1,371,666
Support services	12,063,193	12,126,970	12,027,549	(63,777)	99,421
Noninstructional services	4,305	4,305	5,257	-	(952)
Total Expenditures	27,337,217	27,363,272	25,893,137	(26,055)	1,470,135
Excess (Deficiency) of Revenues over (under) Expenditures	298,849	1,081,706	1,120,284	782,857	38,578
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	2,510,417	1,731,113	1,529,971	(779,304)	(201,142)
Operating transfers out	(2,823,781)	(2,821,974)	(2,049,232)	1,807	772,742
Total Other Financing Sources (Uses)	(313,364)	(1,090,861)	(519,261)	(777,497)	571,600
Net Change in Fund Balances	(14,515)	(9,155)	601,023	5,360	610,178
<b>Fund Balances:</b>					
July 1, 2012	1,820,246	1,787,606	1,787,592	(32,640)	(14)
Prior period adjustments				-	-
July 1, 2012	1,820,246	1,787,606	1,787,592	(32,640)	(14)
Increase (Decrease) in reserve for inventory	-	-	1,940	-	1,940
June 30, 2013	\$ 1,805,731	\$ 1,778,451	\$ 2,390,555	\$ (27,280)	\$ 612,104

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Required Supplemental Information  
For the Year Ended June 30, 2013**

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Required Supplemental Information**

**Budgetary Comparison Schedule  
Title I Funds  
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	4,763,632	5,101,152	3,797,145	337,520	(1,304,007)
Total Revenues	4,763,632	5,101,152	3,797,145	337,520	(1,304,007)
<b>Expenditures:</b>					
Instruction	2,938,471	2,770,630	1,811,784	167,841	958,846
Support services	1,601,997	2,034,757	1,752,912	(432,760)	281,845
Noninstructional services	165,441	211,956	183,936	(46,515)	28,020
Total Expenditures	4,705,909	5,017,343	3,748,632	(311,434)	1,268,711
Excess (Deficiency) of Revenues over (under) Expenditures	57,723	83,809	48,513	26,086	(35,296)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(57,723)	(98,608)	(63,312)	(40,885)	35,296
Total Other Financing Sources (Uses)	(57,723)	(98,608)	(63,312)	(40,885)	35,296
Net Change in Fund Balances	-	(14,799)	(14,799)	(14,799)	-
Fund Balances:					
July 1, 2012	-	14,799	14,799	14,799	-
June 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ -

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

NATCHEZ-ADAMS SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Supplementary Information**

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Fresh fruit and vegetable program	10.582	\$ 93,620
Non-cash assistance		
Food distribution	10.565	137,020
Child nutrition cluster:		
School breakfast program	10.553	551,614
National school lunch program	10.555	1,497,578
Summer food service program for children	10.559	19,934
Total child nutrition cluster		<u>2,069,126</u>
Total passed-through Mississippi Department of Education		<u>2,299,766</u>
Passed-through Adams County:		
Schools and roads - grants to state	10.665	49,221
Total passed-through Adams County		<u>49,221</u>
<b>Total U.S. Department of Agriculture</b>		<u>2,348,987</u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	35,613
<b>Total U.S. Department of Defense</b>		<u>35,613</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	227,558
<b>Total Federal Communications Commission</b>		<u>227,558</u>
<b><u>U.S. Department of the Interior</u></b>		
Passed-through National Park Service:		
Teacher to Ranger to Teacher	15.954	1,788
<b>Total Department of the Interior</b>		<u>1,788</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	71,080
Twenty-first century community learning centers	84.287	335,577
Rural education	84.358	83,081
Improving teacher quality-State Grants	84.367	360,126
Title I grants to local educational agencies	84.010	3,811,943
Education for homeless children and youth	84.196	26,596

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards (continued)**  
**For the Year Ended June 30, 2013**

Special education cluster:		
Special education - grants to states	84.027	1,051,761
Special education - preschool grants	84.173	32,845
Total special education cluster		<u>1,084,606</u>
Total passed-through Mississippi Department of Education		<u>5,773,009</u>
<b>Total U.S. Department of Education</b>		<u>5,773,009</u>
Total for All Federal Awards		<u>\$ 8,386,955</u>

NOTES TO SCHEDULE

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

NATCHEZ-ADAMS SCHOOL DISTRICT

**Supplemental Information**

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 27,158,628	19,765,010	1,781,343	2,076,882	3,535,393
Other	9,972,580	2,460,912	468,765	108,068	6,934,835
Total	<u>\$ 37,131,208</u>	<u>22,225,922</u>	<u>2,250,108</u>	<u>2,184,950</u>	<u>10,470,228</u>
Total number of students *	<u>3,391</u>				
Cost per student	<u>\$ 10,950</u>	<u>6,555</u>	<u>664</u>	<u>644</u>	<u>3,088</u>

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

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

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

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

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

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

OTHER INFORMATION

NATCHEZ-ADAMS SCHOOL DISTRICT

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 11,627,544	\$ 11,322,023	\$ 10,983,396	\$ 10,681,117
Intermediate sources	-	-	-	4,497
State sources	15,071,697	14,783,099	14,081,831	14,984,669
Federal sources	314,180	616,554	691,752	606,761
Total Revenues	<u>27,013,421</u>	<u>26,721,676</u>	<u>25,756,979</u>	<u>26,277,044</u>
<b>Expenditures:</b>				
Instruction	13,860,331	15,942,451	14,189,464	15,275,118
Support services	12,027,549	11,639,340	11,709,807	11,651,370
Noninstructional services	5,257	4,478	1,340	3,450
Debt service:				
Interest	-	-	-	970
Total Expenditures	<u>25,893,137</u>	<u>27,586,269</u>	<u>25,900,611</u>	<u>26,930,908</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,120,284</u>	<u>(864,593)</u>	<u>(143,632)</u>	<u>(653,864)</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	1,529,971	2,734,819	4,513,098	6,232,312
Other financing sources	-	-	372	-
Operating transfers out	<u>(2,049,232)</u>	<u>(2,003,313)</u>	<u>(4,409,166)</u>	<u>(5,563,764)</u>
Total Other Financing Sources (Uses)	<u>(519,261)</u>	<u>731,506</u>	<u>104,304</u>	<u>668,548</u>
Net Change in Fund Balances	<u>601,023</u>	<u>(133,087)</u>	<u>(39,328)</u>	<u>14,684</u>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	1,787,592	1,920,808	1,950,581	1,932,837
Prior period adjustments	-	-	(2,507)	-
Residual equity transfer	-	-	(11,637)	-
Beginning of period, as restated	<u>1,787,592</u>	<u>1,920,808</u>	<u>1,936,437</u>	<u>1,932,837</u>
Residual equity transfer in	-	-	-	-
Increase (Decrease) in reserve for inventory	<u>1,940</u>	<u>(129)</u>	<u>23,699</u>	<u>3,060</u>
End of Period	<u>\$ 2,390,555</u>	<u>\$ 1,787,592</u>	<u>\$ 1,920,808</u>	<u>\$ 1,950,581</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

NATCHEZ-ADAMS SCHOOL DISTRICT

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 11,859,552	\$ 11,551,837	\$ 11,159,038	\$ 10,920,734
Intermediate sources	-	73,872	172,714	463,231
State sources	16,764,650	16,619,619	16,038,955	16,530,438
Federal sources	8,386,328	10,436,299	11,950,991	10,551,301
Sixteenth section sources	981,975	671,980	1,283,327	1,078,890
Total Revenues	<u>37,992,505</u>	<u>39,353,607</u>	<u>40,605,025</u>	<u>39,544,594</u>
<b>Expenditures:</b>				
Instruction	18,394,814	21,585,514	22,408,070	22,712,269
Support services	14,933,206	15,101,347	14,582,383	14,767,842
Noninstructional services	2,499,694	2,589,060	2,257,594	2,458,393
Sixteenth section	241,564	12,686	29,732	7,577
Facilities acquisition and construction	-	-	-	286,086
Debt service:				
Principal	932,000	3,430,000	855,000	577,500
Interest	128,680	305,086	294,270	286,359
Other	1,250	42,749	3,784	3,751
Total Expenditures	<u>37,131,208</u>	<u>43,066,442</u>	<u>40,430,833</u>	<u>41,099,777</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>861,297</u>	<u>(3,712,835)</u>	<u>174,192</u>	<u>(1,555,183)</u>
<b>Other Financing Sources (Uses):</b>				
Refunding bonds issued	-	2,632,000	-	-
Operating transfers in	2,888,472	4,010,425	6,200,567	8,975,678
Other financing sources	-	-	372	-
Operating transfers out	<u>(2,888,472)</u>	<u>(4,010,425)</u>	<u>(6,200,567)</u>	<u>(8,975,678)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,632,000</u>	<u>372</u>	<u>-</u>
Net Change in Fund Balances	<u>861,297</u>	<u>(1,080,835)</u>	<u>174,564</u>	<u>(1,555,183)</u>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	24,210,143	25,328,881	25,148,719	26,699,672
Prior period adjustments	<u>(1,963)</u>	<u>(5,731)</u>	<u>(2,507)</u>	<u>63</u>
Beginning of period, as restated	<u>24,208,180</u>	<u>25,323,150</u>	<u>25,146,212</u>	<u>26,699,735</u>
Increase (Decrease) in reserve for inventory	<u>3,474</u>	<u>(32,172)</u>	<u>8,105</u>	<u>4,167</u>
End of Period	<u>\$ 25,072,951</u>	<u>\$ 24,210,143</u>	<u>\$ 25,328,881</u>	<u>\$ 25,148,719</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

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*

To the Natchez-Adams School Board  
Natchez, Mississippi

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 the Natchez-Adams School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Natchez-Adams School District's basic financial statements, and have issued our report thereon dated February 6, 2014.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

### Purpose of this Report

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

*The Gillon Group, PLLC*

Natchez, Mississippi  
February 6, 2014

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

To the Natchez-Adams School Board  
Natchez, Mississippi

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

We have audited the Natchez-Adams 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 Natchez-Adams School Districts major federal programs for the year ended June 30, 2013. Natchez-Adams School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

***Opinion on Each Major Federal Program***

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

## Report on Internal Control Over Compliance

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

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

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

*The Millon Group, PLLC*

Natchez, Mississippi  
February 6, 2014

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

Superintendent and School Board  
Natchez-Adams School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Natchez-Adams School District as of and for the year ended June 30, 2013, which collectively comprise Natchez-Adams School District's basic financial statements and have issued our report thereon dated February 6, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported no classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district." The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion. The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our findings and recommendations and your response are as follows:

### Finding 13-01

The District shares townships with other districts. Section 29-3-119, Miss. Code Ann. (1972), requires that the sixteenth section revenue derived from the shared townships be divided according to the applicable percentage of educable children. Although the District prepared and filed the lists of educable children with the Superintendent, the District has not been able to calculate the amount of revenue derived from the shared townships because it has been unable to determine the location of the lieu lands and none of the other School Districts compiled and filed lists of children as state law requires in the current year.

### Recommendation

The District should consult legal counsel to determine the best way to proceed with determining the location of the lieu lands. Once lieu lands are identified, the District should be able to calculate the amount of revenue derived from the shared townships. Revenues can then be divided according to the applicable percentage of educable children once other School Districts comply with state law and file the appropriate lists of educable children.

### Auditee's Response

The District has determined which townships are shared with other districts and has consulted with Board counsel. The Board counsel has been assigned the duty of identifying the lieu lands.

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

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

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

*The Millon Group, PLLC*

Natchez, Mississippi  
February 6, 2014

NATCHEZ-ADAMS SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

Section 1: Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the Natchez-Adams School District.
2. No significant deficiencies are reported in the Independent Auditors' 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*.
3. No instances of noncompliance material to financial statements of the Natchez-Adams School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal programs were reported.
5. The auditors' report on compliance for the major federal award programs for the Natchez-Adams School District expresses an unqualified opinion on all major federal programs.
6. The audit did not disclose any audit findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included: Child Nutrition Cluster, CFDA #10.553, 10.555 and 10.559; Twenty-first Century Community Learning Centers, CFDA #84.287.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Natchez-Adams School District qualified as a low-risk auditee.

Section 2: Findings Relating to the Financial Statements – 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 3: Findings and Questioned Costs for Federal Awards – The results of our tests did not disclose any findings and questioned costs related to the federal awards.