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NETTLETON SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2013

Cox & Palmer
Certified Public Accountants



NETTLETON SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Nettleton School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Nettleton School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

MEMBER

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • MISSISSIPPI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-14 and 38-42 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 Nettleton School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014, on our consideration of the Nettleton 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 Nettleton School District's internal control over financial reporting and compliance.

Cox & Palmer, P.A.

Cox & Palmer, P.A.
Mendenhall, Mississippi

October 17, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2013 decreased \$467,745, which represents a 6% decrease from fiscal year 2012. Total net position for 2012 increased \$657,127, which represents a 9% increase from fiscal year 2011.
- General revenues amounted to \$8,362,687 and \$8,914,170, or 79% and 81% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,190,649, or 21% of total revenues for 2013, and \$2,113,062, or 19 % of total revenues for 2012.
- The District had \$11,021,081 and \$10,370,105 in expenses for fiscal years 2013 and 2012; only \$2,190,649 for 2013 and \$2,113,062 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$8,362,687 for 2013 were not adequate to provide for these programs and \$8,914,170 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$8,499,974 in revenues and \$8,951,474 in expenditures for 2013, and \$8,971,272 in revenues and \$8,145,991 in expenditures in 2012. The General Fund's fund balance decreased by \$624,177 from 2012 to 2013, and increased by \$642,230 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$359,877 for 2013 and decreased by \$28,581 for 2012. The increase for 2013 was due primarily to the addition of building improvements coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$16,815 for 2013 and increased by \$15,570 for 2012. The liability for compensated absences increased by \$16,815 for 2013 and increased by \$15,570 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event

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

giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$7,383,594 as of June 30, 2013.

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

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

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

Table 1
Condensed Statement of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 4,849,540	\$ 5,465,130	(11.26) %
Restricted assets	134,499	293,109	(54.11) %
Capital assets, net	3,601,260	3,241,383	11.10 %
Total assets	<u>8,585,299</u>	<u>8,999,622</u>	(4.60) %
Current liabilities	95,467	58,860	62.19 %
Long-term debt outstanding	1,106,238	1,089,423	1.54 %
Total liabilities	<u>1,201,705</u>	<u>1,148,283</u>	4.65 %
Net position:			
Net investment in capital assets	2,601,260	2,467,283	5.43 %
Restricted	1,937,421	1,951,433	(0.72) %
Unrestricted	2,844,913	3,432,623	(17.12) %
Total net position	<u>\$ 7,383,594</u>	<u>\$ 7,851,339</u>	(5.96) %

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

- Decrease in current assets of \$ 615,590.
- Increase in net capital assets in the amount of \$ 359,877.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$10,553,336 and \$11,027,232, respectively. The total cost of all programs and services was \$11,021,081 for 2013 and \$10,370,105 for 2012.

NETTLETON 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**

	Year Ended June 30, 2013	Year Ended June 30, 2012	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 348,038	\$ 333,349	4.41 %
Operating grants and contributions	1,842,611	1,779,713	3.53 %
General revenues:			
Property taxes	1,427,153	1,418,480	0.61 %
Grants and contributions not restricted	6,824,906	7,347,347	(7.11) %
Investment earnings	9,622	19,826	(51.47) %
Other	101,006	128,517	(21.41) %
Total revenues	10,553,336	11,027,232	(4.30) %
Expenses:			
Instruction	6,763,843	6,273,791	7.81 %
Support services	3,469,726	3,274,028	5.98 %
Non-instructional	786,112	821,786	(4.34) %
Interest and other expenses on long-term liabilities	1,400	500	180.00 %
Total expenses	11,021,081	10,370,105	6.28 %
Increase (Decrease) in net position	(467,745)	657,127	(171.18) %
Net Position, July 1	7,851,339	7,194,212	9.13 %
Net Position, June 30	\$ 7,383,594	\$ 7,851,339	(5.96) %

Governmental activities

The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest and other expenses 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.

NETTLETON 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	\$ 6,763,843	\$ 6,273,791	7.81 %
Support services	3,469,726	3,274,028	5.98 %
Non-instructional	786,112	821,786	(4.34) %
Interest and other expenses on long-term liabilities	1,400	500	180.00 %
Total expenses	<u>\$ 11,021,081</u>	<u>\$ 10,370,105</u>	6.28 %
	<u>Net (Expense) Revenue</u>		
	<u>2013</u>	<u>2012</u>	<u>Percentage Change</u>
Instruction	\$ (5,706,131)	\$ (5,337,297)	6.91 %
Support services	(3,100,020)	(2,905,333)	6.70 %
Non-instructional	(22,881)	(13,913)	64.46 %
Interest and other expenses on long-term liabilities	(1,400)	(500)	180.00 %
Total net (expense) revenue	<u>\$ (8,830,432)</u>	<u>\$ (8,257,043)</u>	6.94 %

- Net cost of governmental activities (\$8,830,432 for 2013 and \$8,257,043 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$1,427,153 for 2013 and \$1,418,480 for 2012) and state and federal revenues (\$6,824,906 for 2013 and \$7,347,347 for 2012). In addition, there was \$101,006 and \$128,517 in other revenues for 2013 and 2012, respectively.
- Investment earnings amounted to \$9,622 for 2013 and \$19,826 for 2012.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$4,888,572 a decrease of \$810,806, which includes an increase in inventory of \$2,976. \$2,899,161 or 59% 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 \$1,989,411 or 41% 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.

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

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$624,177. The fund balance of Other Governmental Funds showed a decrease in the amount of \$183,056. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
School Food Service Fund	\$ (3,573)
Title I Fund	no increase or decrease
EHA - Part B Fund	no increase or decrease
School Building Project Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$7,299,569, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$530,034 from 2012. Total accumulated depreciation as of June 30, 2013, was \$3,698,309, and total depreciation expense for the year was \$212,682, resulting in total net capital assets of \$3,601,260.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 196,899	\$ 196,899	0.00 %
Buildings	1,680,572	1,711,672	(1.82) %
Building improvements	280,647	-	N/A %
Improvements other than buildings	896,397	828,500	8.20 %
Mobile equipment	397,872	379,458	4.85 %
Furniture and equipment	148,873	124,854	19.24 %
Total	\$ 3,601,260	\$ 3,241,383	11.10 %

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

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

Debt Administration. At June 30, 2013, the District had \$ 1,106,238 in outstanding long-term debt, of which \$ 8,499 is due within one year. The liability for compensated absences increased \$ 16,815 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Qualified school construction bonds payable	\$ 1,000,000	\$ 1,000,000	0.00 %
Compensated absences payable	106,238	89,423	18.80 %
Total	<u>\$ 1,106,238</u>	<u>\$ 1,089,423</u>	1.54 %

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

CURRENT ISSUES

The Nettleton 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 system of financial planning, budgeting and internal financial controls are 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 revenue.

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 Nettleton School District, 179 Mullen Avenue, Drawer 409, Nettleton, MS 38858.

FINANCIAL STATEMENTS

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NETTLETON SCHOOL DISTRICT

Statement of Net Position
June 30, 2013

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,032,687
Investments	2,395,291
Due from other governments	392,438
Inventories	21,681
Prepaid items	7,443
Restricted assets	134,499
Capital assets, non-depreciable:	
Land	196,899
Capital assets, net of accumulated depreciation:	
Buildings	1,680,572
Building improvements	280,647
Improvements other than buildings	896,397
Mobile equipment	397,872
Furniture and equipment	148,873
Total Assets	<u>8,585,299</u>
Liabilities	
Accounts payable and accrued liabilities	95,467
Long-term liabilities, due within one year:	
Non-capital related liabilities	8,499
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,000,000
Non-capital related liabilities	97,739
Total Liabilities	<u>1,201,705</u>
Net Position	
Net investment in capital assets	2,601,260
Restricted for:	
Expendable:	
School-based activities	331,904
Debt service	199,233
Capital improvements	1,380,000
Unemployment benefits	26,284
Unrestricted	2,844,913
Total Net Position	<u>\$ 7,388,594</u>

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

NETTLETON SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2013

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:					
Instruction	\$ 6,763,843	\$ 186,415	\$ 871,297	\$ -	\$ (5,706,131)
Support services	3,469,726	-	369,706	-	(3,100,020)
Non-instructional	786,112	161,623	601,608	-	(22,881)
Interest and other expenses on long-term liabilities	1,400	-	-	-	(1,400)
Total Governmental Activities	11,021,081	348,038	1,842,611	-	(8,830,432)

General Revenues:

Taxes:

General purpose levies 1,362,445

Debt purpose levies 64,708

Unrestricted grants and contributions:

State 6,677,666

Federal 147,240

Unrestricted investment earnings 9,622

Other 101,006

Total General Revenues 8,362,687

Change in Net Position (467,745)

Net Position - Beginning 7,851,339

Net Position - Ending \$ 7,383,594

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

NETTLETON SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2013

Exhibit C

	Major Funds						Total Governmental Funds
	General Fund	School Food Service Fund	Title I Fund	EHA - Part B Fund	School Building Project Fund	Other Governmental Funds	
Assets							
Cash and cash equivalents	\$ 1,594,744	\$ 294,529	\$ -	\$ -	\$ -	\$ 143,414	\$ 2,032,687
Cash with fiscal agents	-	-	-	-	-	134,499	134,499
Investments	1,015,291	-	-	-	1,380,000	-	2,395,291
Due from other governments	163,300	-	58,017	119,609	-	51,512	392,438
Due from other funds	265,811	12,868	-	-	-	-	278,679
Inventories	-	21,681	-	-	-	-	21,681
Prepaid items	7,443	-	-	-	-	-	7,443
Total assets	\$ 3,046,589	\$ 329,078	\$ 58,017	\$ 119,609	\$ 1,380,000	\$ 329,425	\$ 5,262,718
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 95,438	\$ 29	\$ -	\$ -	\$ -	\$ -	\$ 95,467
Due to other funds	-	51,160	58,017	119,609	-	49,893	278,679
Total Liabilities	95,438	51,189	58,017	119,609	-	49,893	374,146
Fund Balances:							
Nonspendable:							
Inventory	-	21,681	-	-	-	-	21,681
Prepaid items	7,443	-	-	-	-	-	7,443
Restricted:							
Debt service	-	-	-	-	-	199,233	199,233
Grant activities	-	-	-	-	-	54,015	54,015
Unemployment benefits	-	-	-	-	-	26,284	26,284
Food Service	-	256,208	-	-	-	-	256,208
Committed:							
Capital improvements	-	-	-	-	1,380,000	-	1,380,000
Assigned:							
General activity	44,547	-	-	-	-	-	44,547
Unassigned	2,899,161	-	-	-	-	-	2,899,161
Total Fund Balances	2,951,151	277,889	-	-	1,380,000	279,532	4,888,572
Total Liabilities and Fund Balances	\$ 3,046,589	\$ 329,078	\$ 58,017	\$ 119,609	\$ 1,380,000	\$ 329,425	\$ 5,262,718

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

NETTLETON SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Exhibit C-1

June 30, 2013

Total fund balances for governmental funds \$ 4,888,572

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	\$ 196,899	
Buildings	3,887,228	
Building improvements	358,245	
Improvements other than buildings	1,055,088	
Mobile equipment	1,384,561	
Furniture and equipment	417,548	
Accumulated depreciation	<u>(3,698,309)</u>	3,601,260

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:

Qualified School Construction Bonds	(1,000,000)	
Compensated absences	<u>(106,238)</u>	(1,106,238)

Net Position of governmental activities \$ 7,383,594

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

NETTLETON 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	School Food Service Fund	Title I Fund	EHA - Part B Fund	School Building Project Fund	Other Governmental Funds	
Revenues:							
Local sources	\$ 1,606,582	\$ 209,338	\$ -	\$ -	\$ -	\$ 69,900	\$ 1,885,820
State sources	6,746,152	8,022	-	-	-	224,604	6,978,778
Federal sources	147,240	682,031	314,420	330,288	-	214,760	1,688,739
Total Revenues	8,499,974	899,391	314,420	330,288	-	509,264	10,553,337
Expenditures:							
Instruction	5,794,901	-	290,151	209,619	-	454,086	6,748,757
Support services	2,944,087	137,383	24,269	120,669	-	166,232	3,392,640
Noninstructional services	896	768,557	-	-	-	17,379	786,832
Facilities acquisition and construction	211,590	-	-	-	-	225,900	437,490
Debt service:							
Interest	-	-	-	-	-	900	900
Other	-	-	-	-	-	500	500
Total Expenditures	8,951,474	905,940	314,420	330,288	-	864,997	11,367,119
Excess (Deficiency) of Revenues over (under) Expenditures	(451,500)	(6,549)	-	-	-	(355,733)	(813,782)
Other Financing Sources (Uses):							
Payments held by escrow agent	-	-	-	-	-	66,000	66,000
Payment to QSCB debt escrow agent	-	-	-	-	-	(66,000)	(66,000)
Operating transfers in	-	-	-	-	-	181,393	181,393
Operating transfers out	(172,677)	-	-	-	-	(8,716)	(181,393)
Total Other Financing Sources (Uses)	(172,677)	-	-	-	-	172,677	-
Net Change in Fund Balances	(624,177)	(6,549)	-	-	-	(183,056)	(813,782)
Fund Balances:							
July 1, 2012	3,575,328	281,462	-	-	1,380,000	462,588	5,699,378
Increase in reserve for inventory	-	2,976	-	-	-	-	2,976
June 30, 2013	\$ 2,951,151	\$ 277,889	\$ -	\$ -	\$ 1,380,000	\$ 279,532	\$ 4,888,572

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

NETTLETON SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ (813,782)

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

- 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	\$ 577,284	
Depreciation expense	<u>(212,682)</u>	364,602

- 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. (4,725)

- 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	(16,815)	
Change in inventory reserve	<u>2,976</u>	(13,839)

- Prior year rounding adjustment (1)

Change in Net Position of governmental activities \$ (467,745)

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

NETTLETON SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2013

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 368,512
Total Assets	<u>\$ 368,512</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 354,221
Due to student clubs	14,291
Total Liabilities	<u>\$ 368,512</u>

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

NETTLETON SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or

NETTLETON SCHOOL DISTRICT

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

capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

School Food Service Fund - This is a special revenue fund that is used to account for the School Food Service local, state and federal revenues that are received and the associated expenses.

Title I Fund - This is a special revenue fund that is used to account for the proceeds and expenditures of federal Title I funds for low income based school sites.

EHA - Part B Fund - This is a special revenue fund that is used to account for the resources related to the education of children with disabilities.

School Building Project Fund - This is the School District's fund for monies set aside for capital projects.

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

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing Fund - This fund is used as a clearing account for non-payroll transactions.

Student Club Accounts - These funds are used to account for the transactions of student clubs.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

NETTLETON SCHOOL DISTRICT

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

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

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

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

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

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

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

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

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

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

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

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

NETTLETON SCHOOL DISTRICT

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

NETTLETON SCHOOL DISTRICT

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

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

5. Restricted Assets

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

6. Capital Assets

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

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

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

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.

NETTLETON SCHOOL DISTRICT

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

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

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

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

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

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

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

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

NETTLETON SCHOOL DISTRICT

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

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

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

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

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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.

NETTLETON SCHOOL DISTRICT

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,427,978 (which includes \$2,395,291 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$368,512, 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 \$4,972,403 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 \$134,499. This amount is reported as restricted assets on the Statement of Net Position.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of deposit	N/A	1 to 3	\$ <u>2,395,291</u>

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. As of June 30, 2013, the district did not have any investments to which this would apply.

NETTLETON SCHOOL DISTRICT

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

General Fund	School Food Service Fund	\$	51,160
	Title I Fund		58,017
	EHA - Part B Fund		119,609
	Other governmental funds		37,025
School Food Service Fund	Other governmental funds		12,868
Total		\$	<u>278,679</u>

The primary purpose of the interfund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year-end closing adjustments.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 172,677
Other governmental funds	Other governmental funds	8,716
Total		\$ <u>181,393</u>

Transfers were made primarily for operational purposes.

Note 4 – Restricted Assets

The restricted assets represent the cash with fiscal agents balance, totaling \$134,499 of the QSCB Bond Retirement Fund.

NETTLETON 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
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 196,899	\$ -	\$ -	\$ 196,899
Total non-depreciable capital assets	196,899	-	-	196,899
<u>Depreciable capital assets:</u>				
Buildings	3,887,228	-	-	3,887,228
Building improvements	-	358,245	-	358,245
Improvements other than buildings	975,843	79,245	-	1,055,088
Mobile equipment	1,347,351	84,460	47,250	1,384,561
Furniture and equipment	362,214	55,334	-	417,548
Total depreciable capital assets	6,572,636	577,284	47,250	7,102,670
<u>Less accumulated depreciation for:</u>				
Buildings	2,175,556	31,100	-	2,206,656
Building improvements	-	77,598	-	77,598
Improvements other than buildings	147,343	11,348	-	158,691
Mobile equipment	967,893	61,321	42,525	986,689
Furniture and equipment	237,360	31,315	-	268,675
Total accumulated depreciation	3,528,152	212,682	42,525	3,698,309
Total depreciable capital assets, net	3,044,484	364,602	4,725	3,404,361
Governmental activities capital assets, net	\$ 3,241,383	\$ 364,602	\$ 4,725	\$ 3,601,260

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 14,880
Support services	190,850
Non-instructional	6,952
Total depreciation expense - Governmental activities	\$ 212,682

NETTLETON SCHOOL DISTRICT

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

Note 6 – Long-term Liabilities

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

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. Qualified school construction bonds payable	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000	\$ -
B. Compensated absences payable	89,423	16,815	-	106,238	8,499
Total	\$ 1,089,423	\$ 16,815	\$ -	\$ 1,106,238	\$ 8,499

A. Qualified school construction bonds payable

As more fully explained in Note 10, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Qualified School Construction bonds, Series 2010					
0.00%	12/7/2010	8/1/2025	\$ 1,000,000	\$ 1,000,000	

B. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate 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 \$842,175, \$750,257 and \$692,981, respectively, which equaled the required contributions for each year.

Note 8 – Contingencies

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

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of

NETTLETON SCHOOL DISTRICT

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

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

Note 9 – 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 10 – Qualified School Construction Bonds

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

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$134,499. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2014	\$ 66,000
2015	66,000
2016	66,000
2017	67,000
2018	67,000
2019 - 2023	335,000
2024 - 2026	201,000
Total	<u>\$ 868,000</u>

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REQUIRED SUPPLEMENTARY INFORMATION

NETTLETON SCHOOL DISTRICT
Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,608,727	\$ 1,650,770	\$ 1,606,582	\$ 42,043	\$ (44,188)
State sources	6,740,248	6,746,152	6,746,152	5,904	-
Federal sources	150,000	147,240	147,240	(2,760)	-
Total Revenues	8,498,975	8,544,162	8,499,974	45,187	(44,188)
Expenditures:					
Instruction	5,672,463	5,794,901	5,794,901	(122,438)	-
Support services	2,884,613	2,926,628	2,944,087	(42,015)	(17,459)
Noninstructional services	-	896	896	(896)	-
Facilities acquisition and construction	-	219,955	211,590	(219,955)	8,365
Total Expenditures	8,557,076	8,942,380	8,951,474	(385,304)	(9,094)
Excess (Deficiency) of Revenues over (under) Expenditures	(58,101)	(398,218)	(451,500)	(340,117)	(53,282)
Other Financing Sources (Uses):					
Operating transfers in	1,135,385	1,246,417	-	111,032	(1,246,417)
Operating transfers out	(929,294)	(1,419,094)	(172,677)	(489,800)	1,246,417
Total Other Financing Sources (Uses)	206,091	(172,677)	(172,677)	(378,768)	-
Net Change in Fund Balances	147,990	(570,895)	(624,177)	(718,885)	(53,282)
Fund Balances:					
July 1, 2012	3,500,016	3,522,046	3,575,328	22,030	53,282
June 30, 2013	\$ 3,648,006	\$ 2,951,151	\$ 2,951,151	\$ (696,855)	\$ -

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

NETTLETON SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
School Food Service
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
				Original to Final	Final to Actual
	Original	Final			
Revenues:					
Local sources	\$ 209,595	\$ 209,338	\$ 209,338	\$ (257)	\$ -
State sources	-	-	8,022	-	8,022
Federal sources	578,263	682,031	682,031	103,768	-
Total Revenues	787,858	891,369	899,391	103,511	8,022
Expenditures:					
Support services	85,244	137,383	137,383	(52,139)	-
Noninstructional services	656,404	760,535	768,557	(104,131)	(8,022)
Total Expenditures	741,648	897,918	905,940	(156,270)	(8,022)
Excess (Deficiency) of Revenues over (under) Expenditures	46,210	(6,549)	(6,549)	(52,759)	-
Other Financing Sources (Uses):					
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	46,210	(6,549)	(6,549)	(52,759)	-
Fund Balances:					
July 1, 2012	281,462	281,462	281,462	-	-
Increase in reserve for inventory	2,976	2,976	2,976		
June 30, 2013	\$ 330,648	\$ 277,889	\$ 277,889	\$ (52,759)	\$ -

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

NETTLETON SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 237,069	\$ 314,420	\$ 314,420	\$ 77,351	\$ -
Total Revenues	237,069	314,420	314,420	77,351	-
Expenditures:					
Instruction	285,006	290,151	290,151	(5,145)	-
Support services	13,700	24,269	24,269	(10,569)	-
Total Expenditures	298,706	314,420	314,420	(15,714)	-
Excess (Deficiency) of Revenues over (under) Expenditures	(61,637)	-	-	61,637	-
Other Financing Sources (Uses):					
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	(61,637)	-	-	61,637	-
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ (61,637)	\$ -	\$ -	\$ 61,637	\$ -

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

NETTLETON SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
EHA Part B Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 280,918	\$ 330,288	\$ 330,288	\$ 49,370	\$ -
Total Revenues	280,918	330,288	330,288	49,370	-
Expenditures:					
Instruction	173,983	209,619	209,619	(35,636)	-
Support services	125,375	120,669	120,669	4,706	-
Total Expenditures	299,358	330,288	330,288	(30,930)	-
Excess (Deficiency) of Revenues over (under) Expenditures	(18,440)	-	-	18,440	-
Other Financing Sources (Uses):					
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	(18,440)	-	-	18,440	-
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ (18,440)	\$ -	\$ -	\$ 18,440	\$ -

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

NETTLETON SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

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NETTLETON SCHOOL DISTRICT

Supplementary Information

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 182,170
National school lunch program	10.555	502,264
Summer food service program for children	10.559	16,644
Total child nutrition cluster		<u>701,078</u>
Total passed-through Mississippi Department of Education		<u>701,078</u>
Total U.S. Department of Agriculture		<u>701,078</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	20,806
Total Federal Communications Commission		<u>20,806</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	3,092
Rural education	84.358	44,459
Improving teacher quality-State Grants	84.367	71,255
Subtotal		<u>118,806</u>
Title I Part A cluster:		
Title I grants to local educational agencies	84.010	382,873
Total Title I Part A cluster		<u>382,873</u>
Special education cluster:		
Special education - grants to states	84.027	330,288
Special education - preschool grants	84.173	12,000
Total special education cluster		<u>342,288</u>
Total passed-through Mississippi Department of Education		<u>843,967</u>
Total U.S. Department of Education		<u>843,967</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medicaid cluster:		
Medical assistance program	93.778	40,651
Total Medicaid cluster		<u>40,651</u>
Total passed-through Mississippi Department of Education		<u>40,651</u>
Total U.S. Department of Health and Human Services		<u>40,651</u>
Total for All Federal Awards		<u>\$ 1,606,502</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.

NETTLETON SCHOOL DISTRICT

Supplementary 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	\$ 8,441,502	\$ 6,479,585	\$ 483,166	\$ 620,594	\$ 858,157
Other	2,925,617	948,118	104,987	4,384	1,868,128
Total	11,367,119	7,427,703	588,153	624,978	2,726,285
Total number of students *	1,284				
Cost per student	\$ 8,853	\$ 5,785	\$ 458	\$ 487	\$ 2,123

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

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

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NETTLETON SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 1,606,582	\$ 1,567,687	\$ 1,574,115	\$ 1,552,847
State sources	6,746,152	7,007,138	6,611,644	6,623,558
Federal sources	147,240	396,447	455,831	111,074
Total Revenues	8,499,974	8,971,272	8,641,590	8,287,479
Expenditures:				
Instruction	5,794,901	5,312,876	4,499,250	5,001,622
Support services	2,944,087	2,832,740	2,834,953	2,646,085
Noninstructional services	896	375	-	1,947
Facilities acquisition and construction	211,590	-	-	-
Total Expenditures	8,951,474	8,145,991	7,334,203	7,649,654
Excess (Deficiency) of Revenues over (under) Expenditures	(451,500)	825,281	1,307,387	637,825
Other Financing Sources (Uses):				
Insurance recovery	-	50,841	-	630
Sale of transportation equipment	-	-	3,425	-
Sale of other property	-	-	-	1,011
Operating transfers in	-	-	53,579	359
Operating transfers out	(172,677)	(233,892)	(193,794)	(229,113)
Other financing uses	-	-	(14,907)	-
Total Other Financing Sources (Uses)	(172,677)	(183,051)	(151,697)	(227,113)
Net Change in Fund Balances	(624,177)	642,230	1,155,690	410,712
Fund Balances:				
Beginning of period, as previously reported	3,575,328	2,933,098	1,779,662	1,360,950
Prior period adjustments	-	-	(2,254)	8,000
Beginning of period, as restated	<u>3,575,328</u>	<u>2,933,098</u>	<u>1,777,408</u>	<u>1,368,950</u>
End of Period	\$ 2,951,151	\$ 3,575,328	\$ 2,933,098	\$ 1,779,662

*SOURCE - PRIOR YEAR AUDIT REPORTS

SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 1,885,820	\$ 1,849,332	\$ 1,828,992	\$ 1,844,937
State sources	6,978,778	7,291,351	6,890,184	6,849,324
Federal sources	1,688,739	1,835,708	2,938,914	2,590,056
Total Revenues	10,553,337	10,976,391	11,658,090	11,284,317
Expenditures:				
Instruction	6,748,757	6,290,890	6,349,316	6,877,954
Support services	3,392,640	3,153,907	3,319,669	3,142,091
Noninstructional services	786,832	815,360	768,988	711,335
Facilities acquisition and construction	437,490	67,122	678,989	-
Debt service:				
Principal	-	-	475,000	-
Interest	900	-	-	-
Other	500	500	42	500
Total Expenditures	11,367,119	10,327,779	11,592,004	10,731,880
Excess (Deficiency) of Revenues over (under) Expenditures	(813,782)	648,612	66,086	552,437
Other Financing Sources (Uses):				
Proceeds of QSCB bonds	-	-	1,000,000	-
Insurance recovery	-	50,841	-	630
Payment held by escrow agent	66,000	-	49,080	-
Payment to QSCB debt escrow agent	(66,000)	-	(49,080)	-
Sale of transportation equipment	-	-	3,425	-
Sale of other property	-	-	-	1,011
Operating transfers in	181,393	235,545	289,676	239,731
Operating transfers out	(181,393)	(235,545)	(289,676)	(239,731)
Other financing uses	-	-	(18,111)	(3,771)
Total Other Financing Sources (Uses)	-	50,841	985,314	(2,130)
Net Change in Fund Balances	(813,782)	699,453	1,051,400	550,307
Fund Balances:				
Beginning of period, as previously reported	5,699,378	4,998,101	3,942,203	3,404,319
Prior period adjustments	-	-	(2,890)	-
Beginning of period, as restated	5,699,378	4,998,101	3,939,313	3,404,319
Increase (Decrease) in reserve for inventory	2,976	1,824	7,388	(12,423)
End of Period	\$ 4,888,572	\$ 5,699,378	\$ 4,998,101	\$ 3,942,203

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
Nettleton School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nettleton School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Nettleton School District's basic financial statements and have issued our report thereon dated October 17, 2014.

Internal Control over Financial Reporting

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

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

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. [2013-01]

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

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with governance. We consider the deficiencies described in the accompany Schedule of Findings and Questioned Costs to be significant deficiencies. [2013-02]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nettleton 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*.

Nettleton School District’s Response to Findings

Nettleton School District’s response to the findings identified in our audit is described in the accompanying Auditee’s Corrective Action Plan. Nettleton School District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Cox & Palmer, P. A.
Cox & Palmer, P.A.
Mendenhall, Mississippi

October 17, 2014

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

Superintendent and School Board
Nettleton School District

Report on Compliance for Each Major Federal Program

We have audited Nettleton 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 Nettleton School District's major federal programs for the year ended June 30, 2013. Nettleton 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 Nettleton 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 Nettleton 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 Nettleton School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Nettleton 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 Nettleton 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 Nettleton 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 Nettleton 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.

Cox & Palmer, P.A.

Cox & Palmer, P.A.
Mendenhall, Mississippi

October 17, 2014

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

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COX AND PALMER, P.A.
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P.O. BOX 68 - 219 WEST STREET
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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Superintendent and School Board
Nettleton School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nettleton School District as of and for the year ended June 30, 2013, which collectively comprise Nettleton School District's basic financial statements and have issued our report thereon dated October 17, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

Cox & Palmer, P.A.
Cox & Palmer, P.A.
Mendenhall, Mississippi

October 17, 2014

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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NETTLETON SCHOOL DISTRICT

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

Section I: Summary of Auditor's Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| b. Significant deficiency identified? | Yes |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | |
|---|---|
| 4. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |
| 7. Identification of major programs: | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| 10.553, 10.555, 10.559 | Child Nutrition Cluster |
| 84.027, 84.173 | Special Education Cluster |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | No |

NETTLETON SCHOOL DISTRICT

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

Section II: Financial Statement Findings

Material weakness

Finding 2013-01

Condition: During the audit, we noted several discrepancies with the information provided on the accounting records.

1. Accrued payroll was not recorded correctly. The computation was correct; however, the entry was not posted properly.
2. Compensated absences were incorrectly recorded in the general long term debt account group. The software system did not extend the amounts for non-licensed employees. The computation was not reviewed by District personnel.

Year-end closing procedures has been a finding in the prior year.

Criteria: Management is responsible for establishing proper internal controls that ensures accurate financial reporting.

Cause: The cause of this condition was from not properly agreeing year-end closing procedures to the supporting documentation.

Effect: Inadequate internal controls related to financial reporting could result in overstating or understating financial assets, liabilities, revenues or expenditures of the school district.

Recommendation: Internal controls should be implemented to ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.

Significant deficiency

Finding 2013-02

Condition: During the testing of athletic events, it was noted that the individuals responsible for selling the tickets did not always sign off on the form indicating approval with the number of tickets sold to the cash received.

Criteria: Internal controls should include verification that a process is complete and accurate.

Cause: The cause of the condition is incomplete documentation of data.

Effect: The effect of this condition is a possible error in revenue recognition.

Recommendation: The school event form should be revised.

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

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NETTLETON SCHOOL DISTRICT

Drawer 409, 179 Mullen Avenue

Nettleton, MS 38858

Auditee's Corrective Action Plan

As required by Section ____ .315(c) of OMB Circular A-133, the Nettleton School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2013.

Finding _____

Correction Action Plan Details

2013-01

a. Name of Contact Person Responsible for Corrective Action:

Name: Shelia Miller
Title: Business Manager
Phone: 662-963-1517

b. Corrective Action Planned:

The District will implement steps to provide a review to ensure accurate financial reporting.

c. Anticipated Completion Date:

October 15, 2014

2013-02

a. Name of Contact Person Responsible for Corrective Action:

Name: Shelia Miller
Title: Business Manager
Phone: 662-963-1517

b. Corrective Action Planned:

The School District has revised this form and it was used in FY 2013-14. We have made additional modifications to this form FY 2014-15.

c. Anticipated Completion Date:

August 2013

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