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OKTIBBEHA COUNTY SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2013

OKTIBBEHA COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
OkTibbeha County School District
Starkville, Mississippi

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-14 and 40-45 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oktibbeha County School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4,

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

A handwritten signature in blue ink that reads "Cunningham CPAs". The signature is written in a cursive style.

Cunningham CPAs, PLLC

Belzoni, Mississippi

November 4, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

OKTIBBEHA COUNTY SCHOOL DISTRICT

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2013 decreased \$45,401, including a prior period adjustment of \$65,859, which represents a 1% decrease from fiscal year 2012. Total net position for 2012 increased \$51,880, including a prior period adjustment of \$25,397 which represents a 2% increase from fiscal year 2011.
- General revenues amounted to \$8,349,216 and \$8,281,669, or 78% and 78% 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 \$2,415,225, or 22% of total revenues for 2013, and \$2,385,596, or 22% of total revenues for 2012.
- The District had \$10,875,701 and \$10,640,782 in expenses for fiscal years 2013 and 2012; only \$2,415,225 for 2013 and \$2,385,596 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$8,349,216 for 2013 were not adequate to provide for these programs and \$8,281,669 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,769,637 in revenues and \$8,296,627 in expenditures for 2013, and \$7,685,793 in revenues and \$8,492,178 in expenditures in 2012. The General Fund's fund balance decreased by \$29,750, including a prior period adjustment of \$77,737 from 2012 to 2013, and decreased by \$253,461, including a prior period adjustment of \$29,141 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$187,300 for 2013 and increased by \$290,642 for 2012. The decrease for 2013 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$210,004 for 2013 and increased by \$231,513 for 2012. This decrease for 2013 was due to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$8 for 2013 and increased by \$4,541 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

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

deteriorating.

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

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

Fund Financial Statements

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

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

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

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

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

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

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

two statements:

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each 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 \$3,046,492 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.

OKTIBBEHA COUNTY SCHOOL DISTRICT

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 2,392,375	\$ 2,871,678	-16.69 %
Restricted assets	1,673,144	1,284,924	30.21 %
Capital assets, net	1,562,813	1,750,113	-10.70 %
Total assets	5,628,332	5,906,715	-4.71 %
Current liabilities	232,460	255,438	-9.00 %
Long-term debt outstanding	2,349,380	2,559,384	-8.21 %
Total liabilities	2,581,840	2,814,822	-8.28 %
Net position:			
Net investment in capital assets	(240,308)	(226,921)	5.90 %
Restricted	3,253,016	3,259,841	-0.21 %
Unrestricted	33,784	58,973	-42.71 %
Total net position	\$ 3,046,492	\$ 3,091,893	-1.47 %

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

- Decrease in net capital assets in the amount of \$187,300.
- The decrease in long-term debt of \$210,004.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$10,764,441 and \$10,667,265, respectively. The total cost of all programs and services was \$10,875,701 for 2013 and \$10,640,782 for 2012.

OKTIBBEHA COUNTY 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	\$ 137,875	\$ 201,474	(31.57) %
Operating grants and contributions	2,277,350	2,184,122	4.27 %
General revenues:			
Property taxes	3,593,346	3,545,812	1.34 %
Grants and contributions not restricted	4,418,943	4,321,626	2.25 %
Unrestricted investment earnings	20,818	15,823	31.57 %
Sixteenth section sources	281,085	272,644	3.10 %
Other	35,024	125,764	(72.15) %
Total revenues	10,764,441	10,667,265	0.91 %
Expenses:			
Instruction	5,044,512	5,035,005	0.19 %
Support services	4,965,539	4,765,885	4.19 %
Non-instructional	688,773	679,307	1.39 %
Sixteenth section	109,372	62,035	76.31 %
Interest on long-term liabilities and other debt service costs	67,505	98,550	(31.50) %
Total expenses	10,875,701	10,640,782	2.21 %
Increase (Decrease) in net position	(111,260)	26,483	(520.12) %
Net Position, July 1, as previously reported	3,091,893	3,040,013	1.71 %
Prior Period Adjustment	65,859	25,397	159.32 %
Net Position, July 1, as restated	3,157,752	3,065,410	3.01 %
Net Position, June 30	\$ 3,046,492	\$ 3,091,893	(1.47) %

Governmental activities

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

OKTIBBEHA COUNTY 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	\$ 5,044,512	\$ 5,035,005	0.19 %
Support services	4,965,539	4,765,885	4.19 %
Non-instructional	688,773	679,307	1.39 %
Sixteenth section	109,372	62,035	76.31 %
Interest on long-term liabilities and other debt service costs	67,505	98,550	(31.50) %
Total expenses	\$ 10,875,701	\$ 10,640,782	2.21 %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (4,263,256)	\$ (4,200,559)	1.49 %
Support services	(3,999,991)	(3,916,016)	2.14 %
Non-instructional	(40,250)	(4,342)	826.99 %
Sixteenth section	(89,474)	(35,719)	150.49 %
Interest on long-term liabilities and other debt service costs	(67,505)	(98,550)	(31.50) %
Total net (expense) revenue	\$ (8,460,476)	\$ (8,255,186)	2.49 %

- Net cost of governmental activities (\$8,460,476 for 2013 and \$8,255,186 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$3,593,346 for 2013 and \$3,545,812 for 2012) and state and federal revenues (\$4,418,943 for 2013 and \$4,321,626 for 2012). In addition, there was \$281,085 and \$272,644 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$20,818 for 2013 and \$15,823 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 \$3,850,626, a decrease of \$58,317, including a prior period adjustment of \$77,737, and which includes a decrease in inventory of \$2,836. \$580,043 or 15% 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 \$3,270,583 or 85% is either nonspendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

OKTIBBEHA COUNTY 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 \$29,750, including a prior period adjustment of \$77,737. The fund balance of Other Governmental Funds showed a decrease in the amount of \$122,424, which includes a decrease in reserve for inventory of \$2,836, due primarily to normal operations. The increase (decrease) in the fund balance for the other major fund was as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I fund	No increase or decrease
Title II fund	No increase or decrease
Sixteenth section interest fund	\$ (87,564)
Three mill debt service fund	\$ 151,665
Sixteenth section principal fund	\$ 29,756

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 each major special revenue fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$4,465,726, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents a decrease of \$579,778 from 2012. Total accumulated depreciation as of June 30, 2013, was \$2,902,913, and total depreciation expense for the year was \$129,322, resulting in total net capital assets of \$1,562,813.

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 11,450	\$ 11,450	0.00 %
Buildings	917,399	931,022	(1.46) %
Improvements other than buildings	47,280	49,644	(4.76) %
Mobile equipment	571,820	694,928	(17.72) %
Furniture and equipment	14,864	63,069	(76.43) %
Total	<u>\$ 1,562,813</u>	<u>\$ 1,750,113</u>	(10.70) %

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

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

Debt Administration. At June 30, 2013, the District had \$2,349,380 in outstanding long-term debt, of which \$437,032 is due within one year. The liability for compensated absences decreased \$8 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	Percentage Change
Limited obligation refunding bonds payable	\$ 1,240,000	\$ 1,345,000	(7.81) %
Premium on debt issue	25,997	31,568	(17.65) %
Transportation equipment loans payable	429,326	461,000	(6.87) %
Obligations under energy efficiency leases	496,036	532,119	(6.78) %
Other loans payable	107,798	139,466	(22.71) %
Compensated absences payable	50,223	50,231	(0.02) %
Total	<u>\$ 2,349,380</u>	<u>\$ 2,559,384</u>	(8.21) %

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

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls 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 revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Oktibbeha County School District, 106 West Main Street, Starkville, MS 39759.

FINANCIAL STATEMENTS

OKTIBBEHA COUNTY SCHOOL DISTRICT

Statement of Net Position
June 30, 2013

Exhibit A

	<u>Governmental</u>	
		<u>Activities</u>
Assets		
Cash and cash equivalents	\$	1,604,261
Due from other governments		650,891
Other receivables		127,401
Inventories		9,822
Restricted assets		1,673,144
Capital assets, non-depreciable:		
Land		11,450
Capital assets, net of accumulated depreciation:		
Buildings		917,399
Improvements other than buildings		47,280
Mobile equipment		571,820
Furniture and equipment		14,864
Total Assets		<u>5,628,332</u>
Liabilities		
Accounts payable and accrued liabilities		180,654
Unearned income		34,239
Interest payable on long-term liabilities		17,567
Long-term liabilities, due within one year:		
Capital related liabilities		399,279
Non-capital related liabilities		37,753
Long-term liabilities, due beyond one year:		
Capital related liabilities		1,403,842
Non-capital related liabilities		508,506
Total Liabilities		<u>2,581,840</u>
Net Position		
Net investment in capital assets		(240,308)
Restricted for:		
Expendable:		
School-based activities		1,227,405
Debt service		665,374
Capital improvements		4,578
Forestry improvements		68,409
Unemployment benefits		33,365
Non-expendable:		
Sixteenth section		1,253,885
Unrestricted		33,784
Total Net Position	\$	<u>3,046,492</u>

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

OKTIBBEHA COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 5,044,512	\$ 67,941	\$ 713,315	\$ -	\$ (4,263,256)	
Support services	4,965,539	-	965,548	-	(3,999,991)	
Non-instructional	688,773	50,036	598,487	-	(40,250)	
Sixteenth section	109,372	19,898	-	-	(89,474)	
Interest on long-term liabilities	67,505	-	-	-	(67,505)	
Total Governmental Activities	\$ 10,875,701	\$ 137,875	\$ 2,277,350	\$ -	\$ (8,460,476)	

General Revenues:

Taxes:

General purpose levies	3,398,192
Debt purpose levies	195,154

Unrestricted grants and contributions:

State	4,251,782
Federal	167,161
Unrestricted investment earnings	20,818
Sixteenth section sources	281,085
Other	35,024

Total General Revenues	8,349,216
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Change in Net Position	<u>(111,260)</u>
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Net Position - Beginning, as originally reported	3,091,893
Prior period adjustment	65,859
Net Position - Beginning, as restated	<u>3,157,752</u>

Net Position - Ending	<u>\$ 3,046,492</u>
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The notes to the financial statements are an integral part of this statement.

OKTIBBEHA COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2013

Exhibit C

	Major Funds							Total Governmental Funds
	General Fund	Title I Fund	Title II Fund	Sixteenth Section Interest Fund	Three Mill Debt Service Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
Assets								
Cash and cash equivalents	\$ 188,357	\$ 47,874	\$ 88,218	\$ 817,746	\$ 390,112	\$ 1,174,192	\$ 462,066	\$ 3,168,565
Cash with fiscal agents	-	-	-	-	-	-	108,840	108,840
Due from other governments	246,624	125,382	19,013	-	5,185	-	254,686	650,890
Other receivables	-	-	-	14,493	-	-	-	14,493
Due from other funds	386,804	-	-	-	67,057	-	79,839	533,700
Advances	-	-	-	-	-	79,693	-	79,693
Inventories	-	-	-	-	-	-	9,822	9,822
Total Assets	\$ 821,785	\$ 173,256	\$ 107,231	\$ 832,239	\$ 462,354	\$ 1,253,885	\$ 915,253	\$ 4,566,003
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 64,652	\$ 25,928	\$ 73,512	\$ 12,500	\$ -	\$ -	\$ 4,062	\$ 180,654
Unearned income	-	-	33,719	-	-	-	520	34,239
Due to other funds	77,745	147,328	-	1,670	4,491	-	189,557	420,791
Advances	79,693	-	-	-	-	-	-	79,693
Total Liabilities	222,090	173,256	107,231	14,170	4,491	-	194,139	715,377
Fund Balances:								
Nonspendable:								
Inventory	-	-	-	-	-	-	9,822	9,822
Advances	-	-	-	-	-	79,693	-	79,693
Permanent fund principal	-	-	-	-	-	1,174,192	-	1,174,192
Restricted:								
Debt service	-	-	-	-	457,863	-	225,078	682,941
Capital projects	-	-	-	-	-	-	4,578	4,578
Forestry improvement purposes	-	-	-	-	-	-	68,409	68,409
Grant and school based activities	-	-	-	-	-	-	379,862	379,862
Unemployment benefits	-	-	-	-	-	-	33,365	33,365
Sixteenth section purposes	-	-	-	818,069	-	-	-	818,069
Assigned:								
School based activities	19,652	-	-	-	-	-	-	19,652
Unassigned	580,043	-	-	-	-	-	-	580,043
Total Fund Balances	599,695	-	-	818,069	457,863	1,253,885	721,114	3,850,626
Total Liabilities and Fund Balances	\$ 821,785	\$ 173,256	\$ 107,231	\$ 832,239	\$ 462,354	\$ 1,253,885	\$ 915,253	\$ 4,566,003

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

OKTIBBEHA COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds \$ 3,850,626

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	\$ 11,450	
Buildings	2,543,595	
Improvements other than buildings	59,100	
Mobile equipment	1,492,256	
Furniture and equipment	359,325	
Accumulated depreciation	<u>(2,902,913)</u>	1,562,813

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

Limited obligation refunding bonds payable	(1,240,000)	
Premium on debt issue	(25,997)	
Transportation equipment loans payable	(429,326)	
Obligation under energy efficiency leases	(496,036)	
Other loans payable	(107,798)	
Compensated absences payable	(50,223)	
Accrued interest payable	<u>(17,567)</u>	<u>(2,366,947)</u>

Net position of governmental activities \$ 3,046,492

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

OKTIBBEHA COUNTY SCHOOL DISTRICT

Governmental Funds

Exhibit D

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

	General Fund	Major Funds					Other Governmental Funds	Total Governmental Funds
		Title I Fund	Title II Fund	Sixteenth Section Interest Fund	Three Mill Debt Service Fund	Sixteenth Section Principal Fund		
Revenues:								
Local sources	\$ 3,498,917	\$ -	\$ -	\$ 3,942	\$ 196,486	\$ 8,353	\$ 3,766,282	
State sources	4,103,558	-	-	-	-	-	4,454,117	
Federal sources	167,162	910,247	118,642	-	-	-	2,242,177	
Sixteenth section sources	-	-	-	259,471	-	21,403	300,982	
Total Revenues	7,769,637	910,247	118,642	263,413	196,486	29,756	10,763,558	
Expenditures:								
Instruction	4,276,060	206,607	114,344	-	-	-	4,985,924	
Support services	3,928,806	658,922	4,298	-	-	-	4,858,125	
Noninstructional services	28,282	13,117	-	-	-	-	682,705	
Sixteenth section	-	-	-	50,977	-	-	109,372	
Debt service:								
Principal	36,083	-	-	-	63,342	-	204,425	
Interest	27,396	-	-	-	20,370	-	73,616	
Other	-	-	-	-	-	1,550	1,550	
Total Expenditures	8,296,627	878,646	118,642	50,977	83,712	-	10,915,717	
Excess (Deficiency) of Revenues over (under) Expenditures	(526,990)	31,601	-	212,436	112,774	29,756	(152,159)	
Other Financing Sources (Uses):								
Insurance loss recoveries	884	-	-	-	-	-	884	
Sale of transportation equipment	18,058	-	-	-	-	-	18,058	
Operating transfers in	511,058	-	-	-	38,891	-	660,447	
Operating transfers out	(110,497)	(31,601)	-	(300,000)	-	-	(660,447)	
Other financing uses	-	-	-	-	-	(1)	(1)	
Total Other Financing Sources (Uses)	419,503	(31,601)	-	(300,000)	38,891	-	18,941	
Net Change in Fund Balances	(107,487)	-	-	(87,564)	151,665	29,756	(133,218)	
Fund Balances:								
July 1, 2012, as originally reported	629,445	-	-	905,633	306,198	1,224,129	3,908,943	
Prior period adjustments	77,737	-	-	-	-	-	77,737	
July 1, 2012, as restated	707,182	-	-	905,633	306,198	1,224,129	3,986,680	
Decrease in reserve for inventory	-	-	-	-	-	-	(2,836)	
June 30, 2013	\$ 599,695	\$ -	\$ -	\$ 818,069	\$ 457,863	\$ 1,253,885	\$ 3,850,626	

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

OKTIBBEHA COUNTY 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 \$ (133,218)

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

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

Depreciation expense	\$	(129,322)	(129,322)
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2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.

(57,978)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	204,425		
Accrued interest payable	<u>2,090</u>		206,515

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	8		
Amortization of premium on refunding bonds issued	5,571		
Change in inventory reserve	<u>(2,836)</u>		2,743

Change in net position of governmental activities \$ (111,260)

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

OKTIBBEHA COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2013

Exhibit E

	Agency Funds
	<hr/>
Assets	
Cash and cash equivalents	\$ 583,510
Due from local sources	330
Due from other funds	15,458
Total Assets	<hr/> <u>\$ 599,298</u>
 Liabilities	
Accounts payable and other accrued liabilities	\$ 470,094
Due to other funds	128,367
Due to student clubs	837
Total Liabilities	<hr/> <u>\$ 599,298</u>

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

OKTIBBEHA COUNTY 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. Basis of Presentation

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

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

Implementation of the above GASB statements resulted in a prior period adjustment of \$11,878 to remove previously deferred bond issue costs.

B. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district. During fiscal year 2013, the school district was placed under conservatorship by the Mississippi Department of Education (MDE) due to accreditation issues. The MDE appointed a conservator to govern the district and dissolved the school board.

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

C. 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

OKTIBBEHA COUNTY SCHOOL DISTRICT

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

separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

The school district reports the following major governmental funds:

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

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

Title II Fund - This is a special revenue fund that accounts for federal revenue received through improving teacher quality grants and related expenditures incurred for improving teacher quality grants.

Sixteenth Section Interest Fund - This is a special revenue fund that accounts for the expendable resources derived from the use of sixteenth section lands held in trust by the school district and from the investment of sixteenth section funds.

Three Mill Debt Service Fund - This is a debt service fund that accounts for ad valorem taxes received for the retirement of the three mill note incurred by the school district.

Sixteenth Section Principal Fund- This fund is used to account for the generation of revenues and expenditures associated with sixteenth section lands that are legally required to be accounted for in the Sixteenth Section Principal Fund. Those revenues include but are not limited to, sales of non-renewable resources, easements, interest on investments, loans to the district, and transfers.

OKTIBBEHA COUNTY SCHOOL DISTRICT

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

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:

Accounts Payable Clearing Fund – This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Payroll Clearing Fund - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Student Club Fund Agency Funds – These funds are used to report student club resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

D. 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

OKTIBBEHA COUNTY SCHOOL DISTRICT

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

period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

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.

E. Encumbrances

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

F. 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

OKTIBBEHA COUNTY SCHOOL DISTRICT

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

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.

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and

OKTIBBEHA COUNTY SCHOOL DISTRICT

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

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:

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

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

7. Compensated Absences

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

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

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

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

OKTIBBEHA COUNTY SCHOOL DISTRICT

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

GASB 65, issuance costs are reported as expenditures.

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, 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.

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7% of 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 and Cash with Fiscal Agents

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:

OKTIBBEHA COUNTY SCHOOL DISTRICT

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

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.

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 \$3,168,565 and \$583,510, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$108,840.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General fund	Title I fund	\$ 145,984
	Three mill debt service fund	4,491
	Other governmental funds	123,184
	Fiduciary funds	113,145
Three mill debt service fund	General fund	6,206
	Other governmental funds	60,851
Other governmental funds	General fund	64,617
	Fiduciary funds	15,222
Fiduciary funds	General fund	6,922
	Title I fund	1,344
	Sixteenth section interest fund	1,670
	Other governmental funds	5,522
Total		<u>\$ 549,158</u>

The purpose of the inter-fund loans was to cover federal and state funds not received prior to year-end and amounts due from and amounts due to agency funds. Payments are made of

OKTIBBEHA COUNTY SCHOOL DISTRICT

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

amounts due between funds within three months.

B. Advances To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
16th Section Principal Fund	General Fund	\$ 79,693
Total		<u>\$ 79,693</u>

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the statement of net position because these funds were borrowed by the general fund from the sixteenth section principal fund (permanent fund) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions were reflected on the Statement of Revenues, Expenditures and Changes in Fund Balance.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 28,934	\$ 2,661	\$ 31,595
2015	30,113	1,482	31,595
2016	20,646	415	21,061
Total	<u>\$ 79,693</u>	<u>\$ 4,558</u>	<u>\$ 84,251</u>

C. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 110,497
Title I fund	General fund	31,601
Sixteenth section interest fund	General fund	300,000
Other governmental funds	General fund	179,457
	Three mill debt service fund	38,891
	Other governmental funds	1
Total		<u>\$ 660,447</u>

The primary purpose of the interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded. The primary reason for the transfer out of the other governmental funds is the indirect cost allocation to the general fund and for other basic operations of the district.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$1,174,192, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$108,840, of the MAEP limited obligation debt retirement fund.

In addition, the restricted assets represent the cash balance, totaling \$390,112, of the three mill debt

OKTIBBEHA COUNTY SCHOOL DISTRICT

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

service fund.

Note 5 – Capital Assets

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

	Balance 7/1/2012	Increases	Decreases	Balance 6/30/2013
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 11,450	\$ -	\$ -	\$ 11,450
Total non-depreciable capital assets	11,450	-	-	11,450
<u>Depreciable capital assets:</u>				
Buildings	2,543,595	-	-	2,543,595
Improvements other than buildings	59,100	-	-	59,100
Mobile equipment	2,072,034	-	(579,778)	1,492,256
Furniture and equipment	359,325	-	-	359,325
Total depreciable capital assets	5,034,054	-	(579,778)	4,454,276
<u>Less accumulated depreciation for:</u>				
Buildings	1,612,573	13,623	-	1,626,196
Improvements other than buildings	9,456	2,364	-	11,820
Mobile equipment	1,377,106	65,130	(521,800)	920,436
Furniture and equipment	296,256	48,205	-	344,461
Total accumulated depreciation	3,295,391	129,322	(521,800)	2,902,913
Total depreciable capital assets, net	1,738,663	(129,322)	(57,978)	1,551,363
Governmental activities capital assets, net	\$ 1,750,113	\$ (129,322)	\$ (57,978)	\$ 1,562,813

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 58,596
Support services	67,494
Non-instructional	3,232
Total depreciation expense - Governmental activities	\$ 129,322

OKTIBBEHA COUNTY 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. Limited obligation refunding bonds payable	\$ 1,345,000	\$ -	\$ (105,000)	\$ 1,240,000	\$ 200,000
Premium on debt issues	31,568	-	(5,571)	25,997	5,571
B. Transportation equipment loans payable	461,000	-	(31,674)	429,326	160,400
C. Obligations under energy efficiency leases	532,119	-	(36,083)	496,036	37,753
D. Other loans payable	139,466	-	(31,668)	107,798	33,308
E. Compensated absences payable	50,231	-	(8)	50,223	-
Total	\$ 2,559,384	\$ -	\$ (210,004)	\$ 2,349,380	\$ 437,032

A. Limited obligations refunding bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2011	2.00%	10/28/2011	2/1/2018	\$ 1,345,000	\$ 1,240,000
Total				\$ 1,345,000	\$ 1,240,000

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 200,000	\$ 22,800	\$ 222,800
2015	205,000	18,750	223,750
2016	205,000	14,650	219,650
2017	220,000	10,400	230,400
2018	410,000	6,000	416,000
Total	\$ 1,240,000	\$ 72,600	\$ 1,312,600

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

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

OKTIBBEHA COUNTY SCHOOL DISTRICT

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

B. Transportation equipment loans payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note, series 2011 A	2.85%	10/28/2011	10/15/2016	\$ 311,728	\$ 311,728
Limited tax note, series 2011 B	2.75%	10/28/2011	10/15/2015	\$ 149,272	\$ 117,598
Total				<u>\$ 461,000</u>	<u>\$ 429,326</u>

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

1. Limited tax note, series 2011 A:

Year Ending June 30	Principal	Interest	Total
2014	\$ 119,462	\$ 14,388	\$ 133,850
2015	62,296	4,592	66,888
2016	64,072	2,791	66,863
2017	65,898	939	66,837
Total	<u>\$ 311,728</u>	<u>\$ 22,710</u>	<u>\$ 334,438</u>

This debt will be retired from the District Maintenance and EEF Building and Buses Fund.

2. Limited tax note, series 2011 B:

Year Ending June 30	Principal	Interest	Total
2014	\$ 40,938	\$ 3,234	\$ 44,172
2015	37,810	2,108	39,918
2016	38,850	1,068	39,918
Total	<u>\$ 117,598</u>	<u>\$ 6,410</u>	<u>\$ 124,008</u>

This debt will be retired from the District Maintenance and EEF Building and Buses Fund.

OKTIBBEHA COUNTY SCHOOL DISTRICT

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

Total transportation equipment loans payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ 160,400	\$ 17,622	\$ 178,022
2015	100,106	6,700	106,806
2016	102,922	3,859	106,781
2017	65,898	939	66,837
Total	\$ 429,326	\$ 29,120	\$ 458,446

C. Obligations under energy efficiency lease

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
All American Investment Group - Energy Efficiency Improvements	4.55%	6/12/2008	11/5/2023	\$ 630,470	\$ 496,036
Total				\$ 630,470	\$ 496,036

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 37,753	\$ 21,932	\$ 59,685
2015	39,500	20,184	59,684
2016	41,329	18,356	59,685
2017	43,241	16,443	59,684
2018	45,243	14,442	59,685
2019-2023	259,629	38,794	298,423
2024-2028	29,341	502	29,843
Total	\$ 496,036	\$ 130,653	\$ 626,689

This debt will be retired from the District Maintenance Fund..

An energy efficiency lease agreement dated June 12, 2008 was executed by and between the district, the lessee, and Suntrust Financial Services, the lessor.

The agreement authorized the borrowing of \$630,470 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed fifteen (15) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

OKTIBBEHA COUNTY SCHOOL DISTRICT

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

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

D. Other loans payable

On June 27, 2001, the school district issued debt instruments of \$400,000 to help finance school renovations.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Bank First Financial Services	5.06%	6/27/2001	6/28/2017	\$ 400,000	\$ 107,798
Total				\$ 400,000	\$ 107,798

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 33,308	\$ 5,583	\$ 38,891
2015	35,033	3,858	38,891
2016	36,847	2,044	38,891
2017	2,610	135	2,745
Total	\$ 107,798	\$ 11,620	\$ 119,418

This debt will be retired from the EEF Building and Buses Fund and the Transportation Debt Service Fund.

E. 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 – Prior Year Defeasance of Debt

In prior years, the Oktibbeha County School District defeased certain limited obligation notes payable by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and liabilities for the defeased bonds and notes are not included in the district's financial statements. On June 30, 2013, \$1,155,000 of notes are defeased.

Note 8 – Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State

OKTIBBEHA COUNTY SCHOOL DISTRICT

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

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 \$765,121, \$687,656 and \$624,213, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2014	\$ 140,100
2015	131,417
2016	111,806
2017	109,654
2018	103,373
2019-2023	509,390
2024-2028	456,059
2029-2033	422,419
Thereafter	441,795
Total	<u>\$ 2,426,013</u>

Note 10 – Contingencies

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

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

Note 11– Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below,

OKTIBBEHA COUNTY SCHOOL DISTRICT

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

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

Participation in Public Entity Risk Pool

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

Note 12 - Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanations	Amount
1. Adjustment to remove prior debt issuance costs due to implementing GASB 65.	\$ (11,878)
2. Adjustments made to correct prior year accounts receivable.	77,737
Total	<u>\$ 65,859</u>

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

Fund	Explanations	Amount
General fund	Adjustment made to correct prior year accounts receivable.	\$ 77,737
		<u>\$ 77,737</u>

OKTIBBEHA COUNTY SCHOOL DISTRICT

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

Note 13 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Oktibbeha County School District evaluated the activity of the district through November 4, 2014, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

During the 2013 regular session, the Mississippi Legislature passed House Bill 716 which provides for an Administrative consolidation of the Oktibbeha County School District and the Starkville School District into one school district to be designated as Starkville Consolidated School District effective July 1, 2015. As of July 1, 2015, the Oktibbeha County School District will no longer exist and will be consolidated into the designated Starkville Consolidated School District.

REQUIRED SUPPLEMENTARY INFORMATION

OKTIBBEHA COUNTY 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	\$ 3,703,899	\$ 3,605,157	\$ 3,498,917	\$ (98,742)	\$ (106,240)
State sources	4,050,486	4,123,681	4,103,558	73,195	(20,123)
Federal sources	144,500	470,394	167,162	325,894	(303,232)
Total Revenues	7,898,885	8,199,232	7,769,637	300,347	(429,595)
Expenditures:					
Instruction	4,230,828	4,285,717	4,276,060	(54,889)	9,657
Support services	3,536,151	3,987,552	3,928,806	(451,401)	58,746
Noninstructional	39,637	28,282	28,282	11,355	-
Debt service:					
Principal	27,801	27,802	36,083	(1)	(8,281)
Interest	3,794	3,794	27,396	-	(23,602)
Total Expenditures	7,838,211	8,333,147	8,296,627	(494,936)	36,520
Excess (Deficiency) of Revenues over (under) Expenditures	60,674	(133,915)	(526,990)	(194,589)	(393,075)
Other Financing Sources (Uses):					
Insurance loss recoveries	-	884	884	884	-
Sale of transportation equipment	-	18,058	18,058	18,058	-
Operating transfers in	1,125,024	1,309,580	511,058	184,556	(798,522)
Operating transfers out	(1,050,950)	(1,051,915)	(110,497)	(965)	941,418
Total Other Financing Sources (Uses)	74,074	276,607	419,503	202,533	142,896
Net Change in Fund Balances	134,748	142,692	(107,487)	7,944	(250,179)
Fund Balances:					
July 1, 2012, as originally reported	629,445	629,445	629,445	-	-
Prior period adjustment	-	-	77,737	-	77,737
July 1, 2012, as restated	629,445	629,445	707,182	-	77,737
June 30, 2013	\$ 764,193	\$ 772,137	\$ 599,695	\$ 7,944	\$ (172,442)

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

OKTIBBEHA COUNTY 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	\$ 931,154	\$ 828,970	\$ 910,247	\$ (102,184)	\$ 81,277
Total Revenues	931,154	828,970	910,247	(102,184)	81,277
Expenditures:					
Instruction	478,505	206,184	206,607	272,321	(423)
Support services	386,631	578,273	658,922	(191,642)	(80,649)
Noninstructional	37,446	12,912	13,117	24,534	(205)
Total Expenditures	902,582	797,369	878,646	105,213	(81,277)
Excess (Deficiency) of Revenues over (under) Expenditures	28,572	31,601	31,601	3,029	-
Other Financing Sources (Uses):					
Operating transfers out	(28,572)	(31,601)	(31,601)	(3,029)	-
Total Other Financing Sources (Uses)	(28,572)	(31,601)	(31,601)	(3,029)	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ -

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

OKTIBBEHA COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title II 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	\$ 151,307	\$ 118,642	\$ 118,642	\$ (32,665)	\$ -
Total Revenues	151,307	118,642	118,642	(32,665)	-
Expenditures:					
Instruction	143,973	114,344	114,344	29,629	-
Support services	7,334	4,298	4,298	3,036	-
Total Expenditures	151,307	118,642	118,642	32,665	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ -

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

OKTIBBEHA COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ -	\$ 3,942	\$ -	\$ 3,942
Sixteenth section sources	270,140	261,519	259,471	(8,621)	(2,048)
Total Revenues	270,140	261,519	263,413	(8,621)	1,894
Expenditures:					
Sixteenth section	46,366	50,940	50,977	(4,574)	(37)
Total Expenditures	46,366	50,940	50,977	(4,574)	(37)
Excess (Deficiency) of Revenues over (under) Expenditures	223,774	210,579	212,436	(13,195)	1,857
Other Financing Sources (Uses):					
Operating transfers out	(150,000)	(300,000)	(300,000)	(150,000)	-
Total Other Financing Sources (Uses)	(150,000)	(300,000)	(300,000)	(150,000)	-
Net Change in Fund Balances	73,774	(89,421)	(87,564)	(163,195)	1,857
Fund Balances:					
July 1, 2012	905,633	905,633	905,633	-	-
June 30, 2013	\$ 979,407	\$ 816,212	\$ 818,069	\$ (163,195)	\$ 1,857

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

OKTIBBEHA COUNTY 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 Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

OKTIBBEHA COUNTY 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	\$ 225,756
National school lunch program	10.555	431,049
Total child nutrition cluster		<u>656,805</u>
Fresh fruit and vegetable program	10.582	17,268
Total passed-through Mississippi Department of Education		<u>674,073</u>
Total U.S. Department of Agriculture		<u>674,073</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	68,998
Total Federal Communications Commission		<u>68,998</u>
<u>U.S. Department of Interior</u>		
Direct program:		
Payment in lieu of taxes	15.226	76,244
Total U.S. Department of Interior		<u>76,244</u>
<u>U.S. Department of Education</u>		
Passed-through the Department of Rehabilitation Services		
Rehabilitation services - vocational rehabilitation grants to states	84.126	1,576
Total passed through the Department of Rehabilitation Services		<u>1,576</u>
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	912,570
Twenty-first century community learning centers	84.287	154,245
Rural education	84.358	1,619
Improving teacher quality-State Grants	84.367	118,642
Subtotal		<u>1,187,076</u>
Special education cluster:		
Special education - grants to states	84.027	196,428
Special education - preschool grants	84.173	17,438
Total special education cluster		<u>213,866</u>
Total passed-through Mississippi Department of Education		<u>1,400,942</u>
Total U.S. Department of Education		<u>1,402,518</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	20,344
Total passed-through Mississippi Department of Education		<u>20,344</u>
Total U.S. Department of Health and Human Services		<u>20,344</u>
Total for All Federal Awards		<u>\$ 2,242,177</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.
4. The national school lunch program included \$33,022 of donated commodities.

OKTIBBEHA COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2013

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 7,454,815	5,348,700	478,233	332,635	1,295,247
Other	3,460,902	778,182	692,401	48,583	1,941,736
Total	\$ 10,915,717	6,126,882	1,170,634	381,218	3,236,983
Total number of students *	881				
Cost per student	\$ 12,390	6,954	1,329	433	3,674

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

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

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

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

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

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

OTHER INFORMATION

OKTIBBEHA COUNTY 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	\$ 3,498,917	\$ 3,544,453	\$ 3,434,699	\$ 3,177,760
State sources	4,103,558	3,975,765	3,681,814	3,783,382
Federal sources	167,162	165,575	89,860	277,059
Total Revenues	7,769,637	7,685,793	7,206,373	7,238,201
Expenditures:				
Instruction	4,276,060	4,103,903	3,534,344	3,817,322
Support services	3,928,806	4,278,311	3,528,074	3,700,770
Noninstructional services	28,282	45,397	40,335	36,870
Debt service:				
Interest	36,083	34,487	32,961	30,754
Other	27,396	30,080	33,099	33,961
Total Expenditures	8,296,627	8,492,178	7,168,813	7,619,677
Excess (Deficiency) of Revenues over (under) Expenditures	(526,990)	(806,385)	37,560	(381,476)
Other Financing Sources (Uses):				
Insurance loss recoveries	884	62,638	1,812	30,536
Sale of transportation equipment	18,058	-	-	-
Operating transfers in	511,058	758,729	343,700	595,328
Other financing sources	-	-	3,182	-
Operating transfers out	(110,497)	(297,584)	(167,354)	(121,499)
Total Other Financing Sources (Uses)	419,503	523,783	181,340	504,365
Net Change in Fund Balances	(107,487)	(282,602)	218,900	122,889
Fund Balances:				
Beginning of period, as previously reported	629,445	882,906	664,006	541,117
Prior period adjustments	77,737	29,141	-	-
Beginning of period, as restated	707,182	912,047	664,006	541,117
End of Period	\$ 599,695	\$ 629,445	\$ 882,906	\$ 664,006

*SOURCE - PRIOR YEAR AUDIT REPORTS

OKTIBBEHA COUNTY 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	\$ 3,766,282	\$ 3,794,632	\$ 3,692,910	\$ 3,427,301
State sources	4,454,117	4,332,301	3,796,790	4,112,169
Federal sources	2,242,177	2,173,446	3,805,849	3,635,260
Sixteenth section sources	300,982	309,130	241,557	596,049
Total Revenues	10,763,558	10,609,509	11,537,106	11,770,779
Expenditures:				
Instruction	4,985,924	4,996,222	5,772,459	5,861,786
Support services	4,858,125	5,112,276	4,250,746	4,506,768
Noninstructional services	682,705	678,521	669,918	612,800
Sixteenth section	109,372	62,035	51,847	72,792
Debt service:				
Principal	204,425	285,596	381,088	377,036
Interest	73,616	101,734	127,128	144,695
Other	1,550	14,000	-	1,075
Total Expenditures	10,915,717	11,250,384	11,253,186	11,576,952
Excess (Deficiency) of Revenues over (under) Expenditures	(152,159)	(640,875)	283,920	193,827
Other Financing Sources (Uses):				
Bonds and notes issued	-	461,000	-	-
Insurance loss recoveries	884	62,638	1,812	30,536
Refunding bonds issued	-	1,345,000	-	-
Premiums on bonds issued	-	35,746	-	-
Payments to refunded bond escrow agent	-	(1,325,000)	-	-
Sale of transportation equipment	18,058	-	-	-
Other financing sources	-	-	3,182	-
Operating transfers in	660,447	1,056,313	511,054	716,827
Operating transfers out	(660,447)	(1,056,313)	(511,054)	(716,827)
Other financing uses	(1)	-	-	-
Total Other Financing Sources (Uses)	18,941	579,384	4,994	30,536
Net Change in Fund Balances	(133,218)	(61,491)	288,914	224,363
Fund Balances:				
Beginning of period, as previously reported	3,908,943	3,942,648	3,656,080	3,430,809
Prior period adjustments	77,737	25,397	-	-
Beginning of period, as restated	<u>3,986,680</u>	<u>3,968,045</u>	<u>3,656,080</u>	<u>3,430,809</u>
Increase (Decrease) in reserve for inventory	(2,836)	2,389	(2,346)	908
End of Period	\$ 3,850,626	\$ 3,908,943	\$ 3,942,648	\$ 3,656,080

*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
Oktibbeha County School District
Starkville, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oktibbeha County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Oktibbeha County School District's basic financial statements, and have issued our report thereon dated November 4, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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Cunningham CPAs, PLLC

Belzoni, Mississippi

November 4, 2014

CUNNINGHAM CPAs, PLLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Superintendent and School Board
Oktibbeha County School District
Starkville, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Oktibbeha County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Oktibbeha County School District's major federal programs for the year ended June 30, 2013. Oktibbeha County 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 Oktibbeha County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oktibbeha County 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 Oktibbeha County School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Oktibbeha County 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 Oktibbeha County School District's internal control over compliance with the types of requirements that could have a direct and material effect on

each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oktibbeha County 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.



Cunningham CPAs, PLLC

Belzoni, Mississippi

November 4, 2014

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

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

Superintendent and School Board
Oktibbeha County School District
Starkville, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oktibbeha County School District as of and for the year ended June 30, 2013, which collectively comprise Oktibbeha County School District's basic financial statements and have issued our report thereon dated November 4, 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 \$14,785 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.

A handwritten signature in blue ink that reads "Cunningham CPAs". The signature is written in a cursive style.

Cunningham CPAs, PLLC

Belzoni, Mississippi

November 4, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OKTIBBEHA COUNTY SCHOOL DISTRICT

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|----------------------------------------------------------------------------------------------------------------------|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Identification of major programs: | |
| | A. Title I - Grants to local educational agencies: | |
| | CFDA # | 84.010 |
| | B. Improving Teacher Quality | |
| | CFDA # | 84.367 |
| | C. Special Education Cluster: | |
| | CFDA # | 84.027 |
| | CFDA # | 84.173 |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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