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POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2013

**Carl W. Merritt, Jr.
Superintendent**

**Samantha J. Sandifer, CPA, CGMA
Director of Finance**

BOARD OF TRUSTEES

**Violine Jordan, President
Samuel Gentry, Vice President
Shirline Magee, Secretary
Lisa Graves, Board Member
Thomas Strahan, Board Member**

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and Board of Trustees
Poplarville Special Municipal Separate School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Poplarville Special Municipal Separate School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Poplarville Special Municipal Separate 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 Poplarville Special Municipal Separate 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 6-16 and 44-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2014, on our consideration of the Poplarville Special Municipal Separate 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 Poplarville Special Municipal Separate School District's internal control over financial reporting and compliance.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
February 7, 2014

**MANAGEMENT'S DISCUSSION
AND ANALYSIS
(MD&A)**

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

The following discussion and analysis of Poplarville Special Municipal Separate 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.

Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

Poplarville Special Municipal Separate School District (PSMSSD), organized in 1955, is located in Poplarville, Mississippi, the county seat of Pearl River County. A five-member board of trustees appointed by the Pearl River County Board of Supervisors and the Poplarville Board of Aldermen governs the school district. The trustees serve five year staggered terms. The PSMSSD Board of Trustees appoints the superintendent.

Poplarville is located on Interstate 59, 75 miles north of New Orleans, Louisiana and 50 miles from the Mississippi Gulf Coast. Poplarville's climate offers a mild winter, pleasant spring and fall, and summer sun that encourages outdoor activities. Pearl River Community College, the oldest two-year college in Mississippi, is also located in Poplarville. The college serves over 5,000 students.

PSMSSD serves approximately 25% of the students in Pearl River County, Mississippi. The present enrollment is 1,911 students. One of the largest geographic districts in the state, PSMSSD encompasses 498 square miles. The district serves over 10,000 citizens in the incorporated town of Poplarville and the unincorporated communities of Steep Hollow, Gum Pond, Buck Branch, Fords Creek, Byrdline, White Sand, Progress, Savannah, Harts Chapel, Oak Hill and Crossroads. In excess of 1400 students are transported on 24 buses to four schools in the district.

The four schools in the district are located in the town of Poplarville less than two miles apart. The four schools with enrollment are listed as follows: Poplarville Lower Elementary School grades k-2 serves 451 students, Poplarville Upper Elementary School grades 3-5 serves 443 students, Middle School of Poplarville grades 6-8 serves 478 students and Poplarville High School grades 9-12 serves 539 students. These schools are staffed by 174 certified staff and 124 non-certified staff members (excluding part-time substitutes). Ninety-nine percent (99%) of the core teachers are highly qualified. The student average daily attendance rate is ninety-five percent (95%). The graduation rate, including the completion rate, is eighty-eight percent (88%).

FINANCIAL HIGHLIGHTS

- Total net position for 2013 increased \$145,407, including a prior period adjustment of (\$10,249), which represents a 0.58% increase from fiscal year 2012. Total net position for 2012 increased \$554,851, which represents a 2% increase from fiscal year 2011.

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

- General revenues amounted to \$14,558,732 and \$14,463,089, or 81% and 80% 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 \$3,481,417, or 19% of total revenues for 2013, and \$3,671,189, or 20% of total revenues for 2012.
- The District had \$17,884,493 and \$17,579,427 in expenses for fiscal years 2013 and 2012; only \$3,481,417 for 2013 and \$3,671,189 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$14,558,732 for 2013 and \$14,463,809 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$13,976,772 in revenues and \$13,627,898 in expenditures for 2013, and \$14,050,394 in revenues and \$12,855,998 in expenditures for 2012. The General Fund's fund balance decreased by \$111,624 from 2012 to 2013 and increased by \$567,655 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$395,468 for 2013 and increased by \$773,579 for 2012. The majority of the decrease for 2013 was due to the increase in accumulated depreciation and disposals of buses and computer equipment offset by additions to construction in progress, buses and computer equipment.
- Long-term debt decreased by \$140,000 for 2013 and decreased by \$136,000 for 2012. This decrease for 2013 was due to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$1,056 for 2013 and increased by \$6,635 for 2012.

OVERVIEW OF 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, in a manner similar to a private-sector business. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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 years.

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 funds 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 Positions, 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.

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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 \$25,106,593 as of June 30, 2013.

By far the largest portion of the District's net assets (42%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

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

**Table 1
Condensed Statement of Net Position**

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 14,047,325	\$ 13,912,962	0.97 %
Restricted assets	966,694	807,353	19.74 %
Capital assets, net	14,060,024	14,455,492	(2.74) %
Total assets	29,074,043	29,175,807	(0.35) %
Current liabilities	356,740	318,967	11.84 %
Long-term debt outstanding	3,610,710	3,895,654	(7.31) %
Total liabilities	3,967,450	4,214,621	(5.86) %
Net position:			
Net investment in capital assets	10,460,024	10,715,492	(2.38) %
Restricted	9,268,995	8,753,331	5.89 %
Unrestricted	5,377,574	5,492,363	(2.09) %
Total net position	\$ 25,106,593	\$ 24,961,186	0.58 %

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 \$395,468.
- The principal retirement of \$140,000 of long-term debt.

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$18,040,149 and \$18,134,278, respectively. The total cost of all programs and services was \$17,884,493 for 2013 and \$17,579,427 for 2012.

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

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 694,904	\$ 615,521	12.90 %
Operating grants and contributions	2,786,513	3,055,668	(8.81) %
General revenues:			
Property taxes	4,624,827	4,537,514	1.92 %
Grants and contributions not restricted	9,231,789	9,289,496	(0.62) %
Investment earnings	50,790	90,030	(43.59) %
Sixteenth section sources	595,543	475,984	25.12 %
Other	55,783	70,065	(20.38) %
Total revenues	18,040,149	18,134,278	(0.52) %
Expenses:			
Instruction	9,975,240	9,822,697	1.55 %
Support services	6,649,641	6,330,180	5.05 %
Non-instructional	1,098,699	1,247,207	(11.91) %
Sixteenth section	120,724	131,296	(8.05) %
Interest and other expenses on long-term liabilities	40,189	48,047	(16.35) %
Total expenses	17,884,493	17,579,427	1.74 %
Increase (Decrease) in net position	155,656	554,851	(71.95) %
Net Position, July 1, as previously reported	24,961,186	24,406,335	2.27 %
Prior Period Adjustment	(10,249)	-	N/A %
Net Position, July 1, as restated	24,950,937	24,406,335	2.23 %
Net Position, June 30	\$ 25,106,593	\$ 24,961,186	0.58 %

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.

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2013	2012	
Instruction	\$ 9,975,240	\$ 9,822,697	1.55 %
Support services	6,649,641	6,330,180	5.05 %
Non-instructional	1,098,699	1,247,207	(11.91) %
Sixteenth section	120,724	131,296	(8.05) %
Interest on long-term liabilities	40,189	48,047	(16.35) %
Total expenses	\$ 17,884,493	\$ 17,579,427	1.74 %
	Net (Expense) Revenue		
	2013	2012	Percentage Change
Instruction	\$ (8,495,307)	\$ (8,073,811)	5.22 %
Support services	(5,722,130)	(5,469,304)	4.62 %
Non-instructional	(113,924)	(256,016)	(55.50) %
Sixteenth section	(31,526)	(61,060)	(48.37) %
Interest on long-term liabilities	(40,189)	(48,047)	(16.35) %
Total net (expense) revenue	\$ (14,403,076)	\$ (13,908,238)	3.56 %

- Net cost of governmental activities (\$14,403,076 for 2013 and \$13,908,238 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$4,624,827 for 2013 and \$4,537,514 for 2012) and state and federal revenues (\$9,231,789 for 2013 and \$9,289,496 for 2012). In addition, there was \$595,543 and \$475,984 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$50,790 for 2013 and \$90,030 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 \$14,794,824, an increase of \$401,970, which includes a prior period adjustment of (\$16,635) and an increase in reserve for inventory of \$1,087. \$3,037,075 or 21% 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

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

general fund. The remaining fund balance of \$11,757,749 or 79% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned. Restricted fund balances consist of unemployment benefits, forestry improvements, sixteenth section, debt service and grant activities.

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 \$111,624. The fund balance of Other Governmental Funds showed an increase in the amount of \$67,624, which includes a prior period adjustment of (\$16,635) and an increase in reserve for inventory of \$1,087. The increase in Sixteenth Section Interest Funds is a result of leases, timber sales and interest income. The decrease in Capital Projects Funds is from the purchase of facilities acquisition and construction. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Funds	no increase or decrease
EHA Part B Funds	no increase or decrease
Sixteenth Section Interest Funds	\$ 602,197
Capital Projects Funds	\$ (156,227)

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.

Schedules showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and the major special revenue funds are 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 \$21,544,320, including land, construction in progress, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents a decrease of \$20,532 from 2012. Total accumulated depreciation as of June 30, 2013, was \$7,484,296, and total depreciation expense for the year was \$646,573, resulting in total net capital assets of \$14,060,024.

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 298,945	\$ 298,945	0.00 %
Construction in Progress	140,875	-	N/A %
Buildings	6,379,106	6,558,736	(2.74) %
Building improvements	5,764,870	6,036,574	(4.50) %
Improvements other than buildings	632,631	665,848	(4.99) %
Mobile equipment	618,026	635,139	(2.69) %
Furniture and equipment	225,571	260,250	(13.33) %
Total	<u>\$ 14,060,024</u>	<u>\$ 14,455,492</u>	(2.74) %

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

Debt Administration. At June 30, 2013, the District had \$3,756,710 in outstanding long-term debt, of which \$146,000 is due within one year. The liability for compensated absences increased \$1,056 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 600,000	\$ 740,000	(18.92) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	156,710	155,654	0.68 %
Total	<u>\$ 3,756,710</u>	<u>\$ 3,895,654</u>	(3.57) %

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

CURRENT ISSUES

The Poplarville Special Municipal Separate School District is financially stable. The District is proud of its community support of the public school.

The District has committed itself to financial excellence for many years. In addition, 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.

Enrollment for the 2012 - 2013 school year decreased by 2.1% to 1,911 students.

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

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 Poplarville Special Municipal Separate School District, 302 South Julia Street, Poplarville, Mississippi 39470.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2013**

EXHIBIT A

	<u>Governmental</u>	
		<u>Activities</u>
Assets		
Cash and cash equivalents	\$	13,504,354
Due from other governments		483,855
Other receivables, net		94
Inventories		41,093
Deferred debt issuance costs		17,929
Restricted assets		966,694
Capital assets not being depreciated		
Land		298,945
Construction in progress		140,875
Capital assets, net of accumulated depreciation		
Buildings		6,379,106
Building improvements		5,764,870
Improvements other than buildings		632,631
Mobile equipment		618,026
Furniture and equipment		<u>225,571</u>
Total Assets		<u>29,074,043</u>
Liabilities		
Accounts payable and accrued liabilities		198,276
Unearned revenue		2,990
Interest payable on long-term liabilities		9,474
Long-term liabilities (due within one year)		
Capital-related liabilities		146,000
Long-term liabilities (due beyond one year)		
Capital-related liabilities		3,454,000
Non-capital related liabilities		<u>156,710</u>
Total Liabilities		<u>3,967,450</u>
Net Position		
Net investment in capital assets		10,460,024
Restricted for:		
Expendable:		
School-based activities		4,657,556
Debt service		682,865
Capital improvements		3,442,115
Forestry improvements		1,398
Unemployment benefits		107,097
Non-expendable:		
Sixteenth section		377,964
Unrestricted		<u>5,377,574</u>
Total Net Position	\$	<u>25,106,593</u>

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

EXHIBIT B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental Activities:				
Instruction	\$ 9,975,240	\$ 400,262	\$ 1,079,671	\$ (8,495,307)
Support services	6,649,641	-	927,511	(5,722,130)
Non-instructional	1,098,699	205,444	779,331	(113,924)
Sixteenth section	120,724	89,198	-	(31,526)
Interest on long-term liabilities	40,189	-	-	(40,189)
Total Governmental Activities	<u>\$ 17,884,493</u>	<u>\$ 694,904</u>	<u>\$ 2,786,513</u>	<u>\$ (14,403,076)</u>
General Revenues:				
Taxes:				
				4,383,541
General purpose levies				241,286
Debt purpose levies				
Unrestricted grants and contributions:				
State				9,113,999
Federal				117,790
Unrestricted investment earnings				50,790
Sixteenth section sources				595,543
Other				55,783
Total General Revenues				<u>14,558,732</u>
Change in Net Position				<u>155,656</u>
Net Position - Beginning, as previously reported				24,961,186
Prior Period Adjustment				<u>(10,249)</u>
Net Position - Beginning, as restated				<u>24,950,937</u>
Net Position - Ending				<u>\$ 25,106,593</u>

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Governmental Funds

BALANCE SHEET **EXHIBIT C**
JUNE 30, 2013

	Major Funds					Total Governmental Funds
	General Fund	Title 1-A Funds	EHA Part B Funds	Sixteenth Section Interest Funds	Capital Projects Funds	
Assets						
Cash and cash equivalents	\$ 5,256,938	\$ -	\$ -	\$ 3,849,600	\$ 3,456,945	\$ 13,813,528
Cash with fiscal agents						657,520
Due from other governments	257,976	109,789	45,090	-	-	483,855
Due from other funds	170,232	-	-	4,341	-	178,602
Advances to other funds	-	-	-	-	-	68,790
Inventories	-	-	-	-	-	41,093
Total Assets	\$ 5,685,146	\$ 109,789	\$ 45,090	\$ 3,853,941	\$ 3,456,945	\$ 15,243,388
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 100,001	\$ 9,600	\$ 3,775	\$ 31,198	\$ 14,830	\$ 198,276
Due to other funds	-	100,189	41,315	1,628	-	178,508
Advances from other funds	68,790	-	-	-	-	68,790
Unavailable revenue (student accounts)	-	-	-	-	-	2,990
Total Liabilities	168,791	109,789	45,090	32,826	14,830	448,564
Fund balances:						
Nonspendable:						
Inventory	-	-	-	-	-	41,093
Permanent fund principal	-	-	-	-	-	309,174
Advances	-	-	-	-	-	68,790
Restricted:						
Debt service	-	-	-	-	-	692,339
Forestry improvement purposes	-	-	-	-	-	1,398
Grant activities	-	-	-	-	-	795,348
Unemployment benefits	-	-	-	-	-	107,097
Sixteenth section	-	-	-	3,821,115	-	3,821,115
Committed:						
Special education	168,222	-	-	-	-	168,222
Alternative school	201,861	-	-	-	-	201,861
Insurance escrow	787,743	-	-	-	-	787,743
Budget escrow	502,436	-	-	-	-	502,436
Capital improvements	-	-	-	-	90,292	90,292
Assigned:						
Student activities	411,114	-	-	-	-	411,114
Capital improvements	247,488	-	-	-	3,351,823	3,599,311
Grant activities	160,416	-	-	-	-	160,416
Unassigned	3,037,075	-	-	-	-	3,037,075
Total Fund Balances	5,516,355	-	-	3,821,115	3,442,115	14,794,824
Total Liabilities & Fund Balances	\$ 5,685,146	\$ 109,789	\$ 45,090	\$ 3,853,941	\$ 3,456,945	\$ 15,243,388

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

POPLARVILLE SEPARATE MUNICIPAL SPECIAL SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statements of Net Position
JUNE 30, 2013**

EXHIBIT C-1

Total fund balances for governmental funds \$ 14,794,824

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

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

Land	\$ 298,945	
Construction in progress	140,875	
Buildings	10,277,139	
Building improvements	6,792,608	
Improvements other than buildings	830,426	
Mobile equipment	1,907,885	
Furniture and equipment	1,296,442	
Accumulated depreciation	<u>(7,484,296)</u>	14,060,024

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

Three mill note	\$ (600,000)	
Qualified school construction bonds	(3,000,000)	
Compensated absences	(156,710)	
Unamortized bond issuance costs	17,929	
Accrued interest payable	<u>(9,474)</u>	<u>(3,748,255)</u>

Net position of governmental activities \$ 25,106,593

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Governmental Funds

EXHIBIT D

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

	Major Funds					Total Governmental Funds
	General Fund	Title 1-A Funds	EHA Part B Funds	Sixteenth Section Interest Funds	Capital Projects Funds	
Revenues:						
Local sources	\$ 4,859,782	\$ -	\$ -	\$ -	\$ 12,094	\$ 449,332
State sources	8,999,200	-	-	-	-	696,522
Federal sources	117,790	544,436	531,723	-	-	1,128,631
Sixteenth section sources	-	-	-	607,003	-	93,636
Total Revenues	<u>13,976,772</u>	<u>544,436</u>	<u>531,723</u>	<u>607,003</u>	<u>12,094</u>	<u>2,368,121</u>
Expenditures:						
Instruction	8,209,004	326,762	218,368	-	-	813,143
Support services	5,342,974	170,805	313,355	-	-	671,912
Non-instructional services	24,680	32,452	-	-	-	986,572
Sixteenth section	-	-	-	9,148	-	111,576
Facilities acquisition and construction	48,000	-	-	-	168,321	-
Debt Service:						
Principal	-	-	-	-	-	140,000
Interest	3,240	-	-	-	-	34,410
Other	-	-	-	-	-	2,500
Total Expenditures	<u>13,627,898</u>	<u>530,019</u>	<u>531,723</u>	<u>9,148</u>	<u>168,321</u>	<u>2,760,113</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>348,874</u>	<u>14,417</u>	<u>-</u>	<u>597,855</u>	<u>(156,227)</u>	<u>(391,992)</u>
Other Financing Sources (Uses)						
Sale of transportation equipment	4,591	-	-	-	-	4,591
Operating transfers in	14,417	-	-	4,342	-	545,506
Operating transfers out	(479,506)	(14,417)	-	-	-	(70,342)
Total Other Financing Sources (Uses)	<u>(460,498)</u>	<u>(14,417)</u>	<u>-</u>	<u>4,342</u>	<u>-</u>	<u>475,164</u>
Net change in fund balances	<u>(111,624)</u>	<u>-</u>	<u>-</u>	<u>602,197</u>	<u>(156,227)</u>	<u>83,172</u>
Fund Balances:						
July 1, 2012, as previously reported	5,627,979	-	-	3,218,918	3,598,342	1,947,615
Prior period adjustment	-	-	-	-	-	(16,635)
July 1, 2012, as restated	<u>5,627,979</u>	<u>-</u>	<u>-</u>	<u>3,218,918</u>	<u>3,598,342</u>	<u>1,930,980</u>
Increase in reserve for inventory	-	-	-	-	-	1,087
June 30, 2013	<u>\$ 5,516,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,821,115</u>	<u>\$ 3,442,115</u>	<u>\$ 2,015,239</u>
						<u>\$ 14,794,824</u>

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE 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 \$ 417,518

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

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

Capital outlay	\$ 275,329	
Depreciation expense	<u>(646,573)</u>	(371,244)

2. In the statement of activities, only 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 assets differs from the change in fund balance by the cost of the asset sold. (30,610)

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

Payments of debt principal	140,000	
Accrued interest payable	<u>2,070</u>	142,070

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	(1,056)	
Change in inventory reserve	1,087	
Amortization of deferred charges, premiums and discounts	<u>(2,109)</u>	<u>(2,078)</u>

Change in net position of governmental activities \$ 155,656

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2013

EXHIBIT E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 619,987
Total Assets	<u>\$ 619,987</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 606,322
Due to student clubs	13,571
Due to other funds	94
Total Liabilities	<u>\$ 619,987</u>

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

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. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. The general operating expenditures, including instructional, support, and other costs are paid from this fund.

Title I-A Funds – This is a special revenue fund used to account for the school district's revenues earned and expenditures incurred through the Title I-A federal grant funds.

EHA Part B Funds – This is a special revenue fund used to account for the school district's revenues earned and expenditures incurred through the EHA Part B federal grant funds.

Sixteenth Section Interest Funds – This is a special revenue fund used to account for the school district's earnings and expenditures from sixteenth section property and investments. These funds may be used for purposes that support the school district.

Capital Projects Funds – This is a capital project fund used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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 school district also reports fiduciary funds which focus on assets and liabilities.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

The District's fiduciary funds include the following:

Payroll Clearing Fund – This agency fund is used to report resources held by the District on behalf of other funds for payroll related liabilities.

Accounts Payable Clearing Fund – This agency fund is used to report resources held by the District on behalf of other funds for related liabilities.

Student Club Fund – This agency fund is used to report resources held by the District on behalf of students.

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.

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

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

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

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

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

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

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

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

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

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

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

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

The following schedule details the capitalization thresholds:

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

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

7. **Compensated Absences**

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

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

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

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

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

9. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board of Trustees, the District's highest level of decision-making authority. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board.

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 Director of Finance pursuant to authorization established by the School Board of Trustees as approved by the fund balance reporting policy.

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.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

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

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

Minimum unassigned fund balance goal in the general fund at fiscal year end is 15% of annual general fund operating revenues. If the unassigned fund balance at fiscal year end falls below the goal, a restoration plan shall be developed 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:

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 \$13,813,528 and \$619,987, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents of \$13,504,354 and restricted assets of \$309,174 (which represents the cash balance of the Sixteenth Section Principal Fund). The bank balance was \$14,601,001.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$14,601,001 was exposed to custodial credit risk.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$657,520. This amount is included as restricted assets on Exhibit A.

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	Other Governmental Funds	\$ 27,006
	Title I-A Funds	100,189
	EHA Part B Funds	41,315
	Sixteenth Section Interest Funds	1,628
	Fiduciary Funds	94
Sixteenth Section Interest Funds	Other Governmental Funds	4,341
Other Governmental Funds	Other Governmental Funds	<u>4,029</u>
Total		<u>\$ 178,602</u>

The primary purpose of the inter-fund loans was to cover federal funds not received prior to year end and to properly allocate sixteenth section revenue.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General Fund	<u>\$ 68,790</u>
Total		<u>\$ 68,790</u>

Sixteenth section principal loans payable

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

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

Year Ending June 30	Principal	Interest	Total
2014	\$ 12,700	\$ 2,752	\$ 15,452
2015	13,209	2,243	15,452
2016	13,737	1,715	15,452
2017	14,286	1,166	15,452
2018	14,858	594	15,452
Total	\$ 68,790	\$ 8,470	\$ 77,260

C. Inter-fund Transfers

Transfer Out	Transfer In	Amount
General Fund	Other Governmental Funds	\$ 479,506
Title 1-A Funds	General Fund	14,417
Other Governmental Funds	Sixteenth Section Interest Funds	4,342
	Other Governmental Funds	<u>66,000</u>
Total		<u>\$ 564,265</u>

Transfers are used primarily to move unrestricted general fund monies to finance various programs and projects accounted for in other funds.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$309,174, 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 balance with fiscal agents, totaling \$657,520 of the Qualified School Construction Bond Retirement Fund.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

Note 5 – Capital Assets

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

	Balance 7/1/2012	Additions	Retirements	Adjustments	Balance 6/30/2013
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 298,945	\$ -	\$ -	\$ -	298,945
Construction in progress	-	140,875	-	-	140,875
Total non-depreciable capital assets	298,945	140,875	-	-	439,820
<u>Depreciable capital assets:</u>					
Buildings	10,277,139	-	-	-	10,277,139
Building improvements	6,792,608	-	-	-	6,792,608
Improvements other than buildings	830,426	-	-	-	830,426
Mobile equipment	1,952,921	97,930	142,966	-	1,907,885
Furniture and equipment	1,412,813	36,524	160,333	7,438	1,296,442
Total depreciable capital assets	21,265,907	134,454	303,299	7,438	21,104,500
<u>Less accumulated depreciation for:</u>					
Buildings	3,718,403	179,630	-	-	3,898,033
Building improvements	756,034	271,704	-	-	1,027,738
Improvements other than buildings	164,578	33,217	-	-	197,795
Mobile equipment	1,317,782	100,746	128,669	-	1,289,859
Furniture and equipment	1,152,563	61,276	144,020	1,052	1,070,871
Total accumulated depreciation	7,109,360	646,573	272,689	1,052	7,484,296
Total depreciable capital assets, net	14,156,547	(512,119)	30,610	6,386	13,620,204
Governmental activities capital assets, net	\$ 14,455,492	\$ (371,244)	\$ 30,610	\$ 6,386	\$ 14,060,024

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 413,182
Support services	177,368
Non-instructional	56,023
Total depreciation expense - Governmental activities	\$ 646,573

Construction in progress is composed of:

	Spent to June 30,	Remaining Commitment
Governmental activities:		
Door Replacements	\$ 136,971	\$ 4,196
Baseball Fieldhouse	3,904	86,096
Total governmental activities	\$ 140,875	\$ 90,292

Construction projects included in governmental activities are funded with general purpose property tax levies.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

**Notes to Financial Statements
For the 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. Three mill notes payable	\$ 740,000	\$ -	\$ 140,000	\$ 600,000	\$ 146,000
B. Qualified school construction bonds payable	3,000,000	-	-	3,000,000	-
C. Compensated absences payable	155,654	1,056	-	156,710	-
Total	\$ 3,895,654	\$ 1,056	\$ 140,000	\$ 3,756,710	\$ 146,000

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited - Tax School Note	4.65%	4/4/2002	4/1/2017	\$ 2,000,000	\$ 600,000

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 146,000	\$ 27,900	\$ 173,900
2015	150,000	21,111	171,111
2016	150,000	14,136	164,136
2017	154,000	7,161	161,161
Total	\$ 600,000	\$ 70,308	\$ 670,308

This debt will be retired from Fund 4021 Three Mill Note Retirement Fund.

The limited-tax school note is secured by an irrevocable pledge of a direct, continuing, special tax, not to exceed three mills, upon all of the taxable property of the District levied by the Board of Supervisors, Pearl River County, Mississippi, pursuant to Section 37-59-107 of the Miss. Code Ann. (1972) for the payment of the principal and interest on the notes as the same shall respectively mature and accrue.

The District also irrevocably pledges to the payment of the notes the Education Enhancement Funds (EEF) to be received from the State of Mississippi pursuant to Section 37-61-33 of the Miss. Code Ann. (1972) during the years 2002 through 2017 in the approximate amount of \$63,592 per year. Provided, however, any EEF not required to pay the principal and interest on the notes in any year in which the EEF are pledged to repay the notes may be used by the District for any other authorized purpose.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

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

B. Qualified school construction bonds payable

As more fully explained in Note 13 debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Tax Credit Rate	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bonds	6.14%	0.00%	1/14/2010	6/15/2022	\$ 3,000,000	\$ 3,000,000

This debt will be retired from Fund 4031 Qualified School Construction Bond Retirement Fund.

The bonds are secured by an irrevocable pledge of a direct, continuing, special tax, not to exceed three mills, upon all of the taxable property of the District levied by the Board of Supervisors, Pearl River County, Mississippi, pursuant to Section 37-59-107 of the Miss. Code Ann. (1972) for the payment of the principal and interest on the notes as the same shall respectively mature and accrue.

The District also irrevocably pledges to the payment of the notes the Education Enhancement Funds (EEF) to be received from the State of Mississippi pursuant to Section 37-61-33 of the Miss. Code Ann. (1972) during the years 2010 through 2022 in the approximate amount of \$63,592 per year. Provided, however, any EEF not required to pay the principal and interest on the notes in any year in which the EEF are pledged to repay the notes may be used by the District for any other authorized purpose.

C. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 8 – Defined Benefit Pension Plan

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$1,449,220, \$1,269,267 and \$1,155,931, respectively, which equaled the required contributions for each year.

Note 9 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
Team nutrition training grant revenues not received	\$ (728)
Public assistance disaster grant duplicated p.w.	(15,907)
Furniture and equipment - color copier	7,438
Furniture and equipment accumulated depreciation - color copier	(1,052)
Total	\$ (10,249)

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

Fund	Explanation	Amount
Other Governmental Funds	Team nutrition training grant revenues not received	\$ (728)
	Public assistance disaster grant - duplicated p.w.	(15,907)
Total		\$ (16,635)

Note 10 – 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.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

Year Ending June 30	Amount
2014	\$ 48,312
2015	38,714
2016	37,244
2017	8,200
2018	2,000
2019 – 2023	6,000
Total	\$ 140,470

Note 11 – Contingencies

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

Litigation – A criminal proceeding is being conducted regarding sixteenth section timber theft. The Mississippi Secretary of State’s Office is estimating the amount to be in excess of \$200,000 beginning approximately February 2009 and ending approximately April 2010 in which they are considering a civil complaint. 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 the criminal proceeding will not have a material adverse effect on the financial condition of the school district.

Note 12 – Risk Management

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

Note 13 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2013

deposit at June 30, 2013 was \$657,520. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2014	\$ 149,206
2015	154,294
2016	163,454
2017	168,742
2018	332,105
2019-2022	1,374,688
Total	<u>\$ 2,342,489</u>

Note 14 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated June 14, 2010 creating the Pearl River Central Center for Alternative Education. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Pearl River County School District and the Poplarville Special Municipal Separate School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Pearl River County School District has been designated as the lead school district for the Pearl River Central for Alternative Education, and the operations of the consortium are included in its financial statements.

Note 15 – Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the district evaluated the activity of the district through February 7, 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:

On January 22, 2014, the district received a check in the amount of \$98,162.78 for settlement of a civil suit. As part of this settlement, the district will receive \$500 a month in restitution up to \$30,000.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

POPLARVILLE SPECIAL MUNICIPAL SEPARATE 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	\$ 4,675,388	\$ 4,849,363	\$ 4,859,782	\$ 173,975	\$ 10,419
State sources	8,706,134	8,994,287	8,999,200	288,153	4,913
Federal sources	645,932	117,000	117,790	(528,932)	790
Total Revenues	<u>14,027,454</u>	<u>13,960,650</u>	<u>13,976,772</u>	<u>(66,804)</u>	<u>16,122</u>
Expenditures:					
Instruction	8,192,739	8,244,260	8,209,004	(51,521)	35,256
Support services	5,916,514	5,434,588	5,342,974	481,926	91,614
Non-instructional services	34,950	26,600	24,680	8,350	1,920
Facilities acquisition and construction	-	48,100	48,000	(48,100)	100
Debt Service:					
Interest	3,241	3,241	3,240	-	1
Total Expenditures	<u>14,147,444</u>	<u>13,756,789</u>	<u>13,627,898</u>	<u>390,655</u>	<u>128,891</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>(119,990)</u>	<u>203,861</u>	<u>348,874</u>	<u>323,851</u>	<u>145,013</u>
Other Financing Sources (Uses):					
Sale of transportation equipment	-	4,500	4,591	4,500	91
Operating transfers in	549,770	608,010	14,417	58,240	(593,593)
Operating transfers out	(962,986)	(1,073,101)	(479,506)	(110,115)	593,595
Total Other Financing Sources (Uses)	<u>(413,216)</u>	<u>(460,591)</u>	<u>(460,498)</u>	<u>(47,375)</u>	<u>93</u>
Net change in fund balances	<u>(533,206)</u>	<u>(256,730)</u>	<u>(111,624)</u>	<u>276,476</u>	<u>145,106</u>
Fund Balances:					
July 1, 2012	<u>5,627,979</u>	<u>5,627,979</u>	<u>5,627,979</u>	-	-
June 30, 2013	<u>\$ 5,094,773</u>	<u>\$ 5,371,249</u>	<u>\$ 5,516,355</u>	<u>\$ 276,476</u>	<u>\$ 145,106</u>

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule
Title I-A Funds
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	\$ 555,177	\$ 544,470	\$ 544,436	\$ (10,707)	\$ (34)
Total Revenues	<u>555,177</u>	<u>544,470</u>	<u>544,436</u>	<u>(10,707)</u>	<u>(34)</u>
Expenditures:					
Instruction	263,540	326,775	326,762	(63,235)	13
Support services	251,676	170,817	170,805	80,859	12
Noninstructional services	24,961	32,453	32,452	(7,492)	1
Total Expenditures	<u>540,177</u>	<u>530,045</u>	<u>530,019</u>	<u>10,132</u>	<u>26</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>15,000</u>	<u>14,425</u>	<u>14,417</u>	<u>(575)</u>	<u>(6)</u>
Other Financing Sources (Uses):					
Operating transfers out	(15,000)	(14,425)	(14,417)	575	8
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>(14,425)</u>	<u>(14,417)</u>	<u>575</u>	<u>8</u>
Net change in fund balances	-	-	-	-	-
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule
 EHA Part B Funds
 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	\$ 515,841	\$ 543,351	\$ 531,723	\$ 27,510	\$ (11,628)
Total Revenues	<u>515,841</u>	<u>543,351</u>	<u>531,723</u>	<u>27,510</u>	<u>(11,628)</u>
Expenditures:					
Instruction	211,685	214,050	218,368	(2,365)	(4,318)
Support services	304,156	329,301	313,355	(25,145)	15,946
Total Expenditures	<u>515,841</u>	<u>543,351</u>	<u>531,723</u>	<u>(27,510)</u>	<u>11,628</u>
Excess (deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
Net change in fund balances	-	-	-	-	-
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Sixteenth section sources	\$ 345,605	\$ 551,585	\$ 607,003	\$ 205,980	\$ 55,418
Total Revenues	<u>345,605</u>	<u>551,585</u>	<u>607,003</u>	<u>205,980</u>	<u>55,418</u>
Expenditures					
Sixteen section	11,550	10,276	9,148	1,274	1,128
Total Expenditures	<u>11,550</u>	<u>10,276</u>	<u>9,148</u>	<u>1,274</u>	<u>1,128</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>334,055</u>	<u>541,309</u>	<u>597,855</u>	<u>207,254</u>	<u>56,546</u>
Other Financing Sources (Uses)					
Operating transfers in	12,155	14,751	4,342	2,596	(10,409)
Operating transfers out	(6,655)	(10,409)	-	(3,754)	10,409
Total Other Financing Sources (Uses)	<u>5,500</u>	<u>4,342</u>	<u>4,342</u>	<u>(1,158)</u>	<u>-</u>
Net change in fund balances	339,555	545,651	602,197	206,096	56,546
Fund Balances:					
July 1, 2012	<u>3,218,918</u>	<u>3,218,918</u>	<u>3,218,918</u>	<u>-</u>	<u>-</u>
June 30, 2013	<u>\$ 3,558,473</u>	<u>\$ 3,764,569</u>	<u>\$ 3,821,115</u>	<u>\$ 206,096</u>	<u>\$ 56,546</u>

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2013

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

POPLARVILLE SPECIAL MUNICIPAL SEPARATE 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 Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster		
School breakfast program	10.553	\$ 171,554
National school lunch program	10.555	635,174
Summer food service program for children	10.559	11,483
Total child nutrition cluster		<u>818,211</u>
Total U.S. Department of Agriculture		<u>818,211</u>
<u>U. S. Department of Defense</u>		
Direct Program:		
Promoting K-12 student achievement	12.xxx	9,000
Total U.S. Department of Defense		<u>9,000</u>
<u>Federal Communications Commission</u>		
Administered through Universal Service Administrative Company:		
Schools and libraries program of the universal service fund	32.XXX	90,743
Total Federal Communications Commission		<u>90,743</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	26,627
Twenty-first century community learning centers	84.287	25,605
Rural education achievement program	84.358	49,419
Improving teacher quality - state grants	84.367	121,120
Subtotal		<u>222,771</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	544,436
Title I - school improvement	84.010A	46,685
Total Title I cluster		<u>591,121</u>
Special education cluster:		
Special education - grants to states	84.027	531,723
Special education - preschool grants	84.173	14,604
Total special education cluster		<u>546,327</u>
Total passed-through Mississippi Department of Education		<u>1,360,219</u>
Total U.S. Department of Education		<u>1,360,219</u>
<u>U.S. Department of Health Services</u>		
Passed-through Mississippi Department of Health Services:		
Medical assistance program	93.778	21,570
Total passed-through Mississippi Department of Health Services		<u>21,570</u>
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	18,047
Total passed-through Mississippi Department of Education		<u>18,047</u>
Total U.S. Department of Health Services		<u>39,617</u>
<u>U.S. Department of Homeland Security</u>		
Passed-through Mississippi Emergency Management Agency:		
Disaster grants - public assistance (presidentially declared disasters)	97.036	2,384
Total passed-through Mississippi Emergency Management Agency		<u>2,384</u>
Total Department of Homeland Security		<u>2,384</u>
Total for All Federal Awards		<u>\$ 2,320,174</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.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE 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	\$ 13,583,983	\$ 10,254,808	\$ 642,868	\$ 1,051,319	\$ 1,634,988
Other	4,043,239	1,392,794	129,754	27,288	2,493,403
Total	\$ 17,627,222	\$ 11,647,602	\$ 772,622	\$ 1,078,607	\$ 4,128,391
Total number of students *	1,792				
Cost per student	\$ 9,837	\$ 6,500	\$ 431	\$ 602	\$ 2,304

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

Instruction and other student instructional expenses - 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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

OTHER INFORMATION

POPLARVILLE SPECIAL MUNICIPAL SEPARATE 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	\$ 4,859,782	\$ 4,741,853	\$ 4,767,825	\$ 4,847,402
State sources	8,999,200	9,028,338	8,507,814	9,022,089
Federal sources	117,790	280,203	81,158	29,754
Total Revenues	<u>13,976,772</u>	<u>14,050,394</u>	<u>13,356,797</u>	<u>13,899,245</u>
Expenditures:				
Instruction	8,209,004	7,766,073	6,569,978	7,783,016
Support services	5,342,974	5,047,578	5,038,002	5,113,130
Noninstructional services	24,680	38,637	50,018	42,455
Facilities acquisition and construction	48,000	-	-	-
Debt service:				
Interest	3,240	3,710	4,161	4,596
Total Expenditures	<u>13,627,898</u>	<u>12,855,998</u>	<u>11,662,159</u>	<u>12,943,197</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>348,874</u>	<u>1,194,396</u>	<u>1,694,638</u>	<u>956,048</u>
Other Financing Sources (Uses):				
Sale of transportation equipment	4,591	-	8,692	-
Operating transfers in	14,417	14,575	11,776	84,257
Operating transfers out	(479,506)	(641,316)	(674,953)	(729,891)
Total Other Financing Sources (Uses)	<u>(460,498)</u>	<u>(626,741)</u>	<u>(654,485)</u>	<u>(645,634)</u>
Net Change in Fund Balances	<u>(111,624)</u>	<u>567,655</u>	<u>1,040,153</u>	<u>310,414</u>
Fund Balances:				
Beginning of period, as previously reported	5,627,979	5,060,324	4,020,171	3,799,487
Prior period adjustments	-	-	-	(89,730)
Beginning of period, as restated	<u>5,627,979</u>	<u>5,060,324</u>	<u>4,020,171</u>	<u>3,709,757</u>
End of Period	<u>\$ 5,516,355</u>	<u>\$ 5,627,979</u>	<u>\$ 5,060,324</u>	<u>\$ 4,020,171</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

POPLARVILLE SPECIAL MUNICIPAL SEPARATE 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	\$ 5,321,208	\$ 5,216,692	\$ 5,262,026	\$ 5,359,807
State sources	9,695,722	9,840,147	9,250,376	9,813,327
Federal sources	2,322,580	2,668,458	3,835,487	3,612,388
Sixteenth section sources	700,639	572,423	327,020	439,593
Total Revenues	18,040,149	18,297,720	18,674,909	19,225,115
Expenditures:				
Instruction	9,567,277	9,414,137	9,353,395	10,501,104
Support services	6,499,046	6,180,858	6,332,096	6,413,163
Noninstructional services	1,043,704	1,134,255	1,079,840	1,078,123
Sixteenth section	120,724	131,296	51,570	91,353
Facilities acquisition and construction	216,321	1,446,586	2,343,100	1,531,539
Debt service:				
Principal	140,000	136,000	130,000	130,000
Interest	37,650	44,444	50,940	57,420
Other	2,500	3,500	-	26,365
Total Expenditures	17,627,222	18,491,076	19,340,941	19,829,067
Excess (Deficiency) of Revenues over (under) Expenditures	412,927	(193,356)	(666,032)	(603,952)
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	-	3,000,000
Sale of transportation equipment	4,591	-	8,692	-
Operating transfers in	564,265	664,864	699,654	821,908
Operating transfers out	(564,265)	(664,864)	(699,654)	(821,908)
Other financing uses	-	-	-	(68,591)
Total Other Financing Sources (Uses)	4,591	-	8,692	2,931,409
Net Change in Fund Balances	417,518	(193,356)	(657,340)	2,327,457
Fund Balances:				
Beginning of period, as previously reported	14,392,854	14,577,402	15,235,078	13,041,694
Prior period adjustments	(16,635)	-	-	(118,606)
Beginning of period, as restated	14,376,219	14,577,402	15,235,078	12,923,088
Increase (Decrease) in reserve for inventory	1,087	8,808	(336)	(15,467)
End of Period	\$ 14,794,824	\$ 14,392,854	\$ 14,577,402	\$ 15,235,078

*SOURCE - PRIOR YEAR AUDIT REPORTS

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

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

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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 THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Superintendent and School Board
Poplarville Special Municipal Separate School District

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Poplarville Special Municipal Separate School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Poplarville Special Municipal Separate School District's basic financial statements and have issued our report thereon dated February 7, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of 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 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.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
February 7, 2014

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

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

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

Superintendent and School Board
Poplarville Special Municipal Separate School District

Report on Compliance for Each Major Federal Program

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

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

Opinion on Each Major Federal Program

In our opinion, Poplarville Special Municipal Separate 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 Poplarville Special Municipal Separate School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and 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.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
February 7, 2014

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

**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
Poplarville Special Municipal Separate School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Poplarville Special Municipal Separate School District as of and for the year ended June 30, 2013, which collectively comprise Poplarville Special Municipal Separate School District's basic financial statements and have issued our report thereon dated February 7, 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 **\$3,107** 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 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.

Page 2

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.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
February 7, 2014

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For Year Ended June 30, 2013

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553	School breakfast program
10.555	National school lunch program
10.559	Summer food service program for children

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For Year Ended June 30, 2013

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Cost

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