



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

Quitman County School District

Audited Financial Statements
For the Year Ended June 30, 2013

Fortenberry & Ballard, PC
Certified Public Accountants

Quitman County School District
TABLE OF CONTENTS

	PAGE #	
INDEPENDENT AUDITOR’S REPORT	4	
MANAGEMENT’S DISCUSSION AND ANALYSIS	8	
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements		
Exhibit A - Statement of Net Position	20	
Exhibit B - Statement of Activities	21	
Governmental Funds Financial Statements		
Exhibit C - Balance Sheet	22	
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	24	
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	26	
Exhibit D - 1 - Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28	
Fiduciary Funds Financial Statements		
Exhibit E - Statement of Fiduciary Assets and Liabilities	29	
Notes to the Financial Statements	31	
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule - General Fund	49	
Budgetary Comparison Schedule - Title I Fund	50	
Notes to the Required Supplementary Information	51	
SUPPLEMENTARY INFORMATION		
Schedule of Expenditures of Federal Awards	53	
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	54	
OTHER INFORMATION		
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	56	
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	57	
REPORTS ON INTERNAL CONTROL AND COMPLIANCE		
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59	
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133	61	
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS		65
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	68	
AUDITEE’S CORRECTIVE ACTION PLAN AND AUDITEE’S SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS.	75	

FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board
Quitman County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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.

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

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 Quitman County School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 to 18 and 49 to 51 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 Quitman County School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived

from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2014, on our consideration of the Quitman County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Quitman County School District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
July 25, 2014

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quitman County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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

FINANCIAL HIGHLIGHTS

- Total net position for 2013 increased \$304,517, including a prior period adjustment of \$9,051, which represents an 8% increase from fiscal year 2012. Total net position for 2012 increased \$1,657,404, including a prior period adjustment of \$74,694, which represents a 79% increase from fiscal year 2011.
- General revenues amounted to \$8,527,723 and \$9,284,162, or 73% and 69% 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 \$3,148,237, or 27% of total revenues for 2013, and \$4,198,274, or 31% of total revenues for 2012.
- The District had \$11,380,494 and \$11,899,726 in expenses for fiscal years 2013 and 2012; only \$3,148,237 for 2013 and \$4,198,274 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$8,527,723 for 2013 and \$9,284,162 for 2012 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$7,696,962 in revenues and \$8,209,141 in expenditures for 2013, and \$8,721,124 in revenues and \$7,054,346 in expenditures for 2012. The General Fund's fund balance decreased by \$298,428, from 2012 to 2013, and increased by \$1,084,533, including a prior period adjustment of (\$54,122) from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$1,057,178 for 2013 and decreased by \$252,805 for 2012. The increase for 2013 was due primarily to additions to building improvements, improvements other than buildings and equipment. The improvements other than buildings include the installation of a concrete walking trail and bridge, the construction on the football field and installation of waterlines, hose bibs and drinking fountain. The building improvements included a re-roofing project to the Middle School and Heating and Air Conditioning equipment.
- Long-term debt increased by \$718,000 for 2013 and decreased by \$270,017 for 2012. This increase for 2013 was due primarily to issuance of a Qualified School Construction Bond in the amount of \$975,000. The liability for compensated absences decreased by \$4,424 for 2013 and increased by \$6,264 for 2012.

Quitman County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Quitman County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Quitman County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$4,053,632 as of June 30, 2013.

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

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

Quitman County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Table 1
Condensed Statement of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 3,580,138	3,698,412	(3)%
Capital assets, net	<u>2,748,856</u>	<u>1,691,678</u>	62%
Total assets	<u>6,328,994</u>	<u>5,390,090</u>	17%
Current liabilities	585,190	664,379	(12)%
Long-term debt outstanding	<u>1,690,172</u>	<u>976,596</u>	73%
Total liabilities	<u>2,275,362</u>	<u>1,640,975</u>	39%
Net position:			
Net investment in capital assets	1,134,856	795,678	43%
Restricted	1,725,562	1,361,220	27%
Unrestricted	<u>1,193,214</u>	<u>1,592,217</u>	(25)%
Total net position	<u>\$ 4,053,632</u>	<u>3,749,115</u>	8%

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

- Increase in net capital assets in the amount of \$1,057,178.
- The principal retirement of \$257,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$11,675,960 and \$13,482,436, respectively. The total cost of all programs and services was \$11,380,494 for 2013 and \$11,899,726 for 2012.

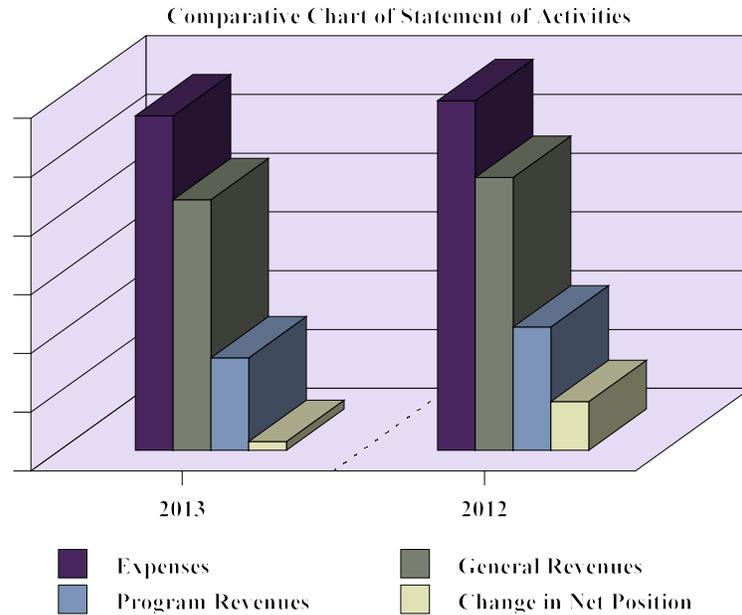
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

Quitman County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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	\$ 134,242	424,993	(68)%
Operating grants and contributions	3,013,995	3,773,281	(20)%
Total program revenues	<u>3,148,237</u>	<u>4,198,274</u>	(25)%
General revenues:			
Property taxes	1,899,639	2,496,216	(24)%
Grants and contributions not restricted	6,115,429	6,323,742	(3)%
Investment earnings	14,127	14,943	(5)%
Sixteenth section sources	315,320	398,600	(21)%
Other	183,208	50,661	262%
Total general revenues	<u>8,527,723</u>	<u>9,284,162</u>	(8)%
Total revenues	<u>11,675,960</u>	<u>13,482,436</u>	(13)%
Expenses:			
Instruction	5,774,731	6,231,125	(7)%
Support services	4,462,196	4,437,350	1%
Non-instructional	1,081,412	1,156,560	(6)%
Sixteenth section	26,620	27,200	(2)%
Interest on long-term liabilities	35,535	47,491	(25)%
Total expenses	<u>11,380,494</u>	<u>11,899,726</u>	(4)%
Increase (Decrease) in net position	<u>295,466</u>	<u>1,582,710</u>	(81)%
Net Position, July 1, as previously reported	3,749,115	2,091,711	79%
Prior period adjustment	<u>9,051</u>	<u>74,694</u>	(88)%
Net Position, July 1, as restated	<u>3,758,166</u>	<u>2,166,405</u>	73%
Net Position, June 30	<u>\$ 4,053,632</u>	<u>3,749,115</u>	8%

Quitman County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013



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.

Table 3
Net Cost of Governmental Activities

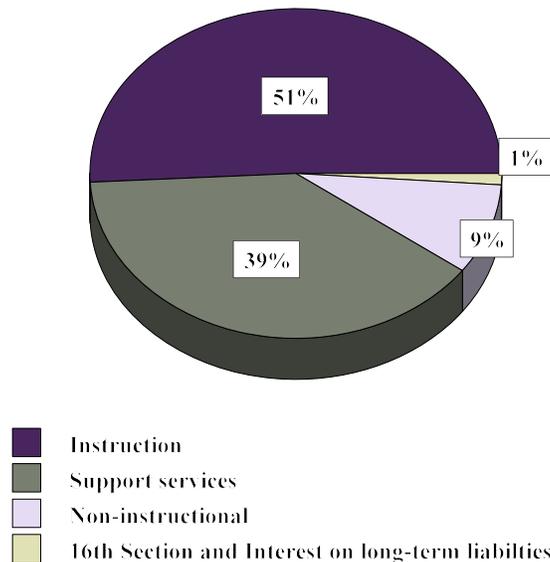
	<u>Total Expenses</u>		
	2013	2012	Percentage Change
Instruction	\$ 5,774,731	6,231,125	(7)%
Support services	4,462,196	4,437,350	1%
Non-instructional	1,081,412	1,156,560	(6)%
Sixteenth section	26,620	27,200	(2)%
Interest on long-term liabilities	35,535	47,491	(25)%
Total expenses	\$ 11,380,494	11,899,726	(4)%

Quitman County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Net (Expense) Revenue

	2013	2012	Percentage Change
Instruction	\$ (4,793,609)	(4,481,768)	7%
Support services	(3,466,975)	(3,177,997)	9%
Non-instructional	70,253	6,938	913%
Sixteenth section	(6,391)	(1,134)	464%
Interest on long-term liabilities	(35,535)	(47,491)	(25)%
Total net (expense) revenue	<u><u>\$ (8,232,257)</u></u>	<u><u>(7,701,452)</u></u>	<u><u>7%</u></u>

Chart of Expenses per Statement of Activities



- Net cost of governmental activities ((\$8,232,257) for 2013 and (\$7,701,452) for 2012) was financed by general revenue, which is primarily made of property taxes (\$1,899,639 for 2013 and \$2,496,216 for 2012) and state and federal revenues (\$6,115,429 for 2013 and \$6,323,742 for 2012). In addition, there was \$315,320 and \$398,600 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$14,127 for 2013 and \$14,943 for 2012.

Quitman County School District
 Management's Discussion and Analysis
 For the Year Ended June 30, 2013

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 \$2,999,402, a decrease of \$41,847, which includes a decrease in inventory of \$15,561. \$1,243,005, or 41% 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$1,756,397, or 59% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

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 \$298,428. The fund balance of Other Governmental Funds showed a decrease in the amount of \$658,825, which includes a decrease in inventory of \$15,561 to reflect inventory to actual. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	\$ (42,294)
Building Projects Fund	957,700

BUDGETARY HIGHLIGHTS

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

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

Quitman County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$5,753,356, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$1,265,238 from 2012. Total accumulated depreciation as of June 30, 2013, was \$3,004,500, and total depreciation expense for the year was \$208,319, resulting in total net capital assets of \$2,748,856.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2013	June 30, 2012	Percentage Change
Land	\$ 76,602	76,652	0%
Construction in progress		215,601	(100)%
Buildings	230,327	230,327	0%
Building improvements	1,607,027	525,917	206%
Improvements other than buildings	317,097	130,824	142%
Mobile equipment	406,722	394,524	3%
Furniture and equipment	111,081	117,883	(6)%
Total	\$ 2,748,856	1,691,728	62%

Additional information on the District's capital assets can be found in Note 4 included in this report.

Debt Administration. At June 30, 2013, the District had \$1,690,172 in outstanding long-term debt, of which \$269,000 is due within one year. The liability for compensated absences decreased \$4,424 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2013	June 30, 2012	Percentage Change
Certificates of participation payable	\$ 256,000	433,000	(41)%
Three mill notes payable	383,000	463,000	(17)%
Qualified school construction bonds	975,000		N/A
Compensated absences payable	76,172	80,596	(5)%
Total	\$ 1,690,172	976,596	73%

Quitman County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Additional information on the District's long-term debt can be found in Note 5 included in this report.

CURRENT ISSUES

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

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

Enrollment for the 2012-2013 year decreased by 2% to 1,218 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the Quitman County School District, PO Drawer E, Marks, MS 38666.

FINANCIAL STATEMENTS

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

	Governmental Activities
Assets:	
<i>Cash and cash equivalents</i>	\$ 3,322,429
<i>Cash with fiscal agents</i>	270
<i>Due from other governments</i>	244,139
<i>Inventories</i>	13,300
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	76,602
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	230,327
<i>Building improvements</i>	1,607,027
<i>Improvements other than buildings</i>	317,097
<i>Mobile equipment</i>	406,722
<i>Furniture and equipment</i>	111,081
Total Assets	<u>6,328,994</u>
Liabilities:	
<i>Accounts payable and accrued liabilities</i>	577,581
<i>Unearned revenue</i>	3,156
<i>Interest payable on long-term liabilities</i>	4,453
Long-term liabilities, due within one year:	
<i>Capital related liabilities</i>	269,000
Long-term liabilities, due beyond one year:	
<i>Capital related liabilities</i>	1,345,000
<i>Non-capital related liabilities</i>	76,172
Total Liabilities	<u>2,275,362</u>
Net Position:	
Net Investment in Capital Assets	1,134,856
Restricted:	
Expendable:	
School based activities	538,447
Debt service	141,353
Capital Projects	1,007,800
Forestry improvements	13,765
Unemployment benefits	24,197
Unrestricted	1,193,214
Total Net Position	<u>\$ 4,053,632</u>

The accompanying notes are an integral part of this statement.

QUITMAN COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
<i>Instruction</i>	5,774,731	42,204	938,918	(4,793,609)
<i>Support services</i>	4,462,196	--	995,221	(3,466,975)
<i>Noninstructional services</i>	1,081,412	71,809	1,079,856	70,253
<i>Sixteenth section</i>	26,620	20,229	--	(6,391)
<i>Interest on long-term liabilities</i>	35,535	--	--	(35,535)
Total Governmental Activities	<u>\$ 11,380,494</u>	<u>\$ 134,242</u>	<u>\$ 3,013,995</u>	<u>(8,232,257)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				1,711,972
<i>Debt purpose levies</i>				187,667
<i>Unrestricted grants and contributions:</i>				
<i>State</i>				6,022,178
<i>Federal</i>				93,251
<i>Unrestricted investment earnings</i>				14,127
<i>Sixteenth section sources</i>				315,320
<i>Other</i>				183,208
Total General Revenues				<u>8,527,723</u>
Change in Net Position				<u>295,466</u>
Net Position- Beginning, as previously reported				3,749,115
Prior Period Adjustment				9,051
Net Position - Beginning, as restated				<u>3,758,166</u>
Net Position- Ending				<u>\$ 4,053,632</u>

The accompanying notes are an integral part of this statement.

QUITMAN COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>General Fund</u>	<u>Title I Fund</u>
Assets:		
Cash and cash equivalents	\$ 1,511,105	\$ --
Cash with fiscal agents	--	--
Due from other governments	65,214	92,613
Due from other funds	121,300	--
Inventories	--	--
Total Assets	<u>\$ 1,697,619</u>	<u>\$ 92,613</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 428,233	\$ 47,713
Due to other funds	--	44,900
Unearned revenue	--	--
Total Liabilities	<u>428,233</u>	<u>92,613</u>
Fund Balances:		
Non-spendable:		
Inventory	--	--
Restricted:		
Unemployment benefits	--	--
Forestry improvements	--	--
Capital improvements	--	--
Debt service	--	--
Grant activities	--	--
Food service	--	--
Sixteenth Section Interest	--	--
Assigned:		
Activity	22,624	--
Building improvements	3,757	--
Unassigned	1,243,005	--
Total Fund Balances	<u>1,269,386</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 1,697,619</u>	<u>\$ 92,613</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C

Building Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 957,700	\$ 853,625	\$ 3,322,430
--	270	270
--	86,312	244,139
--	--	121,300
--	13,300	13,300
<u>\$ 957,700</u>	<u>\$ 953,507</u>	<u>\$ 3,701,439</u>
\$ --	\$ 101,635	\$ 577,581
--	76,400	121,300
--	3,156	3,156
<u>--</u>	<u>181,191</u>	<u>702,037</u>
--	13,300	13,300
--	24,197	24,197
--	13,765	13,765
957,700	50,100	1,007,800
--	145,806	145,806
--	129,492	129,492
--	63,656	63,656
--	332,000	332,000
--	--	22,624
--	--	3,757
--	--	1,243,005
<u>957,700</u>	<u>772,316</u>	<u>2,999,402</u>
<u>\$ 957,700</u>	<u>\$ 953,507</u>	<u>\$ 3,701,439</u>

QUITMAN COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balances for governmental funds	\$ 2,999,402
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	2,748,856
Liabilities due in one year are not recognized in the funds.	(269,000)
Payables for bond principal which are not due in the current period are not reported in the funds.	(975,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(4,453)
Payables for notes not due in the current period are not reported in the funds.	(299,000)
Payables for compensated absences not due in the current period are not reported in the funds.	(76,172)
Other long-term liabilities not due and payable in the current period are not reported in the funds.	(71,000)
Rounding difference	<u>(1)</u>
Net position of governmental activities	<u>\$ 4,053,632</u>

The accompanying notes are an integral part of this statement.

This page left blank intentionally.

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

	General Fund	Title I Fund
	<u> </u>	<u> </u>
Revenues:		
Local sources	\$ 1,870,210	\$ --
State sources	5,826,752	--
Federal sources	--	1,076,654
Sixteenth section sources	--	--
Total Revenues	<u>7,696,962</u>	<u>1,076,654</u>
Expenditures:		
Instruction	4,292,197	465,649
Support services	2,750,658	546,164
Noninstructional services	6,345	82,900
Sixteenth section	--	--
Facilities acquisition and construction	1,159,941	--
Debt service:		
Principal	--	--
Interest	--	--
Total Expenditures	<u>8,209,141</u>	<u>1,094,713</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(512,179)</u>	<u>(18,059)</u>
Other Financing Sources (Uses):		
Proceeds of loans	--	--
Transfers In	723,187	--
Transfers Out	(489,248)	(24,235)
Other financing uses	(20,188)	--
Total Other Financing Sources (Uses)	<u>213,751</u>	<u>(24,235)</u>
Net Change in Fund Balances	<u>(298,428)</u>	<u>(42,294)</u>
Fund Balances:		
July 1, 2012	1,567,814	42,294
Increase (decrease) in inventory	--	--
June 30, 2013	<u>\$ 1,269,386</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

Building Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 340,778	\$ 2,210,988
--	599,011	6,425,763
--	1,627,007	2,703,661
--	335,549	335,549
<u>--</u>	<u>2,902,345</u>	<u>11,675,961</u>
--	872,704	5,630,550
17,300	1,185,509	4,499,631
--	955,774	1,045,019
--	26,620	26,620
--	--	1,159,941
--	257,000	257,000
--	38,298	38,298
<u>17,300</u>	<u>3,335,905</u>	<u>12,657,059</u>
<u>(17,300)</u>	<u>(433,560)</u>	<u>(981,098)</u>
975,000	--	975,000
--	547,571	1,270,758
--	(757,275)	(1,270,758)
--	--	(20,188)
<u>975,000</u>	<u>(209,704)</u>	<u>954,812</u>
<u>957,700</u>	<u>(643,264)</u>	<u>(26,286)</u>
--	1,431,141	3,041,249
--	(15,561)	(15,561)
<u>\$ 957,700</u>	<u>\$ 772,316</u>	<u>\$ 2,999,402</u>

QUITMAN COUNTY SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013*

Net change in fund balances - total governmental funds	\$ (26,286)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,256,446
The depreciation of capital assets used in governmental activities is not reported in the funds.	(208,319)
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	80,000
Repayment of principal is an expenditure in the funds but is not an expense in the SOA.	177,000
(Increase) decrease in accrued interest from beginning of period to end of period.	2,763
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	4,424
Change in inventory is an adjustment to fund balance in the funds but affects expense in SOA.	(15,561)
Proceeds of bonds do not provide revenue in SOA, but are current resources in the funds.	(975,000)
Rounding difference	(1)
	<hr/>
Change in net position of governmental activities	<u>\$ 295,466</u>

The accompanying notes are an integral part of this statement.

QUITMAN COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 JUNE 30, 2013

	Agency Funds
Assets	
Cash and other deposits	\$ 74,801
Total Assets	<u>\$ 74,801</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 32,650
Due to student clubs	11,004
Other payables	31,147
Total Liabilities	<u>\$ 74,801</u>

The accompanying notes are an integral part of this statement.

Quitman County School District

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

Quitman County School District

Notes to the 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 a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

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

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.

Quitman County School District

Notes to the 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.

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

Building Project Fund - This capital projects fund accounts for restricted financing sources for capital building improvements.

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

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund serves as a clearing fund for payroll type transactions.

Accounts Payable Clearing Fund - This is a fund used to clear accounts payable transactions flowing into an imprest clearing account.

Student Club Fund - This fund accounts for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual club.

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

Quitman County School District

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

related transactions.

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, 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, or assigned to expenditure for principal and interest.

FIDUCIARY FUNDS

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

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

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

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

Federal grants and assistance awards made on the basis of entitlement periods are

Quitman County School District

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

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

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

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

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

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

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

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

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

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.

Quitman County School District

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

Quitman County School District

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

4. Inventories and Prepaid Items

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

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. 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.

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:

Quitman County School District

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

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than Buildings	25,000	20 years
Mobile Equipment	5,000	5-10 years
Furniture and Equipment	5,000	3-7 years
Leased Property Under Capital Leases	*	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 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 and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

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

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

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

9. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a

Quitman County School District

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

hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. Currently, there is no committed fund balance for this school district.

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in

Quitman County School District

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

the general fund at fiscal year end of not less than 3% of general revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 - Cash and Cash Equivalents 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 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.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,322,430 and \$74,801, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$3,908,592 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agent held by financial institutions was \$270.

Note 3 - Inter-fund Receivables, Payables and Transfers

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

Quitman County School District

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Fund	\$ 44,900
	Other Governmental Funds	76,400
Total		<u>\$ 121,300</u>

The purpose of the inter-fund balances were to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program.

B. Inter-fund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Title I Fund	\$ 21,926
	Other Governmental Funds	701,261
Other Governmental Funds	General Fund	489,248
	Title I Fund	2,309
	Other Governmental Funds	56,014
Total		<u>\$ 1,270,758</u>

Transfers were made for operating purposes and to move indirect costs from the special revenue funds to the General Fund.

Note 4 - Capital Assets

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

	Balance 7-1-2012	Additions	Completed Construction	Adjustments	Balance 6-30-2013
<u>Non-depreciable capital assets:</u>					
Land	\$ 76,602				76,602
Construction in progress	215,601		(215,601)		0
Total non-depreciable capital assets	<u>292,203</u>	<u>0</u>	<u>(215,601)</u>	<u>0</u>	<u>76,602</u>
<u>Depreciable capital assets:</u>					
Buildings	1,151,635				1,151,635
Building improvements	1,164,917	959,093	215,601		2,339,611
Improvements other than buildings	163,529	200,848			364,377
Mobile equipment	1,256,016	79,099			1,335,115
Furniture and equipment	459,818	17,406		8,792	486,016
Total depreciable capital assets	<u>4,195,915</u>	<u>1,256,446</u>	<u>215,601</u>	<u>8,792</u>	<u>5,676,754</u>

Quitman County School District

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

Less accumulated depreciation for:

Buildings	921,308				921,308
Building improvements	639,000	93,584			732,584
Improvements other than buildings	32,705	14,575			47,280
Mobile equipment	861,492	71,918		(5,017)	928,393
Furniture and equipment	341,935	28,242		4,758	374,935
Total accumulated depreciation	<u>2,796,440</u>	<u>208,319</u>	<u>0</u>	<u>(259)</u>	<u>3,004,500</u>
Total depreciable capital assets, net	<u>1,399,475</u>	<u>1,048,127</u>	<u>215,601</u>	<u>9,051</u>	<u>2,672,254</u>
Governmental activities capital assets, net	\$ <u>1,691,678</u>	<u>1,048,127</u>	<u>0</u>	<u>9,051</u>	<u>2,748,856</u>

Adjustments were made to record an asset left off in prior year and correctly present depreciation by categories.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 145,823
Support services	41,664
Non-instructional	20,832
Total depreciation expense	<u>\$ 208,319</u>

Note 5 - 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. Certificates of participation payable	\$ 433,000		177,000	256,000	185,000
B. Three mill notes payable	463,000		80,000	383,000	84,000
C. Qualified school construction bonds	0	975,000		975,000	
D. Compensated absences payable	80,596		4,424	76,172	
Total	<u>\$ 976,596</u>	<u>975,000</u>	<u>261,424</u>	<u>1,690,172</u>	<u>269,000</u>

A. Certificates of participation payable

As more fully explained in Note 11, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Certificates of participation payable, Series 2004	4.45%	07-02-04	03-01-15	\$ <u>1,630,000</u>	<u>256,000</u>

Quitman County School District

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

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 185,000	7,276	192,276
2015	71,000	1,580	72,580
Total	<u>\$ 256,000</u>	<u>8,856</u>	<u>264,856</u>

This debt will be retired from the Other Debt Retirement Fund.

B. Three Mill Notes Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note, Series 2006	4.11%	09-15-06	06-15-16	\$ <u>950,000</u>	<u>383,000</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 84,000	14,015	98,015
2015	146,000	9,289	155,289
2016	153,000	3,144	156,144
Total	<u>\$ 383,000</u>	<u>26,448</u>	<u>409,448</u>

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

C. 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	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bond	3.03%	04-15-13	12-01-24	\$ <u>975,000</u>	<u>975,000</u>

D. Compensated absences payable

As more fully explained in Note 1(E)(7), compensated absences payable is adjusted on an

Quitman County School District

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

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 6 - Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$888,297, \$808,340, and \$745,925, respectively, which equaled the required contributions for each year.

Note 7 - Sixteenth Section Lands

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

Year Ending		Amount
June 30		
2014	\$	265,760
2015		162,500
Total	\$	<u>428,260</u>

Note 8 - Contingencies

Federal Grants - The school has received federal grants for specific purposes that are

Quitman County School District

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

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

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

Note 9 - Risk Management

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

Participation in Public Entity Risk Pool

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

Note 10 - Alternative School Consortium

The school district entered into an Alternative School Agreement dated August 10, 2000, creating the North-Delta Alternative School. 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: Coahoma County School District,

Quitman County School District

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

Coahoma Agricultural High School, Mound Bayou Public School District, North Panola School District, Quitman County School District and West Tallahatchie School District.

Section 37-13-92, 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 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 West Tallahatchie School District has been designated as the lead school district for the North-Delta Alternative School, and the operations of the consortium are included in its financial statements.

Note 11 - Trust Certificates

A trust agreement dated July 2, 2004, was executed by and between the school district and Hancock Bank, as trustees.

The trust agreement authorized the refunding of trust certificates in the original principal amount of \$1,630,000. The project is leased to the district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the district upon complete retirement of the trust certificates. The district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 5 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

Note 12 - Prior Period Adjustment

A summary of significant net position/fund balance adjustments is as follows:

Quitman County School District

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

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. Adjustments were made to record an asset left off in prior year and correctly present depreciation by categories.	\$ <u>9,051</u>

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. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$0. Annual sinking fund deposit amounts are inclusive of any interest earnings for the prior 12 months. The indicated deposit amount will be reduced by the amount of the prior 12 months' interest earnings. 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.

<u>Year Ending</u> <u>June 30,</u>	<u>Deposits</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 0	28,405	28,405
2015	0	44,460	44,460
2016	0	44,460	44,460
2017	109,000	44,460	153,460
2018	109,000	44,460	153,460

Quitman County School District

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

2019 - 2023	541,000	222,300	763,300
2024 - 2025	<u>216,000</u>	<u>88,920</u>	<u>304,920</u>
Total	<u>\$ 975,000</u>	<u>517,465</u>	<u>1,492,465</u>

Note 14 - Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

QUITMAN COUNTY SCHOOL DISTRICT

Exhibit 1

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,810,143	1,842,140	1,870,210	31,997	28,070
State sources	5,745,851	5,825,408	5,826,752	79,557	1,344
Total Revenues	<u>7,555,994</u>	<u>7,667,548</u>	<u>7,696,962</u>	<u>111,554</u>	<u>29,414</u>
Expenditures:					
Instruction	4,496,771	4,400,328	4,292,197	96,443	108,131
Support services	3,050,470	3,875,654	2,750,658	(825,184)	1,124,996
Noninstructional services	8,265	42,747	6,345	(34,482)	36,402
Facilities acquisition and construction	-	-	1,159,941	-	(1,159,941)
Total Expenditures	<u>7,555,506</u>	<u>8,318,729</u>	<u>8,209,141</u>	<u>(763,223)</u>	<u>109,588</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>488</u>	<u>(651,181)</u>	<u>(512,179)</u>	<u>(651,669)</u>	<u>139,002</u>
Other Financing Sources (Uses):					
Transfers in	1,129,737	1,638,760	723,187	509,023	(915,573)
Transfers out	(1,320,006)	(1,407,130)	(489,248)	(87,124)	917,882
Other financing uses	-	(20,188)	(20,188)	(20,188)	-
Total Other Financing Sources (Uses)	<u>(190,269)</u>	<u>211,442</u>	<u>213,751</u>	<u>401,711</u>	<u>2,309</u>
Net Change in Fund Balances	<u>(189,781)</u>	<u>(439,739)</u>	<u>(298,428)</u>	<u>(249,958)</u>	<u>141,311</u>
Fund Balances:					
July 1, 2012, as previously reported	1,545,554	1,618,170	1,567,814	72,616	(50,356)
Prior period adjustment	-	18,606	-	18,606	(18,606)
July 1, 2012, as restated	<u>1,545,554</u>	<u>1,636,776</u>	<u>1,567,814</u>	<u>91,222</u>	<u>(68,962)</u>
June 30, 2013	<u>\$ 1,355,773</u>	<u>1,197,037</u>	<u>1,269,386</u>	<u>(158,736)</u>	<u>72,349</u>

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

QUITMAN COUNTY SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
State sources	\$ 1,018,447	1,076,654	1,076,654	58,207	-
Total Revenues	<u>1,018,447</u>	<u>1,076,654</u>	<u>1,076,654</u>	<u>58,207</u>	<u>-</u>
Expenditures:					
Instruction	411,757	423,355	465,649	(11,598)	(42,294)
Support services	495,522	546,164	546,164	(50,642)	-
Noninstructional services	87,202	82,900	82,900	4,302	-
Total Expenditures	<u>994,481</u>	<u>1,052,419</u>	<u>1,094,713</u>	<u>(57,938)</u>	<u>(42,294)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>23,966</u>	<u>24,235</u>	<u>(18,059)</u>	<u>269</u>	<u>(42,294)</u>
Other Financing Sources (Uses):					
Transfers out	(23,966)	(24,235)	(24,235)	(269)	-
Total Other Financing Sources (Uses)	<u>(23,966)</u>	<u>(24,235)</u>	<u>(24,235)</u>	<u>(269)</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>(42,294)</u>	<u>-</u>	<u>(42,294)</u>
Fund Balances:					
July 1, 2012	<u>-</u>	<u>-</u>	<u>42,294</u>	<u>-</u>	<u>42,294</u>
June 30, 2013	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

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

Quitman County 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.

SUPPLEMENTARY INFORMATION

Quitman County School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2013

Schedule 1

**FEDERAL GRANTOR/
 PASS-THROUGH GRANTOR/
 PROGRAM TITLE**

**Catalog of
 Federal
 Domestic
 Assistance
 Number** **Federal
 Expenditures**

U. S. Department of Agriculture

Passed-through the Mississippi Department of Education:

Child Nutrition Cluster:

School Breakfast Program	10.553	\$	339,176
National School Lunch Program	10.555		605,320
Summer Food Service Program for Children	10.559		28,982
Total Child Nutrition Cluster			<u>973,478</u>
Total passed-through Mississippi Department of Education			<u>973,478</u>
Total U. S. Department of Agriculture			<u><u>973,478</u></u>

Federal Communications Commission

Administered through Universal Service Administrative Company:

The Schools and Libraries Program of the Universal Service Fund	32.xxx		<u>72,213</u>
Total Federal Communications Commission			<u><u>72,213</u></u>

U. S. Department of Education

Passed-through the Mississippi Department of Education:

Title I Grants to Local Educational Agencies	84.010		1,076,654
Career and Technical Education - Basic Grants to States	84.048		26,928
Rural Education	84.358		50,607
Improving Teacher Quality - State Grants	84.367		145,406
Subtotal			<u>1,299,595</u>

Special Education Cluster:

Special Education - Grants to States	84.027		342,501
Special Education - Preschool Grants	84.173		11,122
Total Special Education Cluster			<u>353,623</u>
Total passed-through the Mississippi Department of Education			<u>1,653,218</u>
Total U. S. Department of Education			<u><u>1,653,218</u></u>

TOTAL FOR ALL FEDERAL AWARDS \$ 2,698,909

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and 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.

Qutiman County School District

Schedule 2

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 8,495,405	6,071,225	688,351	507,417	1,228,412
Other	4,161,654	955,625	302,100	33,964	2,869,965
Total	\$ <u>12,657,059</u>	<u>7,026,850</u>	<u>990,451</u>	<u>541,381</u>	<u>4,098,377</u>
Total number of students *	<u>1,218</u>				
Cost per student	\$ <u>10,391</u>	<u>5,769</u>	<u>813</u>	<u>444</u>	<u>3,365</u>

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

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

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

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

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

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

OTHER INFORMATION

QUITMAN COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
 General Fund
 Last Four Years

"UNAUDITED"

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 1,870,210	2,501,995	1,886,848	2,033,027
State sources	5,826,752	6,219,129	5,595,885	5,771,315
Federal sources	-	-	52,453	44,900
Total Revenues	<u>7,696,962</u>	<u>8,721,124</u>	<u>7,535,186</u>	<u>7,849,242</u>
Expenditures:				
Instruction	4,292,197	4,063,925	3,911,227	4,656,932
Support services	2,750,658	2,943,621	2,743,657	3,187,610
Noninstructional services	6,345	46,800	26,994	28,325
Facilities acquisition and construction	1,159,941	-	-	-
Debt Service:				
Interest	-	-	8,783	12,687
Total Expenditures	<u>8,209,141</u>	<u>7,054,346</u>	<u>6,690,661</u>	<u>7,885,554</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(512,179)</u>	<u>1,666,778</u>	<u>844,525</u>	<u>(36,312)</u>
Other Financing Sources (Uses):				
Operating transfers in	723,187	54,123	55,921	588,600
Operating transfers out	(489,248)	(531,369)	(573,211)	(612,955)
Other financing uses	(20,188)	(50,877)	-	-
Total Other Financing Sources (Uses)	<u>213,751</u>	<u>(528,123)</u>	<u>(517,290)</u>	<u>(24,355)</u>
Net Change in Fund Balances	<u>(298,428)</u>	<u>1,138,655</u>	<u>327,235</u>	<u>(60,667)</u>
Fund Balances:				
Beginning of period, as previously reported	1,567,814	483,281	183,912	244,579
Prior period adjustments	-	(54,122)	(27,866)	-
Beginning of period, as restated	<u>1,567,814</u>	<u>429,159</u>	<u>156,046</u>	<u>244,579</u>
End of Period	<u>\$ 1,269,386</u>	<u>1,567,814</u>	<u>483,281</u>	<u>183,912</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

QUITMAN COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Funds
 Last Four Years

"UNAUDITED"

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 2,210,988	2,739,272	2,031,800	2,193,035
State sources	6,425,763	6,808,592	6,142,931	6,386,543
Federal sources	2,703,661	3,504,906	3,847,468	4,216,961
Sixteenth section sources	335,549	424,666	271,236	468,158
Total Revenues	<u>11,675,961</u>	<u>13,477,436</u>	<u>12,293,435</u>	<u>13,264,697</u>
Expenditures:				
Instruction	5,630,550	5,995,510	6,212,822	7,064,538
Support services	4,499,631	4,405,836	4,064,111	4,780,798
Noninstructional services	1,045,019	1,070,833	994,914	1,224,841
Sixteenth section	26,620	27,200	18,152	8,618
Facilities acquisition and construction	1,159,941	-	-	-
Debt service:				
Principal	257,000	276,281	301,625	288,061
Interest	38,298	50,303	71,442	85,664
Total Expenditures	<u>12,657,059</u>	<u>11,825,963</u>	<u>11,663,066</u>	<u>13,452,520</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(981,098)</u>	<u>1,651,473</u>	<u>630,369</u>	<u>(187,823)</u>
Other Financing Sources (Uses):				
Proceeds of loans	975,000	-	-	-
Operating transfers in	1,270,758	710,638	629,132	1,274,631
Other financing sources	-	5,000	-	13,385
Operating transfers out	(1,270,758)	(710,638)	(629,132)	(1,274,631)
Other financing uses	(20,188)	(50,877)	-	-
Total Other Financing Sources (Uses)	<u>954,812</u>	<u>(45,877)</u>	<u>-</u>	<u>13,385</u>
Net Change in Fund Balances	<u>(26,286)</u>	<u>1,605,596</u>	<u>630,369</u>	<u>(174,438)</u>
Fund Balances:				
Beginning of period, as previously reported	3,041,249	1,403,869	816,363	961,476
Prior period adjustments	-	50,877	(46,565)	-
Beginning of period, as restated	<u>3,041,249</u>	<u>1,454,746</u>	<u>769,798</u>	<u>961,476</u>
Increase (Decrease) in inventory	<u>(15,561)</u>	<u>(19,093)</u>	<u>3,702</u>	<u>29,325</u>
End of period	<u>\$ 2,999,402</u>	<u>3,041,249</u>	<u>1,403,869</u>	<u>816,363</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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
Quitman County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Quitman County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Quitman County School District's basic financial statements, and have issued our report thereon dated July 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. [Finding 2013-1, 2013-2, 2013-3, 2013-4 and 2013-5]

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.

Compliance and Other Matters

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

Quitman County School District's Responses to Findings

Quitman County School District's responses to the findings identified in our audit are described in the accompanying auditee's corrective action plan. Quitman County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
July 25, 2014

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Quitman County School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

Report on Internal Control Over Compliance

Management of the Quitman County School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Quitman County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2013-6, 2013-7 and 2013-8 that we consider to be significant deficiencies.

Quitman County School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying auditee's corrective action plan. Quitman County School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of out 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.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
July 25, 2014

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Quitman County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Quitman County School District as of and for the year ended June 30, 2013, which collectively comprise the Quitman County School District's basic financial statements and have issued our report thereon dated July 25, 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 ensure 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 \$3,251 of classroom supply funds carried over from previous years.

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

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

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

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

noncompliance with other state laws and regulations.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
July 25, 2014

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Quitman County School District

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? Yes.
5. Type of auditor's report issued on compliance for major federal programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.027 & 84.173	Special Education Cluster
84.367	Improving Teacher Quality State Grants

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statement Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Material Weaknesses:

Finding 2013-1:

Condition: While performing our test work, we noted that bank reconciliation book balances differed from general ledger cash balances at June 30, 2013, by \$58,337. The bank balances were higher than book balances after taking into consideration routine outstanding items.

Criteria: Reconciliations should be performed on all district checking accounts on a monthly basis. All accounts should be reconciled to the cash balances in the general ledger at month-end after all transactions are posted.

Cause: Bank reconciliations were not performed in a timely manner.

Effect: Lack of timely bank reconciliations could cause the district's accounts balances for cash to be misstated.

Recommendation:

We recommend that the district investigate and properly record the amounts showing as unexplained differences. We further recommend that the district reconcile monthly bank account statements in a timely manner.

Finding 2013-2:

Condition: The following deficiencies were noted during the review of internal controls surrounding capital assets:

1. The district's policy on accounting for capital assets was not updated and did not fall within the guidelines set forth in *The Mississippi Public School Asset Management Manual*, developed by the Office of the State Auditor.
2. Subsidiary records were not correct with respect to the identity of depreciable capital assets.
3. Capital assets additions were not posted on the district's subsidiary records.
4. Other prior period adjustments to the capital asset inventory were necessary to properly state capital asset balances at June 30, 2013.
5. Accurate depreciation records could not be produced and completed construction was not recognized by the district.

Criteria: The control cycle surrounding capital assets and related expenditures should provide the district with assurances that capital assets and related expenditures are properly recorded, that capital assets are safeguarded, and that accurate and timely financial information is available for district reporting requirements and for use in preparing the annual financial statements.

Cause: The failure to have capital assets recorded and reconciled could potentially result in overstatement or understatement of capital assets and depreciation expense.

Effect: Audit adjustments were proposed and made to correct these issues.

Recommendation:

We recommend a general review of capital assets subsidiary records, along with a review of current district policy and an alignment of the policy with The Mississippi Public School Asset Management Manual, developed by the Office of the State Auditor.

Finding 2013-3:

Condition: The financial statement closing process is highly dependent on the skills, experience, training, and competency of the preparers. While our firm has been engaged to prepare draft financial statements for the school district, the school district secures an outside resource in the form of an independent consultant to assist in the year-end close and to assist in understanding the financial statements in an effort to reduce the risk of material misstatement.

Criteria: The school district must designate an individual to effectively apply generally accepted accounting principles in the preparation of the financial statements.

Cause: The school district does not have the necessary resources in all areas to effectively apply generally accepted accounting principles.

Effect: While this outside resource, functioning as part of the district's internal control system, helps to reduce the risk of financial statement misstatements, a certain level of risk remains.

Recommendation:

We recommend that the district continue the services of the outside consultant who assists with year-end close and review.

Finding 2013-4:

Condition: Signatures on food service forms were missing.

Criteria: Management is responsible for establishing a proper internal control system to ensure strong financial accountability. A critical aspect of financial management is to ensure a proper separation of duties.

Cause: There were inadequate job assignments. Someone should have been designated to sign these forms as evidence of review of the work done by another individual.

Effect: Without proper segregation of duties, the risk is increased that unauthorized or inappropriate transactions could be processed, and the district personnel would not detect the problem while performing their normal duties.

Recommendation:

The district should implement internal controls to ensure a proper separation of duties.

Finding 2013-5:

Condition: Weaknesses in controls of activity funds were noted. The district could not provide adequate documentation to support activity fund deposits.

Criteria: The *Financial Accounting Manual for Mississippi Public School Districts* provides guidance in terms of what controls and procedures should be in place. Deposit slips should be reconciled to the receipts. All deposit slips should reflect the applicable receipt number or range of receipt numbers.

Cause: Lack of knowledge and education of what procedures must be in place to ensure a strong system of internal control.

Effect: Without proper documentation, the risk is increased that cash will be misstated and the district personnel would not detect the problem.

Recommendation:

We recommend that the school district strengthen the controls of the activity funds.

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following findings and questioned costs related to the federal awards.

Significant Deficiencies:

Finding 2013-6:

Program: Title I Grants to Local Educational Agencies
CFDA # 84.010

Compliance Requirement: Allowable Costs/Cost Principles

Condition: The school district did not perform semi-annual certifications for a program director and signatures of the supervisor were not found in another instance on a time and effort distribution record. The fund code or program number, position or cost objective information could not be found.

Criteria: Management is responsible for establishing an internal control system that ensures strong financial accountability. An employee who works on multiple activities or cost objectives must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B. The certifications must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee.

Cause: The school district does not consolidate Federal funds with state and local funds in a consolidated school wide pool. Controls were not in place to ensure the existence of documentation to support the time and effort of employees who are paid from federal awards programs.

Effect: The school district did not perform semi-annual certifications or time and effort report certifications for its Title I employees. As a result no time and efforts reports were available for review for an employee who has a pro-rated salary.

Recommendation:

We recommend that the district develop a system for documenting the time and effort of Title I employees by requiring that each employee furnish a semi-annual certification or time and effort certification record as required by OMB Circular A-87.

Finding 2013-7:

Program: Special Education Cluster
CFDA # 84.027 & 84.173

Compliance Requirement: Allowable Costs

Condition: The school district's semi annual certifications for its SPED employees did not match the budget and appeared to have been filled out incorrectly.

Criteria: Management is responsible for establishing an internal control system that ensures strong financial accountability.

Cause: Controls were not in place to ensure the documentation to support the time and effort of employees who are paid from federal awards programs were filled out correctly.

Effect: The school district did not fill out the time and effort reports correctly and the documentation obtained did not match the budget. The cost of goods and services charged to federal awards can exceed the allowable amounts and will not be in accordance with the applicable cost principle.

Recommendation:

We recommend that the district develop a system for accurately documenting the time and effort of Special Education employees and adhering to the budget as required by OMB Circular A-87.

Finding 2013-8:

Program: Improving Teacher Quality - State Grants
CFDA # 84.367

Compliance Requirement: Monitoring

Condition: A review of paraprofessional qualifications revealed that a teacher assistant did not meet the highly qualified requirements.

Criteria: The District should ensure that paraprofessionals meet the requirements as set forth in Section 1119(c)(1)(A-C); Section 1119(d).

Cause: Controls were not in place to assure that paraprofessionals met the requirements mentioned on Section 1119(c)(1)(A-C); Section 1119(d).

Effect: Individuals could be providing services for which they are not certified. As a consequence the school district would not be complying with the requirements set forth in the Sections mentioned above.

Recommendation:

The District must provide documentation of appropriate college credits or passing WorkKeys assessment results in compliance with the aforementioned section.

**AUDITEE'S CORRECTIVE ACTION PLAN AND
AUDITEE'S SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**



Brenda J. Hopson • Superintendent of Education

Quitman County Central Office • Marilyn Autman, Administrative Assistant/Accounts Payable • Miron Thompson, Business Manager • Rubie Buck, Payroll/Insurance

P. O. Drawer E • Marks, MS 38646 • 662-326-5451 • Fax: 662-326-3694 • qcschools.org

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section _____.315© of OMB Circular A-133, the Quitman County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2013:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2013-1	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Name: Miron Thompson Title: Business Manager Phone Number: 662-326-5451</p> <p>b. Corrective Action Planned:</p> <p>The district will reconcile monthly bank account statements in a timely manner. The district will also use outside consultants who will assist with bank reconciliation.</p> <p>c. Anticipated Completion Date: June 30, 2015</p>
2013-2	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Name: Miron Thompson Title: Business Manager Phone Number: 662-326-5451</p> <p>b. Corrective Action Planned:</p> <p>The district will have a general review of capital assets subsidiary records, along with a review of current district policy and an alignment of the policy with The Mississippi Public School Asset Management Manual, developed by the Office of the State Auditor.</p> <p>c. Anticipated Completion Date: June 30, 2015</p>
2013-3	<p>a. Name of Contact Person Responsible for Corrective Action:</p>

Name: Miron Thompson
Title: Business Manager
Phone Number: 662-326-5451

b. Corrective Action Planned:

The district will continue the services of the outside consultant who assists with year-end close and review.

c. Anticipated Completion Date: June 30, 2015

2013-4

a. Name of Contact Person Responsible for Corrective Action:

Name: French Miller
Title: Food Service Director
Phone Number: 662-326-5451

b. Corrective Action Planned:

The district will implement internal controls to ensure a proper separation of duties.

c. Anticipated Completion Date: June 30, 2015

2013-5

a. Name of Contact Person Responsible for Corrective Action:

Name: Miron Thompson
Title: Business Manager
Phone Number: 662-326-5451

b. Corrective Action Planned:

The district will strengthen the controls of the activity funds.

c. Anticipated Completion Date: June 30, 2015

2013-6

a. Name of Contact Person Responsible for Corrective Action:

Name: Paul Scarbrough
Title: Federal Program Director
Phone Number: 662-326-5451

b. Corrective Action Planned:

The district will develop a system for documenting the time and effort of Title I employees by requiring that each employee furnish a semi-annual certification or time and effort certification record as required by OMB Circular A-87.

- 2013-7
- c. Anticipated Completion Date:
 - a. Name of Contact Person Responsible for Corrective Action:

Name: Josephine Jackson
Title: Special Education Director
Phone Number: 662-326-5451
 - b. Corrective Action Planned:

The district will develop a system for accurately documenting the time and effort of Special Education employees and adhering to the budget as required by OMB Circular A-87.
 - c. Anticipated Completion Date: June 30, 2015
- 2013-8
- a. Name of Contact Person Responsible for Corrective Action:

Name: Paul Scarbrough
Title: Federal Programs Director
Phone Number: 662-326-5451
 - b. Corrective Action Planned:

The District will provide documentation of appropriate college credits or passing WorkKeys assessment results in compliance with the aforementioned section.
 - c. Anticipated Completion Date: June 30, 2015

Sincerely,



Brenda Hopson,
Superintendent



Brenda J. Hopson • Superintendent of Education

Quitman County Central Office • Marilyn Autman, Administrative Assistant/Accounts Payable • Miron Thompson, Business Manager • Rubie Buck, Payroll/Insurance
P. O. Drawer E • Marks, MS 38646 • 662-326-5451 • Fax: 662-326-3694 • qcschools.org

AUDITEE'S SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

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

<u>Finding</u>	<u>Status</u>
2012-04	Corrected
2012-05	Corrected
2012-06	Not Corrected
2012-07	Corrected
2012-08	Not Corrected