



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.

Scott County School District

Audited Financial Statements
For the Year Ended June 30, 2013

Fortenberry & Ballard, PC
Certified Public Accountants

**Scott County School District
TABLE OF CONTENTS**

	PAGE #
INDEPENDENT AUDITOR’S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	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 Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances 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	50
Budgetary Comparison Schedule - Title I Fund	51
Budgetary Comparison Schedule - IDEA Part B Fund	52
Budgetary Comparison Schedule - Sixteenth Section Interest Fund	53
Notes to the Required Supplementary Information	55
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	57
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	58
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	60
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	61
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>	63
Independent Auditor’s Report on Compliance For Each Major Federal Program; Report on Internal control over Compliance; Required by OMB Circular A-133	65
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	69
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	77
AUDITEE’S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS	86

FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Conservator and School Board
Scott 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 Scott 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 Scott 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 financial statements.

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

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

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 Scott 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 50 to 55 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 Scott 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 May 27, 2014, on our consideration of the Scott 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 Scott County School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
May 27, 2014

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2013 decreased \$1,044,064, including a prior period adjustment of \$2,277, which represents a 5% decrease from fiscal year 2012. Total net position for 2012 decreased \$267,017, including a prior period adjustment of (\$25,988) which represents a 1% decrease from fiscal year 2011.
- General revenues amounted to \$21,665,023 and \$21,331,690, or 78% and 77% 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 \$5,974,875, or 22% of total revenues for 2013, and \$6,335,662, or 23% of total revenues for 2012.
- The District had \$28,686,239 and \$27,908,381 in expenses for fiscal years 2013 and 2012; only \$5,974,875 for 2013 and \$6,335,662 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$21,665,023 for 2013 and \$21,331,690 for 2012 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$21,891,116 in revenues and \$22,420,736 in expenditures for 2013, and \$21,526,842 in revenues and \$21,566,197 in expenditures for 2012. The General Fund's fund balance decreased by \$1,069,921, including a prior period adjustment of \$2,277, from 2012 to 2013, and increased by \$130,193, including a prior period adjustment of (\$17,259) from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$586,024 for 2013 and decreased by \$124,785, including a prior period adjustment of (\$8,775) for 2012. The decrease for 2013 was mainly due to the recording of depreciation expense.
- Long-term debt decreased by \$64,837 for 2013 and increased by \$14,687 for 2012. This decrease for 2013 was due to the decrease in the liability for compensated absences.

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.

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the

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

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.

Scott 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 \$21,100,910 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.

Scott 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	\$ 8,233,174	7,459,927	10%
Restricted assets	82,906	67,536	23%
Capital assets, net	<u>14,436,427</u>	<u>15,022,451</u>	-4%
Total assets	<u>22,752,507</u>	<u>22,549,914</u>	1%
Current liabilities	1,476,075	164,581	797%
Long-term debt outstanding	<u>175,522</u>	<u>240,359</u>	(27)%
Total liabilities	<u>1,651,597</u>	<u>404,940</u>	308%
Net position:			
Net Investment in capital assets	14,436,427	15,022,451	(4)%
Restricted	3,650,858	3,103,814	18%
Unrestricted	<u>3,013,625</u>	<u>4,018,709</u>	(25)%
Total net position	<u>\$ 21,100,910</u>	<u>22,144,974</u>	(5)%

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

- Decrease in net capital assets in the amount of \$586,024.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$27,639,898 and \$27,667,352, respectively. The total cost of all programs and services was \$28,686,239 for 2013 and \$27,908,381 for 2012.

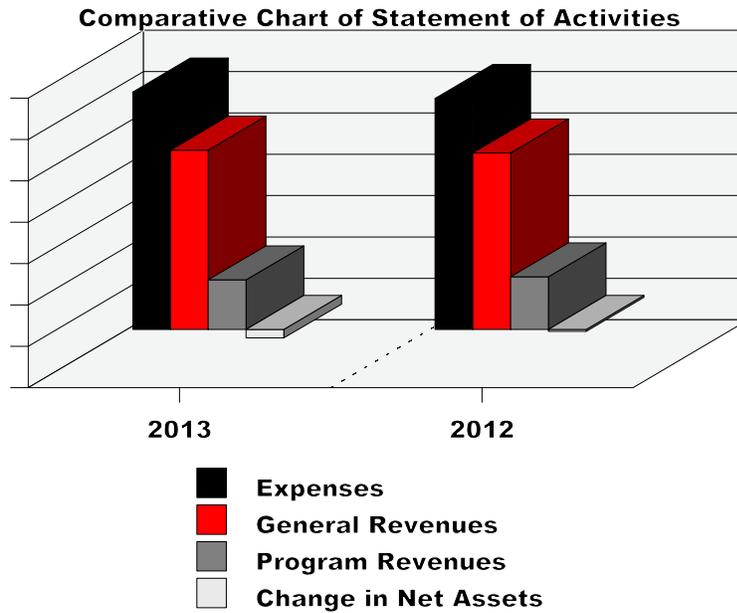
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

Scott 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	\$ 955,279	1,088,350	(12)%
Operating grants and contributions	<u>5,019,596</u>	<u>5,247,312</u>	(4)%
Total program revenues	<u>5,974,875</u>	<u>6,335,662</u>	(6)%
General revenues:			
Property taxes	3,084,550	2,729,664	13%
Grants and contributions not restricted	18,053,320	18,109,725	0%
Unrestricted investment earnings	20,923	52,382	(60)%
Sixteenth section sources	487,472	389,613	25%
Other	<u>18,758</u>	<u>50,306</u>	(63)%
Total general revenues	<u>21,665,023</u>	<u>21,331,690</u>	2%
Total revenues	<u>27,639,898</u>	<u>27,667,352</u>	0%
Expenses:			
Instruction	17,392,442	16,619,679	5%
Support services	8,847,147	8,961,323	(1)%
Non-instructional	2,397,340	2,286,294	5%
Sixteenth section	<u>49,310</u>	<u>41,085</u>	20%
Total expenses	<u>28,686,239</u>	<u>27,908,381</u>	3%
Increase (Decrease) in net position	(1,046,341)	(241,029)	334%
Net Position, July 1, as previously reported	22,144,974	22,411,991	(1)%
Prior Period Adjustment	<u>2,277</u>	<u>(25,988)</u>	109%
Net Position, July 1, as restated	<u>22,147,251</u>	<u>22,386,003</u>	(1)%
Net Position, June 30	<u>\$ 21,100,910</u>	<u>22,144,974</u>	(5)%

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



Governmental activities

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

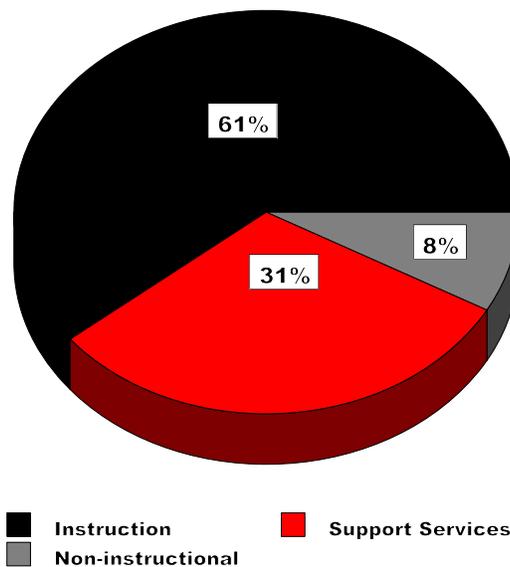
	Total Expenses		
	2013	2012	Percentage Change
Instruction	\$ 17,392,442	16,619,679	5%
Support services	8,847,147	8,961,323	(1)%
Non-instructional	2,397,340	2,286,294	5%
Sixteenth section	49,310	41,085	20%
Total expenses	\$ 28,686,239	27,908,381	3%

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

Net (Expense) Revenue

	<u>2013</u>	<u>2012</u>	<u>Percentage Change</u>
Instruction	\$ (14,497,886)	(13,772,998)	5%
Support services	(8,297,831)	(7,798,406)	6%
Non-instructional	82,957	(4,225)	2063%
Sixteenth section	1,396	2,910	(52)%
Total net (expense) revenue	\$ (22,711,364)	(21,572,719)	5%

Chart of Expenses as per Statement of Activities



- Net cost of governmental activities (\$22,711,364 for 2013 and \$21,572,719 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$3,084,550 for 2013 and \$2,729,664 for 2012) and state and federal revenues of (\$18,053,320 for 2013 and \$18,109,725 for 2012).
- Investment earnings amounted to \$20,923 for 2013 and \$52,382 for 2012.

Scott 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 \$6,840,005, a decrease of \$522,877, which includes a prior period adjustment of \$2,277 and an increase in inventory of \$8,376. \$461,395 or 7% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$6,378,610 or 93% 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 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 \$1,069,921, including a prior period adjustment of \$2,277. The fund balance of Other Governmental Funds showed an increase in the amount of \$95,069, which includes an increase in inventory in the amount of \$8,376. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	no increase or decrease
IDEA Fund	no increase or decrease
Sixteenth Section Interest Fund	\$ 451,975

BUDGETARY HIGHLIGHTS

Over the course of 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 are provided in this report as required supplementary information.

Scott 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 \$27,278,039, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$169,296 from 2012. Total accumulated depreciation as of June 30, 2013, was \$12,841,612, and total depreciation expense for the year was \$755,320, resulting in total net capital assets of \$14,436,427.

Table 4
Capital Assets, Net Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 127,250	101,700	25%
Buildings	11,794,290	12,134,933	(3)%
Buildings improvements	522,977	547,714	(5)%
Improvements other than buildings	256,002	216,643	18%
Mobile equipment	1,420,110	1,608,849	(12)%
Furniture and equipment	315,798	412,612	(23)%
Total	<u>\$ 14,436,427</u>	<u>15,022,451</u>	<u>(4)%</u>

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

Debt Administration. At June 30, 2013, the District had \$175,522 in outstanding long-term debt, which consisted of the liability for compensated absences. The liability for compensated absences decreased \$64,837 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Compensated absences payable	\$ <u>175,522</u>	<u>240,359</u>	<u>(27)%</u>

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

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

CURRENT ISSUES

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

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

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

The District's enrollment for the 2012-2013 year decreased by 2% to 3,751 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Conservator's Office of the Scott County School District, 100 East First Street, Forest, MS 39074.

FINANCIAL STATEMENTS

SCOTT COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2013

	<u>Governmental Activities</u>
Assets	
<i>Cash and cash equivalents</i>	\$ 6,728,480
<i>Due from other governments</i>	1,462,724
<i>Inventories</i>	41,970
<i>Restricted assets</i>	82,906
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	127,250
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	11,794,290
<i>Building improvements</i>	522,977
<i>Improvements other than buildings</i>	256,002
<i>Mobile equipment</i>	1,420,110
<i>Furniture and equipment</i>	315,798
Total Assets	<u>22,752,507</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	1,464,088
<i>Unearned revenue</i>	11,987
Long-term liabilities, due beyond one year:	
<i>Non-capital related liabilities</i>	175,522
Total Liabilities	<u>1,651,597</u>
Net Position:	
Net Investment in Capital Assets	14,436,427
Restricted For:	
Expendable:	
School based activities	3,268,741
Forestry improvements	226,637
Unemployment benefits	72,574
Nonexpendable:	
Sixteenth section	82,906
Unrestricted	3,013,625
Total Net Position	<u>\$ 21,100,910</u>

The accompanying notes are an integral part of this statement.

SCOTT 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>	17,392,442	519,964	2,374,592	(14,497,886)
<i>Support services</i>	8,847,147	--	549,316	(8,297,831)
<i>Noninstructional services</i>	2,397,340	384,609	2,095,688	82,957
<i>Sixteenth section</i>	49,310	50,706	--	1,396
Total Governmental Activities	<u>\$ 28,686,239</u>	<u>\$ 955,279</u>	<u>\$ 5,019,596</u>	<u>(22,711,364)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				3,084,550
<i>Unrestricted grants and contributions:</i>				
<i>State</i>				17,885,781
<i>Federal</i>				167,539
<i>Unrestricted investment earnings</i>				20,923
<i>Sixteenth section sources</i>				487,472
<i>Other</i>				18,758
Total General Revenues				<u>21,665,023</u>
Change in Net Position				<u>(1,046,341)</u>
Net Position - Beginning, as previously reported				22,144,974
Prior Period Adjustment				2,277
Net Position - Beginning, as restated				<u>22,147,251</u>
Net Position - Ending				<u>\$ 21,100,910</u>

The accompanying notes are an integral part of this statement.

SCOTT COUNTY SCHOOL DISTRICT*BALANCE SHEET - GOVERNMENTAL FUNDS*

JUNE 30, 2013

	<u>General Fund</u>	<u>Title I Fund</u>
Assets		
Cash and cash equivalents	\$ 3,012,086	\$ 51,888
Due from other governments	445,188	528,210
Due from other funds	1,083,597	--
Inventories	--	--
Total Assets	\$ 4,540,871	\$ 580,098
Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,250,652	\$ 57,670
Due to other funds	101,072	522,428
Unearned revenue	--	--
Total Liabilities	1,351,724	580,098
Fund Balances:		
Non-spendable:		
Permanent fund principal	--	--
Inventory	--	--
Restricted:		
Unemployment benefits	--	--
Forestry improvements	--	--
Grant activities	--	--
Food service	--	--
Sixteenth Section Interest	--	--
Assigned:		
Activity funds	364,424	--
Other purposes	2,363,328	--
Unassigned	461,395	--
Total Fund Balances	3,189,147	--
Total Liabilities and Fund Balances	\$ 4,540,871	\$ 580,098

The accompanying notes are an integral part of this statement.

IDEA Fund	Sixteenth Section Interest Fund	Other Governmental Funds	Total Governmental Funds
\$ 32,308	\$ 2,745,866	\$ 969,238	\$ 6,811,386
391,093	--	73,238	1,437,729
--	7,993	--	1,091,590
--	--	41,970	41,970
<u>\$ 423,401</u>	<u>\$ 2,753,859</u>	<u>\$ 1,084,446</u>	<u>\$ 9,382,675</u>
\$ 43,065	\$ 15,057	\$ 97,644	\$ 1,464,088
380,336	--	62,759	1,066,595
--	--	11,987	11,987
<u>423,401</u>	<u>15,057</u>	<u>172,390</u>	<u>2,542,670</u>
--	--	82,906	82,906
--	--	41,970	41,970
--	--	72,574	72,574
--	--	226,637	226,637
--	--	313,156	313,156
--	--	174,813	174,813
--	2,738,802	--	2,738,802
--	--	--	364,424
--	--	--	2,363,328
--	--	--	461,395
<u>--</u>	<u>2,738,802</u>	<u>912,056</u>	<u>6,840,005</u>
<u>\$ 423,401</u>	<u>\$ 2,753,859</u>	<u>\$ 1,084,446</u>	<u>\$ 9,382,675</u>

SCOTT 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	\$ 6,840,005
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.	14,436,427
Payables for compensated absences which are not due in the current period are not reported in the funds.	<u>(175,522)</u>
Net position of governmental activities	<u>\$ 21,100,910</u>

The accompanying notes are an integral part of this statement.

This page left blank intentionally.

SCOTT 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	\$ 3,538,868	\$ --
State sources	18,115,049	--
Federal sources	214,497	1,318,127
Sixteenth section sources	22,702	--
Total Revenues	<u>21,891,116</u>	<u>1,318,127</u>
Expenditures:		
Instruction	14,392,312	1,092,183
Support services	7,919,121	185,289
Noninstructional services	35,964	11,161
Sixteenth section	--	--
Facilities acquisition and construction	73,339	--
Total Expenditures	<u>22,420,736</u>	<u>1,288,633</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(529,620)</u>	<u>29,494</u>
Other Financing Sources (Uses):		
Insurance recovery	12,805	--
Transfers In	128,098	--
Transfers Out	(683,481)	(29,494)
Total Other Financing Sources (Uses)	<u>(542,578)</u>	<u>(29,494)</u>
Net Change in Fund Balances	<u>(1,072,198)</u>	<u>--</u>
Fund Balances:		
July 1, 2012, as previously reported	4,259,068	--
Prior period adjustment	2,277	--
July 1, 2012, as restated	<u>4,261,345</u>	<u>--</u>
Increase (decrease) in inventory	--	--
June 30, 2013	<u>\$ 3,189,147</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

IDEA Fund	Sixteenth Section Interest Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 6,613	\$ 385,692	\$ 3,931,173
--	--	451,161	18,566,210
707,697	--	2,351,211	4,591,532
--	452,360	63,116	538,178
<u>707,697</u>	<u>458,973</u>	<u>3,251,180</u>	<u>27,627,093</u>
512,303	--	998,927	16,995,725
195,173	--	415,691	8,715,274
221	--	2,292,434	2,339,780
--	6,998	42,312	49,310
--	--	--	73,339
<u>707,697</u>	<u>6,998</u>	<u>3,749,364</u>	<u>28,173,428</u>
--	451,975	(498,184)	(546,335)
--	--	--	12,805
--	--	683,481	811,579
--	--	(98,604)	(811,579)
--	--	<u>584,877</u>	<u>12,805</u>
--	451,975	86,693	(533,530)
--	2,286,827	816,987	7,362,882
--	--	--	2,277
--	<u>2,286,827</u>	<u>816,987</u>	<u>7,365,159</u>
--	--	8,376	8,376
<u>\$ --</u>	<u>\$ 2,738,802</u>	<u>\$ 912,056</u>	<u>\$ 6,840,005</u>

SCOTT 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	\$ (533,530)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	169,296
The depreciation of capital assets used in governmental activities is not reported in the funds.	(755,320)
Change in the inventory is an adjustment to fund balance in the funds but affects expense in the SOA.	8,376
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	<u>64,837</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ (1,046,341)</u>

The accompanying notes are an integral part of this statement.

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

	Agency Funds
Assets	
Cash and cash equivalents	\$ 224,544
Due from other funds	95,105
Total Assets	\$ 319,649
Liabilities	
Accounts payable and accrued liabilities	\$ 19,467
Due to student clubs	180,082
Due to other funds	120,100
Total Liabilities	\$ 319,649

The accompanying notes are an integral part of this statement.

Scott County School District

Notes to the Financial Statements
June 30, 2013

Scott 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, Scott 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.

Scott County School District

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

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

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

IDEA Fund - This fund accounts for resources from the grants to states to assist them in providing a free appropriate public education to all children with disabilities.

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

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

Scott County School District

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

The District's fiduciary funds include the following:

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

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Accounts Payable Clearing Fund - This fund serves as a clearing fund for accounts payable type 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.

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

FIDUCIARY FUNDS

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

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

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

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.

Scott County School District

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

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

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

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

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

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

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

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

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

Scott County School District

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

Scott County School District

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

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes. 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.

Scott County School District

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

Scott County School District

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

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

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

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

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for

Scott County School District

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

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. The formal action that is required to be taken to establishing modify, or rescind a fund balance commitment is a resolution approved by the Board. Currently there is no committed fund balance for this school district.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and Business Manager pursuant to authorization established by 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 the general fund at fiscal year end of not less than 10% 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.

Scott County School District

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

Note 2 - Cash and Cash Equivalents

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 \$6,811,386 and \$224,544, 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 \$8,159,720 was exposed to custodial credit risk.

Scott County School District

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

Note 3 - Inter-fund Receivables, Payables, and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 522,428
	IDEA Fund	380,336
	Fiduciary Funds	120,100
	Other Governmental Funds	60,733
Sixteenth Section Interest Fund	General Fund	5,967
	Other Governmental Funds	2,026
Fiduciary Funds	General Fund	95,105
Total		\$ <u>1,186,695</u>

The primary purpose of the inter-fund receivables and payables is to close out federal program funds at year end. All inter-fund receivables and payables are expected to be repaid within one year.

B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Title I Fund	\$ 29,494
	Other Governmental Funds	98,604
Other Governmental Funds	General Fund	683,481
Total		\$ <u>811,579</u>

The primary purpose of the inter-fund transfers was to transfer General Fund monies to various other governmental funds for operating purposes. These transfers were consistent with the activities of the fund making the transfer.

Note 4 - Restricted Assets

The restricted assets represent the cash balance, totaling \$82,906, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

Scott County School District

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

Note 5 - Capital Assets

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

	Balance 7-1-2012	Additions	Balance 6-30-2013
Non-depreciable capital assets:			
Land	\$ 101,700	25,550	127,250
Total non-depreciable capital assets	<u>101,700</u>	<u>25,550</u>	<u>127,250</u>
Depreciable capital assets:			
Buildings	20,073,919		20,073,919
Building improvements	616,659		616,659
Improvements other than buildings	766,974	47,789	814,763
Mobile equipment	4,450,885	18,680	4,469,565
Furniture and equipment	1,098,606	77,277	1,175,883
Total depreciable capital assets	<u>27,007,043</u>	<u>143,746</u>	<u>27,150,789</u>
Less accumulated depreciation for:			
Buildings	7,938,986	340,643	8,279,629
Building improvements	68,945	24,737	93,682
Improvements other than buildings	550,331	8,430	558,761
Mobile equipment	2,842,036	207,419	3,049,455
Furniture and equipment	685,994	174,091	860,085
Total accumulated depreciation	<u>12,086,292</u>	<u>755,320</u>	<u>12,841,612</u>
Total depreciable capital assets, net	<u>14,920,751</u>	<u>(611,574)</u>	<u>14,309,177</u>
Governmental activities capital assets, net	<u>\$ 15,022,451</u>	<u>(586,024)</u>	<u>14,436,427</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 528,724
Support services	151,064
Non-instructional	75,532
Total depreciation expense	<u>\$ 755,320</u>

Scott County School District

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

Note 6 - Long-term liabilities

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

	Balance <u>7-1-2012</u>	<u>Deletions</u>	Balance <u>6-30-2013</u>
A. Compensated absences payable	\$ 240,359	64,837	175,522

A. Compensated absences payable

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

Note 7 - Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$2,211,915, \$1,914,574, \$1,743,755, respectively, which equaled the required contributions for each year.

Note 8 - 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 all funds arising from any disposition thereof. It is the duty of the

Scott County School District

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

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 users of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2014	\$ 126,755
2015	119,638
2016	117,245
2017	109,464
2018	108,473
2019 - 2023	536,258
2024 - 2028	529,192
2029 - 2033	347,772
2034 - 2037	319,620
Total	\$ <u>2,314,417</u>

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

Scott County School District

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

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 - Contingencies

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

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

Note 11 - Prior Period Adjustments

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

Exhibit B - Statement of Activities

<u>Explanation</u>		<u>Amount</u>
Same as below	\$	<u>2,277</u>

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

<u>Fund</u>	<u>Explanation</u>		<u>Amount</u>
1. General Fund	To record accrual not recorded in prior year.	\$	<u>2,277</u>

Scott County School District

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

Note 12 - 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 Scott 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 have occurred requiring disclosure in the notes to the financial statements.

Note 13 - Uncertainties

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. (1972). This section also allows a school district to assert a claim against the custodial school district for its share of the funds no later than twelve (12) months from the end of the calendar year in which the custodial school district collected such funds.

Of the townships Scott County School District shares with other school districts, Scott County School District has control of some of the sixteenth section property shared with Forest Municipal School District. Forest Municipal School District filed lists of children with Scott County School District as required, but Scott County School District did not divide sixteenth section revenues with them. No division of sixteenth section revenues has been accrued as a payable because the twelve (12) month period after the calendar year that the revenue was received has passed. Scott County School District did not file lists of children with two other school districts that control shared townships with Scott County School District. No division of sixteenth section revenues has been accrued as a receivable as it cannot be determined and the twelve (12) month period after the calendar year that the revenue was received has passed.

Note 14 - Alternative School Consortium

The school district entered into an Alternative School Agreement dated April 12, 1994 creating a consortium. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Union Public School District, Forest Municipal School District, Neshoba County School District, Newton Municipal School District and Newton County School District.

Scott County School District

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

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

The Union Public School District has been designated as the lead school district for the consortium, and the operations of the consortium are included in its financial statements

Note 15 - Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated April 16, 1994 creating the Forest Scott County Career and Technology Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Scott County School District and the Forest Municipal School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Scott County School District has been designated as the fiscal agent for the Forest Scott County Career and Technology Center, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Forest Scott County Career and Technology Center.

Scott County School District

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

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2013

Revenues		
State sources	\$	310,304
Federal sources		59,521
Total revenues		<u>369,825</u>
Expenditures		
Salaries		717,354
Employee benefits		227,359
Purchased property services		35,533
Other purchased services		3,804
Supplies		31,235
Property		37,657
Other		364
Total Expenditures		<u>1,053,306</u>
Excess (Deficiency) of Revenues Over Expenditures		<u>(683,481)</u>
Other Financing Sources/Uses:		
Transfers In		683,481
Total Other Financing Sources/Uses		<u>683,481</u>
Net Change in Fund Balance		<u>0</u>
Fund Balance:		
July 1, 2012		0
June 30, 2013	\$	<u><u>0</u></u>

Note 16 - Insurance Recovery

The Scott County School District received \$12,805 in insurance loss recoveries related to bus damage during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated to the support services expense function.

REQUIRED SUPPLEMENTARY INFORMATION

SCOTT COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2013

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,401,141	3,258,222	3,538,868	(142,919)	280,646
Intermediate sources		7,478		7,478	(7,478)
State sources	17,764,013	17,958,416	18,115,049	194,403	156,633
Federal sources	324,000	83,433	214,497	(240,567)	131,064
Sixteenth section sources		22,702	22,702	22,702	0
Total Revenues	<u>21,489,154</u>	<u>21,330,251</u>	<u>21,891,116</u>	<u>(158,903)</u>	<u>560,865</u>
Expenditures:					
Instruction	13,536,663	14,381,409	14,392,312	(844,746)	(10,903)
Support services	7,066,608	7,545,425	7,919,121	(478,817)	(373,696)
Noninstructional services		35,964	35,964	(35,964)	0
Facilities acquisition and construction		331,951	73,339	(331,951)	258,612
Debt service:					
Other		29,494		(29,494)	29,494
Total Expenditures	<u>20,603,271</u>	<u>22,324,243</u>	<u>22,420,736</u>	<u>(1,720,972)</u>	<u>(96,493)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>885,883</u>	<u>(993,992)</u>	<u>(529,620)</u>	<u>(1,879,875)</u>	<u>464,372</u>
Other Financing Sources (Uses):					
Insurance recovery		12,805	12,805	12,805	0
Transfers in	3,948,585	73,033	128,098	(3,875,552)	55,065
Other financing sources	1,000			(1,000)	0
Transfers out	<u>(3,895,000)</u>	<u>(9,600)</u>	<u>(683,481)</u>	<u>3,885,400</u>	<u>(673,881)</u>
Total Other Financing Sources (Uses)	<u>54,585</u>	<u>76,238</u>	<u>(542,578)</u>	<u>21,653</u>	<u>(618,816)</u>
Net Change in Fund Balances	<u>940,468</u>	<u>(917,754)</u>	<u>(1,072,198)</u>	<u>(1,858,222)</u>	<u>(154,444)</u>
Fund Balances:					
July 1, 2012, as previously reported	4,259,068	4,259,068	4,259,068	0	0
Prior period adjustments	<u>187</u>	<u>187</u>	<u>2,277</u>	<u>0</u>	<u>2,090</u>
July 1, 2012, as restated	<u>4,259,255</u>	<u>4,259,255</u>	<u>4,261,345</u>	<u>0</u>	<u>2,090</u>
June 30, 2013	<u>\$ 5,199,723</u>	<u>3,341,501</u>	<u>3,189,147</u>	<u>(1,858,222)</u>	<u>(152,354)</u>

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

SCOTT COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I Fund
 For the Year Ended June 30, 2013

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,478,276	789,918	1,318,127	(688,358)	528,209
Total Revenues	<u>1,478,276</u>	<u>789,918</u>	<u>1,318,127</u>	<u>(688,358)</u>	<u>528,209</u>
Expenditures:					
Instruction	675,243	1,092,182	1,092,183	(416,939)	(1)
Support services	263,937	185,290	185,289	78,647	1
Noninstructional services	15,368	11,161	11,161	4,207	0
Total Expenditures	<u>954,548</u>	<u>1,288,633</u>	<u>1,288,633</u>	<u>(334,085)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>523,728</u>	<u>(498,715)</u>	<u>29,494</u>	<u>(1,022,443)</u>	<u>528,209</u>
Other Financing Sources (Uses):					
Transfers Out	(11,608)	(29,494)	(29,494)	(17,886)	0
Total Other Financing Sources (Uses)	<u>(11,608)</u>	<u>(29,494)</u>	<u>(29,494)</u>	<u>(17,886)</u>	<u>0</u>
Net Change in Fund Balances	<u>512,120</u>	<u>(528,209)</u>	<u>0</u>	<u>(1,040,329)</u>	<u>528,209</u>
Fund Balances:					
July 1, 2012	0	0	0	0	0
June 30, 2013	<u>\$ 512,120</u>	<u>(528,209)</u>	<u>0</u>	<u>(1,040,329)</u>	<u>528,209</u>

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

SCOTT COUNTY SCHOOL DISTRICT

Exhibit 3

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 721,199	316,604	707,697	(404,595)	391,093
Total Revenues	<u>721,199</u>	<u>316,604</u>	<u>707,697</u>	<u>(404,595)</u>	<u>391,093</u>
Expenditures:					
Instruction	219,054	512,303	512,303	(293,249)	0
Support services	362,466	195,173	195,173	167,293	0
Noninstructional services		221	221	(221)	0
Total Expenditures	<u>581,520</u>	<u>707,697</u>	<u>707,697</u>	<u>(126,177)</u>	<u>0</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>139,679</u>	<u>(391,093)</u>	<u>0</u>	<u>(530,772)</u>	<u>391,093</u>
Other Financing Sources (Uses):					
Transfers in	19,910	0		(19,910)	0
Total Other Financing Sources (Uses)	<u>19,910</u>	<u>0</u>	<u>0</u>	<u>(19,910)</u>	<u>0</u>
Net Change in Fund Balances	<u>159,589</u>	<u>(391,093)</u>	<u>0</u>	<u>(550,682)</u>	<u>391,093</u>
Fund Balances:					
July 1, 2012	0	0		0	0
June 30, 2013	<u>\$ 159,589</u>	<u>(391,093)</u>	<u>0</u>	<u>(550,682)</u>	<u>391,093</u>

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

SCOTT COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Sixteenth Section Interest Fund
 For the Year Ended June 30, 2013

Exhibit 4

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$	6,613	6,613	6,613	0
Sixteenth section sources	251,500	452,360	452,360	200,860	0
Total Revenues	251,500	458,973	458,973	207,473	0
Expenditures:					
Sixteenth section services	16,500	6,903	6,998	9,597	(95)
Total Expenditures	16,500	6,903	6,998	9,597	(95)
Excess (Deficiency) of Revenues over (under) Expenditures	235,000	452,070	451,975	217,070	(95)
Other Financing Sources (Uses):					
Transfers out	(1,200,000)	2,273,321	0	3,473,321	(2,273,321)
Total Other Financing Sources (Uses)	(1,200,000)	2,273,321	0	3,473,321	(2,273,321)
Net Change in Fund Balances	(965,000)	2,725,391	451,975	3,690,391	(2,273,416)
Fund Balances:					
July 1, 2012	2,286,827	0	2,286,827	(2,286,827)	2,286,827
June 30, 2013	\$ 1,321,827	2,725,391	2,738,802	1,403,564	13,411

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Scott 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 special revenue fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

Scott 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>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 650,339
National School Lunch Program	10.555	1,372,986
Total child nutrition cluster		<u>2,023,325</u>
Total passed-through Mississippi Department of Education		<u>2,023,325</u>
Passed-through Scott County Board of Supervisors:		
Schools and Roads - Grants to States	10.665	34,802
Total passed-through Scott County Board of Supervisors		<u>34,802</u>
Total U. S. Department of Agriculture		<u>2,058,127</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>		
Administered through Universal Service Administrative Company:		
The School and Libraries Program of the Universal Service Fund	32.xxx	131,064
Total Federal Communications Commission		<u>131,064</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>		
Passed-through the Mississippi Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	1,318,127
Career and Technical Education - Basic Grants to States	84.048	59,521
Rural Education	84.358	105,194
Improving Teacher Quality - State Grants	84.367	106,161
Subtotal		<u>1,589,003</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	707,697
Special Education - Preschool Grants	84.173	52,818
Total Special Education Cluster		<u>760,515</u>
Total passed-through the Mississippi Department of Education		<u>2,349,518</u>
Total U. S. Department of Education		<u>2,349,518</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	1,673
Total passed-through the Mississippi Department of Education		<u>1,673</u>
Total U. S. Department of Health and Human Services		<u>1,673</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$ 4,540,382</u>

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.

Scott 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	\$ 21,228,292	16,279,297	962,577	1,691,007	2,295,411
Other	6,945,136	2,414,135	664,585	40,456	3,825,960
Total	\$ <u>28,173,428</u>	<u>18,693,432</u>	<u>1,627,162</u>	<u>1,731,463</u>	<u>6,121,371</u>
Total number of students *	<u>3,751</u>				
Cost per student	\$ <u>7,511</u>	<u>4,984</u>	<u>434</u>	<u>461</u>	<u>1,632</u>

For purpose 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 expenditures functions not included in Instruction or Administration Categories.

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

OTHER INFORMATION

SCOTT COUNTY SCHOOL DISTRICT

"UNAUDITED"

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

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 3,538,868	3,263,941	3,177,228	2,829,651
State sources	18,115,049	17,803,300	16,334,582	16,681,527
Federal sources	214,497	459,601	705,353	525,981
Sixteenth section sources	22,702			
Total Revenues	<u>21,891,116</u>	<u>21,526,842</u>	<u>20,217,163</u>	<u>20,037,159</u>
Expenditures:				
Instruction	14,392,312	13,663,699	11,181,482	12,274,519
Support services	7,919,121	7,844,129	7,602,710	7,352,066
Noninstructional services	35,964	83	90,868	12,120
Facilities acquisition and construction	73,339	58,286	147,307	18,633
Debt service:				
Principal			2,140	12,385
Interest			17	555
Total Expenditures	<u>22,420,736</u>	<u>21,566,197</u>	<u>19,024,524</u>	<u>19,670,278</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(529,620)</u>	<u>(39,355)</u>	<u>1,192,639</u>	<u>366,881</u>
Other Financing Sources (Uses):				
Insurance recovery	12,805	189,419	144,323	
Sale of transportation equipment			7,093	
Transfers in	128,098	711,653	11,815	10,320
Other financing sources		40		
Transfers out	(683,481)	(714,305)	(757,334)	(1,001,761)
Total Other Financing Sources (Uses)	<u>(542,578)</u>	<u>186,807</u>	<u>(594,103)</u>	<u>(991,441)</u>
Net Change in Fund Balances	<u>(1,072,198)</u>	<u>147,452</u>	<u>598,536</u>	<u>(624,560)</u>
Fund Balances:				
July 1, as previously reported	4,259,068	4,128,875	3,548,109	4,210,252
Prior period adjustments	2,277	(17,259)	(17,770)	(37,583)
July 1, as restated	<u>4,261,345</u>	<u>4,111,616</u>	<u>3,530,339</u>	<u>4,172,669</u>
June 30,	<u>\$ 3,189,147</u>	<u>4,259,068</u>	<u>4,128,875</u>	<u>3,548,109</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

SCOTT COUNTY SCHOOL DISTRICT

"UNAUDITED"

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

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 3,931,173	3,667,668	3,593,558	3,252,490
State sources	18,566,210	18,382,787	16,904,740	17,198,996
Federal sources	4,591,532	4,974,250	7,194,596	6,907,323
Sixteenth section sources	538,178	453,188	669,902	614,875
Total Revenues	<u>27,627,093</u>	<u>27,477,893</u>	<u>28,362,796</u>	<u>27,973,684</u>
Expenditures:				
Instruction	16,995,725	16,314,801	15,914,516	17,097,247
Support services	8,715,274	9,070,822	8,698,921	8,722,275
Noninstructional services	2,339,780	2,265,174	2,232,401	2,207,805
Sixteenth section	49,310	41,085	39,693	53,332
Facilities acquisition and construction	73,339	83,512	147,307	18,633
Debt service:				
Principal			2,140	14,067
Interest			17	641
Total Expenditures	<u>28,173,428</u>	<u>27,775,394</u>	<u>27,034,995</u>	<u>28,114,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(546,335)</u>	<u>(297,501)</u>	<u>1,327,801</u>	<u>(140,316)</u>
Other Financing Sources (Uses):				
Insurance recovery	12,805	189,419	144,323	
Sale of transportation equipment			7,093	
Operating transfers in	811,579	1,425,958	769,149	1,012,081
Other financing sources		40		
Operating transfers out	(811,579)	(1,425,958)	(769,149)	(1,012,081)
Total Other Financing Sources (Uses)	<u>12,805</u>	<u>189,459</u>	<u>151,416</u>	<u>0</u>
Net Change in Fund Balances	<u>(533,530)</u>	<u>(108,042)</u>	<u>1,479,217</u>	<u>(140,316)</u>
Fund Balances:				
July 1, as previously reported	7,362,882	7,490,427	5,969,926	6,157,987
Prior period adjustments	2,277	(17,213)	39,078	(37,583)
July 1, as restated	<u>7,365,159</u>	<u>7,473,214</u>	<u>6,009,004</u>	<u>6,120,404</u>
Increase (Decrease) in inventory	8,376	(2,290)	2,206	(10,162)
June 30,	<u>\$ 6,840,005</u>	<u>7,362,882</u>	<u>7,490,427</u>	<u>5,969,926</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*

Conservator and School Board
Scott 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 Scott 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 Scott County School District's basic financial statements, and have issued our report thereon dated May 27, 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 a certain deficiency in internal control that we consider to be a material weakness and others that we considered to be significant deficiencies.

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

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

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2013-2, 2013-3, 2013-4 and 2013-5 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Scott 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*.

Scott County School District's Response to Findings

The Scott County School District's responses to the findings identified in our audit are described in the accompanying auditee's corrective action plan. The Scott 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 them.

Purpose of this Report

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

This report is intended solely for the information and use of management, the school board, others within the entity, and 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
May 27, 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

Conservator and School Board
Scott County School District

Report on Compliance for Each Major Federal Program

We have audited Scott 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 Scott County School District's major federal program for the year ended June 30, 2013. The Scott County School District's major federal programs are identified in the summary of the 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 Scott 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 on the school district's compliance.

Opinion on Each Major Federal Program

In our opinion, the Scott 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-8 and 2013-9. Our opinion on each major federal program is not modified with respect to these matters.

Scott County School District's response to the noncompliance findings identified in our audit are described in the accompanying auditee's corrective action plan. Scott 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 responses.

Report on Internal Control Over Compliance

Management of the Scott 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 Scott 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 the 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 Findings 2013-6, 2013-7, 2013-8 and 2013-9, that we consider to be significant deficiencies.

Scott 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. Scott 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 responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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
May 27, 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

Conservator and School Board
Scott County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Scott County School District as of and for the year ended June 30, 2013, which collectively comprise the Scott County School District's basic financial statements and have issued our report thereon dated May 27, 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 the following instance of noncompliance. The noncompliance is reported in finding number 1 below. The district reported \$11,093 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 disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our immaterial findings and recommendations and your responses are as follows:

Finding 1:

Criteria:

Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), specifies, “all unexpended amounts will be carried forward, combined with the following year’s allocation of Education Enhancement Fund instructional supplies funds and reallocated for the following year.”

Condition:

The district had \$61,533 carryover of 2012 Education Enhancement (Classroom Supplies) monies of which \$20,684 was not spent at the end of fiscal year ended June 30, 2013.

Cause:

The lack of training concerning Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972) requirements.

Effect:

Students did not receive the full benefit of the intended classroom supply budget during the year.

Recommendation:

The District should implement policies and procedures to ensure compliance with Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972).

Response:

The District has already instigated measures to comply with Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972).

Finding 2:

Criteria:

Section 29-3-57, Miss. Code Ann. (1972) states, “It is the duty of the Superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section principal funds. Upon a sixty (60) day default in payment of any rental according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present....”

Condition:

During our test of sixteenth section leases we identified several leases in which rental payments tested were more than 60 days past due with no documentation that board action was taken as required by Section 29-3-57, Miss. Code Ann. (1972).

Cause:

The cause of the above condition is primarily due to lack of training with state requirements.

Effect:

District’s resources of sixteenth section lease payments were not available for operations.

Recommendation:

We recommend that the District comply with Section 29-3-57, Miss. Code Ann. (1972), that states when leases are in default for more than 60 days from the due date, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances are present.

Response:

The District will comply with Section 29-3-57, Miss. Code Ann. (1972), that states when leases are in default for more than 60 days from the due date, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances are present.

Finding 3:

Criteria:

Section 29-3-121, Miss. Code Ann. (1972) provides, “It shall be the duty of the Superintendent of each school district to make or cause to be made annual lists of the children enrolled in the schools of such district and who reside in such district, which lists shall be based upon the end of the first month enrollment required to be reported to the State Department of Education for the then current school year. The lists shall be made separately as to the townships in which such children reside. Such lists shall be filed by the Superintendent of the custodial school district on or before December 31 of each year, and the lists shall be used in making the division of the available funds of each township during the ensuing calendar year.”

Condition:

During test of sixteenth section revenue, we noted that educable child lists were not sent to the Forest Municipal School District and Rankin County School District.

Cause:

The cause of the above condition is primarily due to management not prioritizing adherence with state compliance.

Effect:

Noncompliance with Section 29-3-121, Miss. Code Ann. (1972), could result in the District not receiving their pro rata share of sixteenth section revenue from other school districts or having to repay other districts.

Recommendation:

We recommend that the District implement policies and procedures to ensure all lists are prepared and sent to appropriate school districts by December 31 of each year, in accordance with Section 29-3-121, Miss. Code Ann. (1972).

Response:

The District will implement procedures to ensure all lists are prepared and sent to appropriate school districts by December 31 of each year, in accordance with Section 29-3-121, Miss. Code Ann. (1972).

Finding 4:

Criteria:

Section 29-3-119(4), Miss. Code Ann. (1972), that states, “The school district having jurisdiction and control of the sixteenth section or lieu lands in the township (the “custodial school district”) shall pay to each other school district lying wholly or partly in the township which is entitled to a part of the township funds the district’s pro rata share of the available township funds, as determined from the lists of children prepared pursuant to Section 29-3-121, Any school district entitled to such funds, which is not paid promptly may assert a claim against the custodial school district for its share of the funds no later than twelve (12) months from the end of the calendar year in which the custodial school district collected such funds.”

Condition:

During tests of sixteenth section revenue, we noted that the District failed to distribute funds generated from the sixteenth section property between school districts lying partly within townships of which Scott County School District is the custodial school district.

Cause:

The cause of the above condition is primarily due to management noncompliance with Section 29-3-119(4), Miss. Code Ann. (1972).

Effect:

Noncompliance with Section 29-3-119 (4), Miss. Code Ann. (1972), could result in the District having to repay other districts.

Recommendation:

We recommend the District comply with Section 29-3-119(4), Miss. Code Ann. (1972), which requires the custodial district to share the sum of all revenues less expenditures derived from shared townships with other districts.

Response:

The District will comply with Section 29-3-119(4), Miss. Code Ann. (1972), which requires the custodial district to share the sum of all revenues less expenditures derived from shared townships with other districts.

Finding 5:

Criteria:

Section 37-39-21, Miss. Code Ann. (1972) requires that purchasing agents shall be bonded for at least \$50,000 and those bonds shall be recorded and on file at the chancery clerk’s office. Section 37-6-15, Miss. Code Ann. (1972) requires that board members shall be bonded for at least \$50,000 and those shall be recorded and on file at the chancery clerk’s office.

Condition:

During the course of our audit, we noted that a purchasing agent was not bonded and one instance of an expired board member’s bond.

Cause:

The cause of the above condition is primarily due to management noncompliance with Sections 37-39-21 and 37-6-15, Miss. Code Ann. (1972).

Effect:

The District was not indemnified from certain potential losses.

Recommendation:

We recommend the school district comply with all applicable code sections and bond applicable personnel for the appropriate amounts with those bonds being recorded and on file in the chancery clerk's office.

Response:

The District will comply with all applicable code sections and bond the specified personnel for the appropriate amounts and ensure those bonds are recorded and on file in the chancery clerk's office.

Finding 6:

Criteria:

Section 37-59-43(3), Miss. Code Ann. (1972), states, "All earnings from funds other than bond funds or bond sinking funds in excess of One Hundred Dollars (\$100) in any fiscal year, shall be deposited in the district fund from which the investment was made... Earnings from such school district funds which are less than One Hundred Dollars (\$100) in any fiscal year may be deposited in the school district maintenance fund, or in the district fund from which the investment was made, at the discretion of the school board."

Condition:

During our test of bank account balances, we noted that eight funds were included in the pooled bank account of the District. The interest earned on this pooled account was credited to the district maintenance fund, even though earnings were more than \$100.

Cause:

The cause of the above condition is primarily due to lack of training regarding Section 37-59-43(3), Miss. Code Ann. (1972).

Effect:

Noncompliance with Section 37-59-43(3), Miss. Code Ann. (1972), could result in a loss of resources with grant or legislated programs.

Recommendation:

We recommend that the District comply with Section 37-59-43(3), Miss. Code Ann. (1972), which requires that interest earned in excess of \$100 be credited to the investing fund.

Response:

The District will comply with Section 37-59-43(3), Miss. Code Ann. (1972), which requires that interest earned in excess of \$100 be credited to the investing fund.

Finding 7:

Criteria:

Section 37-61-21(2), Miss. Code Ann. (1972), states that on or before the fifteenth day of October of each year, the local school board of each school district, with the assistance of the school district superintendent, shall prepare and file with the State Department of Education year-end financial statements and any other budgetary information that the State Board of Education may require. The State Board of Education shall prescribe and provide forms to each school district for this purpose. No additional changes may be made to the financial statements after October 15 of each year.

Condition:

The District did not have the year-end financial statements available for the audit on or before October 15, 2013.

Cause:

This noncompliance occurred because the district lacked proper training with respect to preparing the financial statements in a timely manner.

Effect:

Noncompliance with Section 37-61-21(2), Miss. Code Ann. (1972) could result in management and board members basing policy and decisions on obsolete information.

Recommendation:

The district should prepare and file their year-end financial statements and any other budgetary information to the State Department of Education on or before the fifteenth day of October of each year.

Response:

The district will prepare and file their year-end financial statements and any other budgetary information to the State Department of Education on or before the fifteenth day of October of each year.

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

The Scott County School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
May 27, 2014

Certified Public Accountants

This page is intentionally left blank.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Scott 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? Yes.
3. Noncompliance material to financial statements noted? 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 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>
10.553 & 10.555	Child Nutrition Cluster
84.027 & 84.173	Special Education Cluster
84.010	Title I Grants to Local Educational Agencies

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 Weakness

Finding 2013-1:

Criteria:

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets.

Condition:

During our review of internal controls we noted the business manager performed, or had the authority to perform, the following functions, which indicated a lack of segregation of duties:

- Prepared list of checks received in the mail
- Receipted cash and checks
- Coded receipts by fund and function
- Prepared the deposits
- Posted receipts to the general ledger
- Prepared journal entries
- Performed the monthly bank reconciliations
- Authority to sign and approve checks

During our tests of activity fund receipts we noted that the secretaries at each of the individual schools performed or had the authority to perform the following functions, which indicated a lack of segregation of duties:

- Count money
- Prepare school event forms
- Prepare receipts
- Prepare deposits
- Take deposits to the bank

Cause:

These weaknesses occurred due to inadequate internal controls surrounding the cash receipt/revenue cycle.

Effect:

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

Recommendation:

We recommend the district strengthen its internal controls whereby duties would be segregated to the greatest possible extent.

Significant Deficiencies

Finding 2013-2:

Criteria:

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets.

Condition:

During our testing of internal controls related to revenues and receipts transactions, we noted the following deficiency:

- We noted two instances at Scott Central Attendance Center where deposits were not made in a timely manner. These deposits were made over two weeks after collection.

Cause:

Proper internal controls were not in place to ensure deposits were made timely.

Effect:

Without proper internal controls being in place to account for all monetary transactions, the district increases the risk of misappropriation of assets and inaccurate recording of revenue.

Recommendation:

We recommend the district implement internal controls to ensure that all deposits are made daily.

Finding 2013-3:

Criteria:

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records, which includes ensuring all school related activities are properly recorded on the financial statements of the district.

Condition:

A bank account, Morton High School Freddy L. Gaddis Award, was opened using the school district's federal tax identification number without permission from the school district. The school district may choose to maintain accounts in a fiduciary capacity; however, there was no indication that the school district has accepted accountability for these funds. This account was not reported in the district's accounting records or financial statements.

Cause:

Proper internal controls were not in place to detect the unauthorized use of the district's federal tax identification number.

Effect:

Without proper controls being in place to account for all bank accounts using the district's federal tax identification number, the district increases the risk that district's cash could be diverted to outside organizations or individuals.

Recommendation:

We recommend management implement internal controls to periodically check with local banking institutions to ensure that no unauthorized accounts have been opened using the district's federal tax identification number. Action should be taken to approve District accounts in the minutes or request that the unauthorized user close them.

Finding 2013-4:

Criteria:

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets.

Condition:

Per our testing of 107 transactions of general disbursements we noted the following control deficiencies:

- We noted fifteen (15) instances where purchase orders were not signed by a bonded purchasing agent.
- We noted fourteen (14) instances where purchase orders were issued after invoice.
- We did not note any evidence that the Board of Education approved specific claims prior to payment of the claims. The board minutes state that claims dockets were approved. However, the dockets did not detail the claim number range so there is no audit trail of claim numbers that proved which claims were approved by the Board.

Cause:

The cause of the above condition is primarily due to management failure to comply with purchasing policies and procedures.

Effect:

Lack of adequate internal controls surrounding the approval of expenditures and over general disbursement could result in expenditures being made that were not properly authorized and misappropriation of public funds.

Recommendation:

We recommend the district implement controls and procedures to ensure that all expenditures are properly identified in the minutes and considered reasonable and necessary to the operation of the district.

Finding 2013-5:

Criteria:

Management is responsible for insuring that all payroll expenditures made by the district are adequately documented.

Condition:

While performing our test work, we noted that the gross wages reported to the Internal Revenue Service based on the 941's form differed from book balances at June 30, 2013. Documentation could not be provided to explain the difference.

Cause:

Payroll Clerks did not possess adequate training.

Effect:

The District could incur Form 941 penalties.

Recommendation:

The District should implement policies and procedures to ensure gross wages are accurately reported to the Internal Revenue Service and adequate records should be maintained to support these figures.

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: Child Nutrition Cluster
CFDA# 10.553 and 10.555

Compliance requirement: Activities allowed or unallowed

Criteria:

Mississippi Department of Education's "Policy and Procedure Manual for Child Nutrition Programs" states that bad debts are an unallowable cost of the child nutrition program. Office of Management and Budget Circular A-87 provides that one of the unallowable costs of federal programs is bad debts, including losses, arising from uncollectible accounts and other claims.

Condition:

During test work performed on daily food sales, we noted that the district allowed students to charge meals. Since June 30, 2010, there existed uncollected student meal charges. The district did not reimburse child nutrition for the bad debt associated with the cost of the uncollected

meals. We also noted there was no evidence that anyone in a supervisory position was reviewing these accounts and making any effort to collect these charges.

Cause:

The cause of the above condition is primarily due to management failure to comply with the Mississippi Department of Education's "Policy and Procedure Manual for Child Nutrition Programs".

Effect:

This noncompliance resulted from the district having a policy allowing students to charge meals. The District as well as the Department of Agriculture's resources were placed at risk.

Recommendation:

We recommend that the district review their policies and implement procedures to ensure they do not conflict with child nutrition requirements and state statutes. We also recommend that the district reimburse the child nutrition program the cost of the uncollected charged student meals. We noticed that these recommendations had already been implemented in the 2014 fiscal year.

Finding 2013-7:

Program: Special Education Cluster
CFDA #84.027 and 84.173

Compliance requirement: Allowable costs/cost principles

Criteria:

Management is responsible for establishing a proper internal control system to ensure proper financial accountability and safeguarding of the federal program assets.

Condition:

During our tests of controls related to Special Education payroll expenditures, we noted the following deficiency:

- We noted four (4) instances where time and effort reports for pro-rated teachers could not be located.

Cause:

As a result of improper internal controls for payroll expenditures, the allocation for payroll expenditures for an employee of the applicable federal program was processed without adequate documentation.

Effect:

Payment of wages without adequate records could result in employees being improperly compensated which could result in a repayment of the expense from the District Maintenance Fund.

Recommendation:

We recommend the district maintain adequate records for all employees to support federal program expenditures.

Finding 2013-8:

Child Nutrition Cluster
CFDA# 10.553 and 10.555

Questioned Cost: \$6,726

Special Education Cluster
CFDA# 84.027 and 84.173

Questioned Cost: \$17,667

Compliance requirement: Allowable Costs/Cost Principles

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.

Condition:

The school district did not perform semi-annual certifications for its SPED employees. Also, one employee did not work from August 2013 through December 2013 but continued to receive direct deposit paycheck from the Child Nutrition Fund.

Cause:

Controls were not followed to ensure the documentation to support the time and effort of employees who are paid from federal awards program. Also, the school district did not implement their policy and follow necessary procedures to ensure all retired or terminated employees were not being paid for services not rendered.

Effect:

Certifications and time and effort reports did not exist to corroborate payroll expenditures and district resources were misspent.

Recommendation:

We recommend that the district develop a system for documenting the time and effort of Special Education employees by requiring that each employee furnish a semi-annual certification or time and effort certification record as required by OMB Circular A-87. The district should ensure all retired or terminated employees are not being paid for services not rendered.

Finding 2013-9:

Special Education Cluster
CFDA# 84.027 & 84.173

Title I Grants for Local Educational Agencies
CFDA# 84.010

Compliance requirement: Procurement, Suspension and Debarment

Criteria:

According to the provisions of the A-102 Common Rule or OMB Circular A-110, states' federal agencies shall not award assistance to applicants that are debarred or suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549. Agencies shall establish procedures for the effective use of the List of Parties Excluded from Federal Procurement or Nonprocurement programs to assure that they do not award assistance to listed parties in violation of the Executive Order. Agencies shall also establish procedures to provide for effective use and/or dissemination of the list of assure that their grantees and subgrantees (including contractors) at any tier do not make awards in violation of the nonprocurement debarment and suspension common rule.

Condition:

During our test of controls, the Director could neither provide sufficient documentation to provide reasonable assurance that procurement of goods and services are made in compliance with the provisions of the A-102 Common Rule or OMB Circular A-110 nor that transactions were not made with a debarred or suspended party.

Cause:

The district lacked training with the provisions of the A-102 Common Rule or OMB Circular A-110.

Effect:

The district did not have controls in place to ensure compliance with the provisions of the A-102 Common Rule or OMB Circular A-110.

Recommendation:

The District should implement procedures to verify vendors and contractors have not been suspended or debarred by the Federal Government before providing goods and services.

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

Scott County School District
100 East First Street
Forest, MS 39074
Marc Boyles - Conservator

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section 315(c) of OMB Circular A-133, the Scott 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: Al Ladner Phone Number: 601-469-3861</p> <p>b. Corrective Action Planned: The District will implement internal controls to improve the segregation of duties of the receipt/revenue cycle at the school and district level.</p> <p>c. Anticipated Completion Date:</p> <p>July 31, 2014</p>

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2013-2	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Al Ladner Phone Number: 601-469-3861</p> <p>b. Corrective Action Planned: The District will implement procedures to insure deposits are made daily.</p> <p>c. Anticipated Completion Date:</p> <p>July 31, 2014</p>

Scott County School District
100 East First Street
Forest, MS 39074
Marc Boyles - Conservator

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section 315(c) of OMB Circular A-133, the Scott 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>
2013-3	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Al Ladner Phone Number: 601-469-3861</p> <p>b. Corrective Action Planned: The District will put in internal controls to detect the unauthorized use of the district's federal tax identification number.</p> <p>c. Anticipated Completion Date: July 31, 2014</p>

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2013-4	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Al Ladner Phone Number: 601-469-3861</p> <p>b. Corrective Action Planned: The District will implement controls and procedures to ensure that all expenditures are approved by the board and so noted in the minutes. The District will make sure these expenditures are reasonable and necessary for the operation of the district.</p> <p>c. Anticipated Completion Date: July 31, 2014</p>

Scott County School District
100 East First Street
Forest, MS 39074
Marc Boyles - Conservator

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section 315(c) of OMB Circular A-133, the Scott 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>
2013-5	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Al Ladner Phone Number: 601-469-3861</p> <p>b. Corrective Action Planned: The District will implement procedures to ensure gross wages are accurately reported to the Internal Revenue Service and adequate are maintained to support these figures.</p> <p>c. Anticipated Completion Date: July 31, 2014</p>

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2013-6	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Al Ladner and Vivian McGarrity Phone Number: 601-469-3861</p> <p>b. Corrective Action Planned: The District has already implemented policies and procedures which do not conflict with child nutrition requirements and state statutes. The District will reimburse the child nutrition program for the cost of the uncollected charged student meals.</p> <p>c. Anticipated Completion Date: July 31, 2014</p>

Scott County School District
100 East First Street
Forest, MS 39074
Marc Boyles - Conservator

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section 315(c) of OMB Circular A-133, the Scott 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>
2013-7	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Al Ladner, Annette Varner Phone Number: 601-469-3861</p> <p>b. Corrective Action Planned: The District will maintain adequate records for all employees to support federal program expenditures.</p> <p>c. Anticipated Completion Date: July 31, 2014</p>

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2013-8	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Al Ladner Phone Number: 601-469-3861</p> <p>b. Corrective Action Planned: The District has implemented procedures to ensure all retired or terminated employees are not being paid for services not performed.</p> <p>c. Anticipated Completion Date: July 31, 2014</p>

Scott County School District
100 East First Street
Forest, MS 39074
Marc Boyles - Conservator

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section 315(c) of OMB Circular A-133, the Scott 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>
2013-9	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Al Ladner Phone Number: 601-469-3861</p> <p>b. Corrective Action Planned: The District will implement procedures to verify that vendors and contractors have not been suspended or debarred by the Federal Government.</p> <p>c. Anticipated Completion Date: July 31, 2014</p>

Scott County School District
100 East First Street
Forest, MS 39074
Dr. Michael Vinson - Conservator

AUDITEE'S SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

As required by Section ____315(b) of OMB Circular A-133, the Scott County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2013:

<u>Finding</u>	<u>Status</u>
2012-9	Not Corrected (repeated - See Finding 2013-6)
2012-10	Corrected
2012-11	Corrected
2012-12	Not Corrected (repeated - See Finding 2013-7)
2012-13	Corrected