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SUNFLOWER COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2013

SUNFLOWER COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



Parker & Associates

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Sunflower 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 Sunflower 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 Sunflower County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

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 Sunflower 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 5-13 and 39-43 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 Sunflower County School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2014, on our consideration of the Sunflower 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 Sunflower County School District's internal control over financial reporting and compliance.

Parker & Associates, PLLC
Jackson, Mississippi
July 24, 2014

Parker & Associates

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Sunflower 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 increased \$1,929,502, including merger and prior period adjustments of \$1,440,407 which represents a 57% increase from fiscal year 2012. Total net position for 2012 decreased \$278,197, including a prior year adjustment of (\$17,762), which represents an 8% decrease from fiscal year 2011.
- General revenues amounted to \$14,897,009 and \$11,293,350, or 72% and 60% 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 \$5,804,719, or 28% of total revenues for 2013, and \$7,418,436, or 40% of total revenues for 2012.
- The District had \$20,212,633 and \$18,972,221 in expenses for fiscal years 2013 and 2012; only \$5,804,719 for 2013 and \$7,418,436 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$14,897,009 for 2013 were adequate to provide for these programs. General revenues of \$11,293,350 for 2012 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$13,987,092 in revenues and \$14,213,943 in expenditures for 2013, and \$10,480,790 in revenues and \$11,318,451 in expenditures in 2012. The General Fund's fund balance increased by \$991,899 from 2012 to 2013, which included a merger adjustment of \$971,593 and a prior period adjustment of (8,013). The General Fund's fund balance decreased by \$323,882 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$674,657 for 2013 that included merger adjustments of 947,401 and prior period adjustments of (95,572). Capital Assets, net of accumulated depreciation decreased by \$112,944, including a prior period adjustment of (17,762) for 2012. The increase for 2013 was due primarily to the merger adjustments and the other adjustments that were used to correct items of prior periods.
- Long-term debt increased by \$235,827 for 2013 and decreased by \$389,000 for 2012. The increase for 2013 was due primarily to merger of Drew School District during the fiscal year. The liability for compensated absences increased by \$1,579 for 2013 and decreased by \$4,339 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental

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

funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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 \$5,324,156 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.

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 5,406,145	\$ 4,623,148	16.94 %
Restricted assets	460,591	336,510	36.87 %
Capital assets, net	3,707,712	3,033,055	22.24 %
Total assets	9,574,448	7,992,713	19.79 %
Current liabilities	909,807	1,493,401	(39.08) %
Long-term debt outstanding	3,340,485	3,104,658	7.60 %
Total liabilities	4,250,292	4,598,059	(7.56) %
Net position:			
Net investment in capital assets	1,499,712	958,358	56.49 %
Restricted	1,997,468	1,470,762	35.81 %
Unrestricted	1,826,976	965,534	89.22 %
Total net position	\$ 5,324,156	\$ 3,394,654	56.84 %

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

- Increase in net capital assets in the amount of \$674,657.
- The principal retirement of \$637,386 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$20,701,728 and \$18,711,786, respectively. The total cost of all programs and services was \$20,212,633 for 2013 and \$18,972,221 for 2012.

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

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

Table 2
Changes in Net Position

	Year Ended June 30, 2013	Year Ended June 30, 2012	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 118,696	\$ 191,786	(38.11) %
Operating grants and contributions	5,686,023	7,226,650	(21.32) %
General revenues:			
Property taxes	4,620,808	3,070,436	50.49 %
Grants and contributions not restricted	9,462,924	7,674,286	23.31 %
Investment earnings	12,837	13,633	(5.84) %
Sixteenth Section	726,689	490,103	48.27 %
Other	73,751	44,892	64.29 %
Total revenues	20,701,728	18,711,786	10.63 %
Expenses:			
Instruction	10,778,399	9,549,468	12.87 %
Support services	7,666,940	7,932,656	(3.35) %
Non-instructional	1,604,207	1,368,143	17.25 %
Sixteenth section	3,324	1,591	108.93 %
Interest on long-term liabilities	159,763	120,363	32.73 %
Total expenses	20,212,633	18,972,221	6.54 %
Increase (Decrease) in net position	489,095	(260,435)	287.80 %
Net Position, as previously reported	3,394,654	3,672,851	(7.57) %
Adjustments	1,440,407	(17,762)	8,209.49 %
Net Position, July 1	4,835,061	3,655,089	32.28 %
Net Position, June 30	\$ 5,324,156	\$ 3,394,654	56.84 %

Governmental activities

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

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

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		Percentage Change
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 10,778,399	\$ 9,549,468	12.87 %
Support services	7,666,940	7,932,656	(3.35) %
Non-instructional	1,604,207	1,368,143	17.25 %
Sixteenth section	3,324	1,591	108.93 %
Interest on long-term liabilities	159,763	120,363	32.73 %
Total expenses	<u>\$ 20,212,633</u>	<u>\$ 18,972,221</u>	6.54 %

	<u>Net (Expense) Revenue</u>		Percentage Change
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (8,358,968)	\$ (6,013,564)	39.00 %
Support services	(5,862,754)	(5,274,670)	11.15 %
Non-instructional	(23,105)	(143,597)	(83.91) %
Sixteenth section	(3,324)	(1,591)	108.93 %
Interest on long-term liabilities	(159,763)	(120,363)	32.73 %
Total net (expense) revenue	<u>\$ (14,407,914)</u>	<u>\$ (11,553,785)</u>	24.70 %

- Net cost of governmental activities (\$14,407,914 for 2013 and \$11,553,785 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$4,620,808 for 2013 and \$3,070,436 for 2012) and state and federal revenues (\$9,462,924 for 2013 and \$7,674,286 for 2012). In addition, there was \$726,689 and \$490,103 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$12,837 for 2013 and \$13,633 for 2012.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$4,992,488, an increase of \$1,531,144, which includes a merger adjustment of \$1,534,836, a prior period adjustment of (50,240), and an increase in inventory of \$15,748. \$2,661,365, or 53%, 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 \$2,331,123, or 47%, is either non-spendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

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

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$991,899, that includes a merger adjustment for 2012 SB No. 2330 for 971,593, and a prior period adjustment of (8,013). The fund balance of Other Governmental Funds showed a decrease in the amount of \$32,885, which includes a merger adjustment of \$300,989, a prior period adjustment of (42,227), and an increase in inventory of \$15,748. The increase (decrease) in the fund balances for the other major funds were as follows:

	<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund		no increase or decrease
Sixteenth Section Interest Fund	\$	572,130

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions during the year were routine in nature and were insignificant when compared to the District's total revenues and expenditures.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$10,174,960, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$2,589,416 from 2012 due primarily to the merger adjustments from Drew School District during the fiscal year. Total accumulated depreciation as of June 30, 2013, was \$6,467,248, and total depreciation expense for the year was \$257,401, resulting in total net capital assets of \$3,707,712.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 123,050	\$ 86,550	42.17 %
Buildings	2,670,114	2,001,530	33.40 %
Building Improvements	143,349	152,171	(5.80) %
Improvement other than buildings	24,108	25,615	(5.88) %
Mobile equipment	569,302	636,609	(10.57) %
Furniture and equipment	177,789	130,580	36.15 %
Total	\$ 3,707,712	\$ 3,033,055	22.24 %

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

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

Debt Administration. At June 30, 2013, the District had \$3,340,485 in outstanding long-term debt, of which \$590,549 is due within one year. During the fiscal year, the districts debt increased due to the merger of Drew School District. The District made principal payments totaling \$637,386 on outstanding long-term debt. The liability for compensated absences decreased \$1,579 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 1,960,000	\$ 1,735,000	12.97 %
Three mill notes payable	1,196,000	1,320,000	(9.39) %
Shortfall Notes	83,468	-	N/A %
Compensated absences payable	<u>101,017</u>	<u>74,961</u>	34.76 %
Total	3,340,485	3,129,961	6.73 %
Less bond issue costs	-	<u>(25,303)</u>	(100.00) %
Total	<u>\$ 3,340,485</u>	<u>\$ 3,104,658</u>	7.60 %

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Sunflower County School District, P. O. Box 70, Indianola, MS 38751.

FINANCIAL STATEMENTS

Sunflower County School District
Statement of Net Position
June 30, 2013

	Exhibit A
	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,674,493
Due from other governments	680,755
Other receivables, net	12,199
Inventories and prepaid items	38,698
Restricted assets (Note 4)	460,591
Non-depreciable capital assets (Note 5)	123,050
Depreciable capital assets, net (Note 5)	3,584,662
Total Assets	9,574,448
Liabilities	
Accounts payable and accrued liabilities	874,248
Interest payable on long-term liabilities	35,559
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	492,000
Non-capital related liabilities	98,549
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	1,716,000
Non-capital related liabilities	1,033,936
Total Liabilities	4,250,292
Net Position	
Net Investment in capital assets	1,499,712
Restricted net assets	
Expendable	
School-based activities	1,672,799
Debt service	228,794
Unemployment benefits	49,080
Non-expendable	
Sixteenth section	46,795
Unrestricted	1,826,976
Total Net Position	\$ 5,324,156

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

Sunflower County School District

Statement of Activities
6/30/2013

Exhibit B

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 10,778,399	\$ 118,696	\$ 2,300,735	\$ -	\$ (8,358,968)
Support services	7,666,940	-	1,804,186	-	(5,862,754)
Non-instructional	1,604,207	-	1,581,102	-	(23,105)
Sixteenth section	3,324				(3,324)
Interest on long-term liabilities	159,763				(159,763)
Total Governmental Activities	\$ 20,212,633	\$ 118,696	\$ 5,686,023	\$ -	\$ (14,407,914)
General Revenues					
Taxes					
General purpose levies 4,442,192					
Debt purpose levies 178,616					
Unrestricted grants and contributions					
State 9,462,924					
Federal -					
Unrestricted investment earnings 12,837					
Sixteenth section sources 726,689					
Other 73,751					
Total General Revenues 14,897,009					
Changes in Net Position 489,095					
Net Position - Beginning , as originally reported 3,394,654					
Prior Period Adjustments (Note 9 and Note 10) 1,440,407					
Net Position - Beginning -as restated 4,835,061					
Net Position - Ending \$ 5,324,156					

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

Sunflower County School District

Balance Sheet - Governmental Funds

June 30, 2013

Exhibit C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	Sixteenth Section Interest Fund		
Assets					
Cash and cash equivalents (Note 2)	\$ 3,292,377	\$ -	\$ 1,381,923	\$ 373,940	\$ 5,048,240
Investments (Note 2)	-	-	-	86,844	86,844
Due from other governments	135,983	136,713	-	408,059	680,755
Due from other funds (Note 3)	198,607	-	-	-	198,607
Advances to other funds (Note 3)	75,000	-	-	-	75,000
Inventories	-	-	-	38,698	38,698
Total Assets	\$ 3,701,967	\$ 136,713	\$ 1,381,923	\$ 907,541	\$ 6,128,144
Liabilities and Fund Balances					
Liabilities					
Accounts payable & accrued liabilities	678,599	73,201	-	122,448	874,248
Due to other funds (Note 3)	63,907	63,512	-	133,989	261,408
Total Liabilities	742,506	136,713	-	256,437	1,135,656
Fund Balances					
Nonspendable					
Inventory				38,698	38,698
Permanent fund principal				46,795	46,795
Advances	75,000			-	75,000
Restricted					
Debt service				264,353	264,353
Ad valorem	150,416			-	150,416
Unemployment benefits				49,080	49,080
Grant activities		-		252,178	252,178
Assigned					
School Based Activities	72,680		1,381,923	-	1,454,603
Unassigned	2,661,365			-	2,661,365
Total Fund Balances	2,959,461	-	1,381,923	651,104	4,992,488
Total Liabilities and Fund Balances	\$ 3,701,967	\$ 136,713	\$ 1,381,923	\$ 907,541	\$ 6,128,144

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

Sunflower County School District

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

Exhibit C-1

	Amount
Total Fund Balance - Governmental Funds	\$ 4,992,488
Amounts reported for governmental activities in the Statement of Net Position are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the governmental funds, net of accumulated depreciation of \$6,467,248.	\$ 3,707,712
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	\$ (3,340,485)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Position recognizes interest as it accrues.	\$ (35,559)
	\$ 5,324,156
Total Net Position - Governmental Activities	\$ 5,324,156

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

Sunflower County School District
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
June 30, 2013

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	Title I Fund	Sixteenth Section Interest Fund	Other Governmental Funds	
Revenues					
Local sources	\$ 4,586,757	\$ -	\$ -	\$ 262,162	\$ 4,848,919
State sources	9,109,310	-	-	628,946	9,738,256
Federal sources	291,025	1,615,518	-	3,504,426	5,410,969
Sixteenth section sources	-	-	725,783	760	726,543
Total Revenues	13,987,092	1,615,518	725,783	4,396,294	20,724,687
Expenditures					
Instruction	8,455,212	1,029,682	-	1,326,197	10,811,091
Support services	5,758,731	217,731	-	1,531,209	7,507,671
Noninstructional services	-	212,259	-	1,396,680	1,608,939
Sixteenth section	-	-	3,324	-	3,324
Debt service	-	-	-	-	-
Principal (Note 6)	-	-	-	637,386	637,386
Interest	-	-	-	137,968	137,968
Other	-	-	-	2,549	2,549
Total Expenditures	14,213,943	1,459,672	3,324	5,031,989	20,708,928
Excess (Deficiency) of Revenues Over Expenditures	(226,851)	155,846	722,459	(635,695)	15,759
Other Financing Sources (Uses)					
Insurances loss recoveries	15,041	-	-	-	15,041
Operating transfers in (Note 3)	601,259	-	324	530,988	1,132,581
Operating transfers out (Note 3)	(361,130)	(155,846)	(412,907)	(202,698)	(1,132,581)
Total Other Financing Sources (Uses)	255,170	(155,846)	(412,583)	328,300	15,041
Net Change in Fund Balances	28,319	-	309,876	(307,395)	30,800
Fund Balances					
July 1, 2012	1,967,562	-	809,793	683,989	3,461,344
Direct adjustments for the 2012 SB No. 2330 (Note 10)	971,593	-	262,254	300,989	1,534,836
Prior Period Adjustments (Note 9)	(8,013)	-	-	(42,227)	(50,240)
July 1, 2012, as restated	2,931,142	-	1,072,047	942,751	4,945,940
Increase in reserve for inventory	-	-	-	15,748	15,748
June 30, 2013	2,959,461	-	1,381,923	651,104	4,992,488

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

Sunflower County School District
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
For the year ended June 30, 2013

Exhibit D-1

	Amount
Net Change in Fund Balance - Governmental Funds	\$ 30,800
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$80,308 and the depreciation expense amounted to \$257,401.	
1.	\$ (177,093)
2. The repayment of the principal on long-term debt consumes current financial resources of governmental funds but has no effect on net position.	
2.	\$ 637,386
3. Writeoff of deferred debt issuance cost per GASB 65	
3.	\$ (25,303)
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	
4.	\$ 6,057
5. In the statement of activities, only the gain/loss on the sale of assets is reported, while in governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.	
5.	\$ (79)
6. An increase (decrease) in the inventory reserve is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are decreased (increase) in the Statement of Activities.	
6.	\$ 15,748
7. Expenses for compensated absences reported in the Statement of Activities do not require use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
7.	\$ 1,579
Changes in Net Position of Governmental Activities	\$ 489,095

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

SUNFLOWER COUNTY SCHOOL DISTRICT
Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2013

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 12,199
Due from other funds	63,907
Total Assets	<u>\$ 76,106</u>
Liabilities	
Advances from other funds	\$ 75,000
Due to other funds	1,106
Total Liabilities	<u>\$ 76,106</u>

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

SUNFLOWER COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district. During fiscal year 2010, the school district was placed under conservatorship by the Mississippi Department of Education (MDE) due to accreditation issues. The MDE appointed a conservator to govern the district and dissolved the school board. The new school board was elected in January 2014. The new school board appointed a new superintendent that started on July 1, 2014.

For financial reporting purposes, Sunflower 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. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or

SUNFLOWER COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

Title I Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred related to the District's Title I Program.

Sixteenth Section Interest Fund – This fund is used to account for the generation of revenues and expenditures associated with sixteenth section lands that are legally required to be accounted for in the Sixteenth Section Interest Fund. Those revenues and expenditures include, but are not limited to, timber sales, interest on investments, leases, land improvements, purchases of investments and transfers to district maintenance.

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

The school district also reports fiduciary funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used 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 is used as a clearing fund for non-payroll 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.

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

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

SUNFLOWER COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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. 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.

SUNFLOWER COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

SUNFLOWER COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

SUNFLOWER COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

See Note 5 for details.

7. Compensated Absences

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

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

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

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

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

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 non-spendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

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

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

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

SUNFLOWER COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the District's approved fund balance policy.

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

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

Note 2 – Cash and Cash Equivalents and Investments

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,048,240 and \$12,199, respectively.

SUNFLOWER COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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 \$5,802,560.46 was exposed to custodial credit risk.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of deposit	Not Rated	Less than 1 Year	\$ 46,795
Federated US Treasury Cash Reserve	Not Rated	Less than 1 Year	40,049
Total			\$ 86,844

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2013, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2013, the district did not have any investments to which this would apply.

SUNFLOWER COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 63,512
	Other governmental funds	133,989
	Fiduciary funds	1,106
Fiduciary funds	General Fund	63,907
Total		<u>\$ 262,514</u>

The inter-fund loans were made mainly to cover the initial payments of reimbursable expenditures of federal and state programs. All inter-fund receivables and payables are expected to be repaid within one year.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Fiduciary funds	\$ 75,000
Total		<u>\$ 75,000</u>

Advances were for cash flow purposes.

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 361,130
Title I Basic Fund	General Fund	155,846
Sixteenth Section Interest Fund	General Fund	412,907
Other governmental funds	General Fund	32,506
	Sixteenth Section Interest Fund	324
	Other governmental funds	169,868
Total		<u>\$ 1,132,581</u>

The transfers were primarily for the following: indirect cost transfers, debt service transfers, unemployment transfers, cost pool transfers, and the transfer of expendable resources from the sixteenth section principal fund.

SUNFLOWER COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Note 4 – Restricted Assets

The restricted assets represent the investment balances totaling \$46,795 of the Sixteenth Section Principal Fund (Permanent Fund) and \$40,049 of the debt service fund which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash balances totaling \$2,889 for debt service funds and \$370,858 of the restricted special revenue funds.

Note 5 – Capital Assets

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

	Balance 7/1/2012	(Note 10) Merger Adjustments	Increases	Decreases	Adjustments	Balance 6/30/2013
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 86,550	\$ 36,500				\$ 123,050
Total non-depreciable capital assets	86,550	36,500	-	-		123,050
<u>Depreciable capital assets:</u>						
Buildings	4,776,162	1,805,997				6,582,159
Building improvements	220,558					220,558
Improvements other than buildings	37,669					37,669
Mobile equipment	1,899,880	383,017			(69,387)	2,213,510
Furniture and equipment	564,725	402,872	80,308	(7,912)	(41,979)	998,014
Total depreciable capital assets	7,498,994	2,591,886	80,308	(7,912)	(111,366)	10,051,910
<u>Less accumulated depreciation for:</u>						
Buildings	2,774,632	1,070,500	66,913			3,912,045
Building improvements	68,387		8,822			77,209
Improvements other than buildings	12,054		1,507			13,561
Mobile equipment	1,263,271	268,600	90,549		21,788	1,644,208
Furniture and equipment	434,145	341,885	89,610	(7,833)	(37,582)	820,225
Total accumulated depreciation	4,552,489	1,680,985	257,401	(7,833)	(15,794)	6,467,248
Total depreciable capital assets, net	2,946,505	910,901	(177,093)	(79)	(95,572)	3,584,662
Governmental activities capital assets, net	<u>\$ 3,033,055</u>	<u>\$ 947,401</u>	<u>(177,093)</u>	<u>\$ (79)</u>	<u>\$ (95,572)</u>	<u>\$ 3,707,712</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 180,181
Support services	64,350
Non-instructional	12,870
Total depreciation expense - Governmental activities	<u>\$ 257,401</u>

SUNFLOWER COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Note 6 – Long-term Liabilities

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

	Balance	(Note 10)	Additions	Reductions	Balance	Amounts due within one year
	7/1/2012	Merger Adjustments			6/30/2013	
A. Limited obligation bonds payable	\$ 1,735,000	\$ 585,000	\$	\$ 360,000	\$ 1,960,000	\$ 370,000
B. Three Mill Notes	1,320,000			124,000	1,196,000	129,000
C. Shortfall notes payable	-	236,854		153,386	83,468	83,468
D. Compensated absences payable	74,961	27,635		1,579	101,017	8,081
Deferred amounts	25,303			25,303	-	
Total	\$ 3,155,264	\$ 849,489	\$ -	\$ 638,965	\$ 3,340,485	\$ 590,549

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2009	2.5%-3%	2/27/2009	3/1/2018	\$ 2,415,000	\$ 1,460,000
State aid capital improvement Series 1998	4.80%	3/17/1998	3/17/2018	1,335,000	500,000
Total				\$ 3,750,000	\$ 1,960,000

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

1. State Aid capital Improvement refunding bonds, Series 2009

Year Ending June 30	Principal	Interest	Total
2014	\$ 280,000	\$ 38,933	\$ 318,933
2015	285,000	32,352	317,352
2016	295,000	25,228	320,228
2017	295,000	17,410	312,410
2018	305,000	9,150	314,150
Total	\$ 1,460,000	\$ 123,073	\$ 1,583,073

SUNFLOWER COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

2. State Aid capital Improvement refunding bonds, Series 1998

Year Ending June 30	Principal	Interest	Total
2014	\$ 90,000	\$ 24,000	\$ 114,000
2015	95,000	17,400	112,400
2016	100,000	15,120	115,120
2017	105,000	10,320	115,320
2018	110,000	5,280	115,280
Total	<u>\$ 500,000</u>	<u>\$ 72,120</u>	<u>\$ 572,120</u>

Total Limited obligation bonds payable for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ 370,000	\$ 62,933	\$ 432,933
2015	380,000	49,752	429,752
2016	395,000	40,348	435,348
2017	400,000	27,730	427,730
2018	415,000	14,430	429,430
Total	<u>\$ 1,960,000</u>	<u>\$ 195,193</u>	<u>\$ 2,155,193</u>

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the 4041 MAEP Bond Debt Service Fund.

SUNFLOWER COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

B. Three Mill notes payable

Three Mill notes payable currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Notes, Series 2004	4.13%	8/27/2004	8/27/2014	\$ 600,000	\$ 248,000
Limited Tax Notes, Series 2011	4.05%	5/17/2011	5/17/2021	1,064,000	948,000
Total				<u>\$ 1,064,000</u>	<u>\$ 1,196,000</u>

This debt will be retired from the 4905 and 4910 Note Payable Debt Service Funds.

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

Limited Tax Notes, Series 2004

Year Ending June 30	Principal	Interest	Total
2014	\$ 122,000	\$ 10,230	\$ 132,230
2015	126,000	5,198	131,198
Total	<u>\$ 248,000</u>	<u>\$ 15,428</u>	<u>\$ 263,428</u>

Limited Tax Notes, Series 2011

Year Ending June 30	Principal	Interest	Total
2014	\$ 7,000	\$ 38,394	\$ 45,394
2015	8,000	38,111	46,111
2016	140,000	37,787	177,787
2017	146,000	32,117	178,117
2018-2021	647,000	66,864	713,864
Total	<u>\$ 948,000</u>	<u>\$ 213,273</u>	<u>\$ 1,161,273</u>

Total Three Mill Notes Payable

Year Ending June 30	Principal	Interest	Total
2014	\$ 129,000	\$ 48,624	\$ 177,624
2015	134,000	43,309	177,309
2016	140,000	37,787	177,787
2017	146,000	32,117	178,117
2018-2021	647,000	66,684	713,684
Total	<u>\$ 1,196,000</u>	<u>\$ 228,521</u>	<u>\$ 1,424,521</u>

SUNFLOWER COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

C. Shortfall notes payable

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall Notes Payable, Series 2010	4.95%	6/24/2010	6/24/2013	\$ 209,500	\$ -
Shortfall Notes Payable, Series 2011	4.40%	6/30/2011	6/30/2014	240,000	83,468
Total				<u>\$ 209,500</u>	<u>\$ 83,468</u>

The Shortfall notes payable issue of June 2010 was retired from the District Maintenance Fund during the June 30, 2013 fiscal year.

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

1. Shortfall notes payable issue of June 2011:

Year Ending June 30	Principal	Interest	Total
2014	\$ 83,468	\$ 3,673	\$ 87,141
Total	<u>\$ 83,468</u>	<u>\$ 3,673</u>	<u>\$ 87,141</u>

This debt will be retired from the 4920 Shortfall Payable Debt Service Fund.

D. Compensated absences payable

As more fully explained in Note 1(E)(8), 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

SUNFLOWER COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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 \$1,444,668, \$999,398 and \$950,945, respectively, which equaled the required contributions for each year. (The 2012 and 2011 contributions do not include Drew School District's contributions.)

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 of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2014	\$ 659,475
2015	659,475
2016	353,736
2017	328,242
2018	148,191
2019-2023	21,855
2024-2028	4,809
2029-2033	3,065
2034-2038	450
Thereafter	4,230
Total	<u>\$ 2,183,528</u>

SUNFLOWER COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Note 9 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explantion	Amount
To correct the recording of prior year expenditures in governmental funds	\$ (50,240)
To record the effects of 2012 SB No. 2330 (Note 10)	\$ 1,534,836
To correct recording of assets and liabilities	\$ (44,189)
	<u>1,440,407</u>

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

Fund	Explanation	Amount
General Fund	To correct the recording of prior year expenditures	\$ (8,013)
Other Governmental Funds	To correct the recording of prior year expenditures	(42,227)
Total		<u>\$ (50,240)</u>

Note 10 – Merger of Drew School District

The Drew Public School District was merged into the Sunflower County School District on July 1, 2012 in accordance with the provision of the 2012 Regular Session Senate Bill No. 2330 passed by the Mississippi Legislature. The legislation provided for the transfer of all assets and the assumption of all liabilities of the Drew Public School District by Sunflower County School District as of the date of the merger. Effective July 1, 2012 Drew Public School District was dissolved.

Note 11 – Contingencies

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

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

SUNFLOWER COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Note 12 – Risk Management

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

Participation in Public Entity Risk Pool

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

Note 13 - Insurance loss recoveries

The Sunflower County School District received \$15,041 in insurance loss recoveries related to damages during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and were allocated to the support services expense function.

Note 14 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Sunflower County School District evaluated the activity of the district through July 24, 2014, and determined that there were the following subsequent events that should be noted in the financial statements.

On July 1, 2012 Drew School District was merged with Sunflower County School District in accordance to 2012 Regular Session Senate Bill No. 2330. Senate Bill No. 2330 requires that any county that has three school districts that are under conservatorship in accordance with the Mississippi Department of Education shall have an administrative consolidation into one countywide school district. In this case, Sunflower County School District, Drew Public School District, and Indianola Public School District were all under conservatorship by the Mississippi Department of Education. Sunflower County School District and Drew Public School District merged at July 1, 2012. As of the date of July 1, 2012, the Drew Public School District no longer exists. On July 1, 2014, Indianola Public School District consolidated with Sunflower County School District and created one new county wide school district. On July 1, 2014, Sunflower County Consolidated School District was formed and the new county-wide district should complete the requirements of Senate Bill No. 2330.

REQUIRED SUPPLEMENTARY INFORMATION

SUNFLOWER COUNTY SCHOOL DISTRICT
Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,797,671	\$ 4,586,757	\$ 4,586,757	\$ (210,914)	\$ -
State sources	9,566,522	9,109,310	9,109,310	(457,212)	-
Federal sources	553,225	291,025	291,025	(262,200)	-
Total Revenues	14,917,418	13,987,092	13,987,092	(930,326)	-
Expenditures:					
Instruction	8,542,418	8,560,285	8,455,212	(17,867)	105,073
Support services	5,311,870	5,758,731	5,758,731	(446,861)	-
Debt service:					
Principal	-	-	-	-	-
Total Expenditures	13,854,288	14,319,016	14,213,943	(464,728)	105,073
Excess (Deficiency) of Revenues over (under) Expenditures	1,063,130	(331,924)	(226,851)	(1,395,054)	105,073
Other Financing Sources (Uses):					
Insurances loss recoveries	-	15,041	15,041	15,041	-
Operating transfers in	1,055,839	1,748,091	601,259	692,252	(1,146,832)
Operating transfers out	(1,256,899)	(1,506,450)	(361,130)	(249,551)	1,145,320
Other financing uses	-	-	-	-	-
Total Other Financing Sources (Uses)	(201,060)	256,682	255,170	457,742	(1,512)
Net Change in Fund Balances	862,070	(75,242)	28,319	(937,312)	103,561
Fund Balances:					
July 1, 2012, as originally reported	-	3,047,895	1,967,562	3,047,895	(1,080,333)
Direct adjustments for 2012 SB No. 2330			971,593	-	971,593
Prior Period adjustments		(11,681)	(8,013)	(11,681)	3,668
July 1, 2012, as restated	-	3,036,214	2,931,142	3,036,214	(105,072)
June 30, 2013	\$ 862,070	\$ 2,960,972	\$ 2,959,461	\$ 2,098,902	\$ (1,511)

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

SUNFLOWER COUNTY SCHOOL DISTRICT
Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 2,752,541	\$ 1,615,518	\$ 1,615,518	\$ (1,137,023)	\$ -
Total Revenues	2,752,541	1,615,518	1,615,518	(1,137,023)	-
Expenditures:					
Instruction	1,505,706	1,029,682	1,029,682	476,024	-
Support services	1,035,446	217,731	217,731	817,715	-
Noninstructional services	185,389	212,259	212,259	(26,870)	-
Total Expenditures	2,726,541	1,459,672	1,459,672	1,266,869	-
Excess (Deficiency) of Revenues over (under) Expenditures	26,000	155,846	155,846	129,846	-
Other Financing Sources (Uses):					
Operating transfers out	(26,000)	(155,846)	(155,846)	(129,846)	-
Total Other Financing Sources (Uses)	(26,000)	(155,846)	(155,846)	(129,846)	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ -

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

SUNFLOWER COUNTY SCHOOL DISTRICT
Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth Section sources	\$ 651,048	\$ 725,783	\$ 725,783	\$ 74,735	\$ -
Total Revenues	651,048	725,783	725,783	74,735	-
Expenditures:					
Sixteenth Section	24,600	3,324	3,324	21,276	-
Total Expenditures	24,600	3,324	3,324	21,276	-
Excess (Deficiency) of Revenues over (under) Expenditures	626,448	722,459	722,459	96,011	-
Other Financing Sources (Uses):					
Operating transfers in	200	324	324	124	-
Operating transfers out	(6,000)	(412,907)	(412,907)	(406,907)	-
Total Other Financing Sources (Uses)	(5,800)	(412,583)	(412,583)	(406,783)	-
Net Change in Fund Balances	620,648	309,876	309,876	(310,772)	-
Fund Balances:					
July 1, 2012, as originally stated	1,072,047	809,793	809,793	(262,254)	-
Direct Adjustments for the 2012 SB No. 2330		262,254	262,254	262,254	-
July 1, 2012, as restated	1,072,047	1,072,047	1,072,047	-	-
June 30, 2013	\$ 1,692,695	\$ 1,381,923	\$ 1,381,923	\$ (310,772)	\$ -

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

SUNFLOWER COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2013

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

SUNFLOWER COUNTY SCHOOL DISTRICT
Supplemental Information

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 435,801
National school lunch program	10.555	1,004,971
Total child nutrition cluster		<u>1,440,772</u>
Total passed-through Mississippi Department of Education		<u>1,440,772</u>
Total U.S. Department of Agriculture		<u>1,440,772</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	257,281
Total Federal Communications Commission		<u>257,281</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,678,530
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	5,740
Twenty-First Century Learning Centers	84.287	128,928
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	12,826
Rural education	84.358	9,278
Improving Teacher Quality State grants	84.367	350,397
Subtotal		<u>2,185,699</u>
Special education cluster:		
Special education - grants to states	84.027	503,784
Special education - preschool grants	84.173	19,739
Total special education cluster		<u>523,523</u>
School Improvement Grant cluster:		
School Improvement Grant	84.377	918,474
ARRA - School Improvement Grant, recovery act	84.388	102,095
Total School Improvement Grant Cluster		<u>1,020,569</u>
Total passed-through Mississippi Department of Education		<u>3,729,791</u>
Total U.S. Department of Education		<u>3,729,791</u>
<u>Department of Health and Human Services</u>		
Direct Program:		
Medical Assistance Program	93.778	28,003
Total Department of Health and Human Services		<u>28,003</u>
Total for All Federal Awards		<u>\$ 5,455,847</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

SUNFLOWER COUNTY SCHOOL DISTRICT
Supplemental Information

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 14,751,031	10,580,729	925,931	1,025,261	2,219,110
Other	5,957,897	2,375,525	917,470	17,659	2,647,243
Total	\$ 20,708,928	12,956,254	1,843,401	1,042,920	4,866,353
Total number of students *	1,851				
Cost per student	\$ 11,188	7,000	996	563	2,629

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

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

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

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

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

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

OTHER INFORMATION

**SUNFLOWER COUNTY SCHOOL DISTRICT
Other Information**

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 4,586,757	\$ 3,067,111	\$ 2,983,668	\$ 2,770,377
Intermediate Sources			467	
State sources	9,109,310	7,098,306	6,805,820	6,591,107
Federal sources	291,025	314,501	280,283	51,768
Sixteenth Section Sources		872		
Total Revenues	13,987,092	10,480,790	10,070,238	9,413,252
Expenditures:				
Instruction	8,455,212	6,204,885	6,178,176	6,809,650
Support services	5,758,731	5,101,732	4,891,777	3,830,841
Noninstructional services		11,834	57,026	54,175
Debt service:				
Principal				
Other				1,500
Total Expenditures	14,213,943	11,318,451	11,126,979	10,696,166
Excess (Deficiency) of Revenues over (under) Expenditures	(226,851)	(837,661)	(1,056,741)	(1,282,914)
Other Financing Sources (Uses):				
Bonds and notes issued			1,064,000	
Insurance loss recoveries	15,041		5,233	
Other financing sources				11,430
Operating transfers in	601,259	843,597	38,337	
Operating transfers out	(361,130)	(329,818)	(276,650)	(212,770)
Other financing uses			(24,449)	
Total Other Financing Sources (Uses)	255,170	513,779	806,471	(201,340)
Net Change in Fund Balances	28,319	(323,882)	(250,270)	(1,484,254)
Fund Balances:				
Beginning of period, as originally reported	1,967,562	2,291,444	2,541,714	4,025,968
Direct adjustment for the 2012 SB No. 2330	971,593			
Prior period adjustment	(8,013)			
Beginning of period, as restated	2,931,142			
End of Period	\$ 2,959,461	\$ 1,967,562	\$ 2,291,444	\$ 2,541,714

*SOURCE - PRIOR YEAR AUDIT REPORTS

The 2013 year is the only year that includes the combined district of Sunflower County School District and Drew School District. The 2010, 2011, and 2012 years show Sunflower County School District's financials without Drew School District's financials included.

**SUNFLOWER COUNTY SCHOOL DISTRICT
Other Information**

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

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 4,848,919	\$ 3,321,195	\$ 3,212,555	\$ 2,998,887
Intermediate sources			30,544	
State sources	9,738,256	7,663,166	7,357,073	7,111,145
Federal sources	5,410,969	7,237,766	5,285,439	3,755,277
Sixteenth section sources	726,543	490,103	369,227	358,949
Total Revenues	20,724,687	18,712,230	16,254,838	14,224,258
Expenditures:				
Instruction	10,811,091	9,484,098	9,073,401	8,577,486
Support services	7,507,671	7,920,250	6,477,869	5,070,317
Noninstructional services	1,608,939	1,353,770	1,243,373	1,272,974
Sixteenth section	3,324	1,591	23,731	2,579
Debt service:				
Principal	637,386	389,000	371,000	255,000
Interest	137,968	109,756	78,926	86,641
Other	2,549	1,000		2,524
Total Expenditures	20,708,928	19,259,465	17,268,300	15,267,521
Excess (Deficiency) of Revenues over (under) Expenditures	15,759	(547,235)	(1,013,462)	(1,043,263)
Other Financing Sources (Uses):				
Bonds and notes issued			1,064,000	
Insurance loss recovery	15,041		5,233	
Other financing sources				11,430
Operating transfers in	1,132,581	1,502,492	342,610	215,883
Operating transfers out	(1,132,581)	(1,502,492)	(342,610)	(215,883)
Other financing uses		(444)	(25,542)	(6,246)
Total Other Financing Sources (Uses)	15,041	(444)	1,043,691	5,184
Net Change in Fund Balances	30,800	(547,679)	30,229	(1,038,079)
Fund Balances:				
Beginning of period, as originally reported	3,461,344	4,010,329	3,981,016	5,013,341
Direct adjustments for 2012 SB No. 2330	1,534,836			
Prior Period Adjustments	(50,240)			
Beginning of period, as restated	4,945,940	4,010,329	3,981,016	5,013,341
Increase (Decrease) in reserve for inventory	15,748	(1,306)	(916)	5,754
End of Period	\$ 4,992,488	\$ 3,461,344	\$ 4,010,329	\$ 3,981,016

*SOURCE - PRIOR YEAR AUDIT REPORTS

The 2013 year is the only year that includes the combined district of Sunflower County School District and Drew School District. The 2010, 2011, and 2012 years show Sunflower County School District's financials without Drew School District' financials included.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



Parker & Associates

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL LIMITED LIABILITY COMPANY

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

Superintendent and School Board
Sunflower 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 Sunflower County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Sunflower County School District's basic financial statements, and have issued our report thereon dated July 24, 2014.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exist 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 to be a material weakness. **2013-01**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. **2013-02**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sunflower 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*.

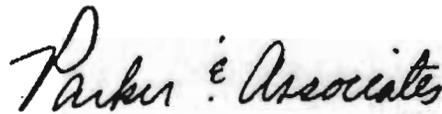
Sunflower County School District's Response to Finding

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

Parker & Associates, PLLC
Jackson, Mississippi
July 24, 2014





Parker & Associates

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133

Superintendent and School Board
Sunflower County School District

Report on Compliance for Each Major Federal Program

We have audited Sunflower 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 Sunflower County School District's major federal programs for the year ended June 30, 2013. Sunflower County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sunflower 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 Sunflower County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Sunflower 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 **2013-03 and 2013-04**. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of Sunflower County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sunflower 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 Sunflower County School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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 items **2013-03 and 2013-04**, which we consider to be significant deficiencies.

Sunflower 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*. Sunflower 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.

Parker & Associates, PLLC
Jackson, Mississippi
July 24, 2014



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



Parker & Associates

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL LIMITED LIABILITY COMPANY

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

Superintendent and School Board
Sunflower County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sunflower County School District as of and for the year ended June 30, 2013, which collectively comprise Sunflower County School District's basic financial statements and have issued our report thereon dated July 24, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$18,742 of classroom supply funds carried over from previous years.

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

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

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

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

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

Parker & Associates, PLLC
Jackson, Mississippi
July 24, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUNFLOWER 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 weaknesses identified? | Yes |
| | b. Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|-----|---|---|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | 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> |
| | 84.010 | Title I Cluster |
| | 10.553; 10.555 | Child Nutrition Cluster |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section___.315(b) of OMB Circular A-133. | Yes |

SUNFLOWER COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section II: Financial Statement Findings

Significant Deficiency Considered to be a Material Weakness

2013-01 Controls Relating to Segregation of Duties Should be Strengthened

Finding

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

During our tests of internal controls we noted the following:

The Business Manager performed or had the ability to perform the following functions, which indicated a lack of adequate segregation of duties:

- Prepared bank deposits
- Transported deposits to the banking institution
- Posted entries to the general ledger
- Prepared monthly financial reports
- Accessibility to accounting software to perform accounts payable and payroll functions

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 that the district strengthen its internal controls to ensure duties are divided to the greatest possible extent.

SUNFLOWER COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Significant Deficiency Not Considered to Be a Material Weakness

2013-02 Controls over Payroll Transactions Should Be Strengthened

Finding

Management is responsible for ensuring that all payroll expenditures made by the district are Adequately documented and pay is processed according to actual time worked.

During our tests of payroll expenditures, we noted the following:

- Supporting documentation for nonexempt employees was not used to calculate the amount of salary earned by an employee
- Substitute employees were not approved by the board
- Time sheets were not required for all hourly employees
- Employees' salary/hourly amounts were not documented in the board minutes to support the board approved rate of pay.

Payment of wages without adequate supporting records could result in employees being improperly compensated.

Recommendation

The district should pay its hourly employees in accordance with actual time worked, which is supported by time sheets, ensure that all employees are board approved, and ensure that board approved rates are documented in the board minutes to support the amounts paid to all employees.

SUNFLOWER COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section III: Federal Award Findings and Questioned Costs

Significant Deficiencies Not Considered to Be Material Weaknesses

2013 – 03 Controls Surrounding Reporting of Demographics and enrollment should be strengthened

Program: Title I program to local educational agencies, Passed-through Mississippi
Department of Education – CFDA #84.010

Compliance Requirement: Eligibility

Finding

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

During our tests of Title I, we noted the district was not able to provide support that agreed to the enrollment numbers and the free and reduced students that were eligible under the program in the demographics section of the program budget.

Lack of adequate internal controls surrounding documentation included in federal program applications of the programs approval could result in the failure of management to properly account for the support of the Title I grants to local educational agencies.

Recommendation

We recommend that the district implement controls to ensure that support is maintained for all information included in federal program applications.

SUNFLOWER COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

2013 – 04 Controls Surrounding Participation of Private School Children

Program: Title I program to local educational agencies, Passed-through Mississippi
Department of Education – CFDA #84.010

Compliance Requirement: Special Tests and Provisions- Participation of Private School
Children

Finding

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

During our tests of Title I, we noted the district was not able to provide support that the district met with or offered to provide equitable services to eligible private school children, their teachers, and their families.

Lack of adequate internal controls surrounding the documentation included in federal program applications of the federal programs approval could result in the failure of management to properly account for and support the requirements of the Title I grants to local educational agencies.

Recommendation

We recommend that the district implement controls to ensure that support is maintained for all information included in federal program applications.

AUDITEE'S CORRECTIVE ACTION PLAN /
AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

Sunflower County School District
P.O. Box 70
Indianola, MS 38751
Charles Barron, Conservator
Paul Baggett, Financial Advisor

AUDITEE'S CORRECTIVE ACTION PLAN

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

Finding

Corrective Action Plan Details

2013-01 Controls Relating to Segregation of Duties Should be Strengthened

A. Name of contact person responsible for Corrective Action:

Name: Brett Reynolds

Title: Business Manager

B. Corrective Action Planned:

The district will implement controls to segregate the processes in the district office.

2013-02 Controls over Payroll Transactions Should Be Strengthened

A. Name of contact person responsible for Corrective Action:

Name: Brett Reynolds

Title: Business Manager

B. Corrective Action Planned:

The district will implement controls to ensure that all payroll transactions have the proper support and are being reconciled to time sheets.

2013-03 Controls Surrounding Reporting of Demographics and enrollment should be strengthened

A. Name of contact person responsible for Corrective Action:

Name: Randy Ball

Title: Federal Programs Director

B. Corrective Action Planned:

The district will implement procedures to ensure supporting documentation for developing and preparing the project application is maintained to support the information included within the program application. Support for enrollment numbers and free and reduced counts will be maintained to support the program application.

2013-04 Controls Surrounding Participation of Private School Children

A. Name of contact person responsible for Corrective Action:

Name: Randy Ball

Title: Federal Programs Director

B. Corrective Action Planned:

The district will implement procedures to ensure supporting documentation for developing and preparing the project application is maintained to support the information included within the program application. Support for meetings with private schools will be maintained in the future.

Sunflower County School District
P.O. Box 70
Indianola, MS 38751
Charles Barron, Conservator
Paul Baggett, Financial Advisor

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

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

<u>Findings</u>	<u>Status</u>
2012-01	Corrected
2012-02	Corrected