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**TISHOMINGO COUNTY SPECIAL
MUNICIPAL SEPARATE SCHOOL DISTRICT**

**AUDITED
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2013

**The Sparks CPA Firm, P.C.
Certified Public Accountants**

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

IJKA, MISSISSIPPI

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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Tishomingo County Special Municipal Separate School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-12 and 38-39 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 Tishomingo County Special Municipal Separate School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial-statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2014, on our consideration of the Tishomingo County Special Municipal Separate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Tishomingo County Special Municipal Separate School District's internal control over financial reporting and compliance.

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
May 5, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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

FINANCIAL HIGHLIGHTS

- Total net position for 2013 decreased \$2,588,308, including a prior period adjustment of \$2,752, which represents a 7.94% decrease from fiscal year 2012. Total net position for 2012 decreased \$320,786, which represents a 0.97% decrease from fiscal year 2011.
- General revenues amounted to \$21,998,102 and \$22,206,869, or 83.28% and 81.65% 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 \$4,417,733, or 16.72% of total revenues for 2013, and \$4,990,697, or 18.35 % of total revenues for 2012.
- The District had \$29,006,895 and \$27,518,352 in expenses for fiscal years 2013 and 2012; only \$4,417,733 for 2013 and \$4,990,697 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$21,998,102 for 2013 and \$22,206,869 for 2012 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$20,747,608 in revenues and \$23,762,870 in expenditures for 2013, and \$20,950,432 in revenues and \$20,992,231 in expenditures in 2012. The General Fund's fund balance decreased by \$2,228,452, from 2012 to 2013, and increased by \$343,005, from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$169,328, including a prior period adjustment of \$2,752, for 2013 and decreased by \$514,066 for 2012. The decrease for 2013 was due to the net effect of the addition of assets coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$261,700 for 2013 and increased \$39,436 for 2012. This increase for 2013 was due primarily to debt issued in the form of a capital lease. The liability for compensated absences increased by \$5,720 for 2013 and decreased by \$16,051 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 readers with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund 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 \$30,005,454 as of June 30, 2013.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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

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

Table 1
Condensed Statement of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 10,682,109	\$ 13,270,250	(19.50) %
Restricted assets	830,993	625,579	32.84 %
Capital assets, net	25,895,610	26,064,938	(0.65) %
Total assets	<u>37,408,712</u>	<u>39,960,767</u>	(6.39) %
Current liabilities	1,565,700	1,791,147	(12.59) %
Long-term debt outstanding	5,837,558	5,575,858	4.69 %
Total liabilities	<u>7,403,258</u>	<u>7,367,005</u>	0.49 %
Net position:			
Net investment in capital assets	20,878,655	21,111,606	(1.10) %
Restricted	1,914,622	1,748,933	9.47 %
Unrestricted	7,212,177	9,733,223	(25.90) %
Total net position	<u>\$ 30,005,454</u>	<u>\$ 32,593,762</u>	(7.94) %

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

- The decrease in net capital assets in the amount of \$169,328.
- The principal retirement of \$538,079 of long-term debt.
- The addition of \$794,059 in long-term debt.
- The increase of \$5,720 in compensated absences

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$26,415,835 and \$27,197,566, respectively. The total cost of all programs and services was \$29,006,895 for 2013 and \$27,518,352 for 2012.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE 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

	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,113,267	\$ 1,144,092	(2.69) %
Operating grants and contributions	3,304,466	3,846,605	(14.09) %
General revenues:			
Property taxes	5,599,963	5,320,761	5.25 %
Grants and contributions not restricted	16,084,198	16,398,362	(1.92) %
Unrestricted investment earnings	21,129	310,383	(93.19) %
Other	292,812	177,363	65.09 %
Total revenues	<u>26,415,835</u>	<u>27,197,566</u>	(2.87) %
Expenses:			
Instruction	17,004,615	16,786,423	1.30 %
Support services	9,867,677	8,463,645	16.59 %
Non-instructional	2,021,982	2,178,302	(7.18) %
Interest on long-term liabilities	112,621	89,982	25.16 %
Total expenses	<u>29,006,895</u>	<u>27,518,352</u>	5.41 %
Increase (Decrease) in net position	<u>(2,591,060)</u>	<u>(320,786)</u>	707.72 %
Net Position, July 1, as previously reported	32,593,762	32,914,548	(0.97) %
Prior Period Adjustment	2,752		N/A %
Net Position, July 1, as restated	<u>32,596,514</u>	<u>32,914,548</u>	(0.97) %
Net Position, June 30	<u>\$ 30,005,454</u>	<u>\$ 32,593,762</u>	(7.94) %

Governmental activities

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

Table 3
Net Cost of Governmental
Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 17,004,615	\$ 16,786,423	1.30 %
Support services	9,867,677	8,463,645	16.59 %
Non-instructional	2,021,982	2,178,302	(7.18) %
Interest on long-term liabilities	112,621	89,982	25.16 %
Total expenses	\$ 29,006,895	\$ 27,518,352	5.41 %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (14,655,884)	\$ (14,186,494)	3.31 %
Support services	(9,861,525)	(8,372,053)	17.79 %
Non-instructional	40,868	120,874	(66.19) %
Interest on long-term liabilities	(112,621)	(89,982)	25.16 %
Total net (expense) revenue	\$ (24,589,162)	\$ (22,527,655)	9.15 %

- Net cost of governmental activities (\$24,589,162 for 2013 and \$22,527,655 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$5,599,963 for 2013 and \$5,320,761 for 2012) and state and federal revenues (\$16,084,198 for 2013 and \$16,398,362 for 2012)
- Investment earnings amounted to \$21,129 for 2013 and \$310,383 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 \$9,973,439, a decrease of \$2,155,319, which includes a decrease in inventory of \$70. \$5,927,145 or 59.43% 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 \$4,046,294 or 40.57% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$2,228,452. The fund balance of Other Governmental Funds showed an increase in the amount of \$73,133, which includes a decrease in reserve for inventory of \$70.

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund 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 \$40,841,720, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment and any intangible assets. This amount represents an increase of \$1,061,855 from 2012. Total accumulated depreciation as of June 30, 2013, was \$14,946,110, which includes a prior period adjustment of \$2,752, and total depreciation expense for the year was \$1,240,954, resulting in total net capital assets of \$25,895,610.

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	550,735	550,735	0.00 %
Buildings	18,957,382	19,273,852	(1.64) %
Building improvements	4,364,066	4,601,053	(5.15) %
Improvements other than buildings	550,142	485,337	13.35 %
Mobile equipment	1,004,728	771,600	30.21 %
Furniture and equipment	468,557	382,361	22.54 %
Total	<u>\$ 25,895,610</u>	<u>\$ 26,064,938</u>	(0.65) %

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

Debt Administration. At June 30, 2013, the District had \$5,837,558 in outstanding long-term debt, of which \$457,145 is due within one year. The liability for compensated absences increased \$5,720 from the prior year. The District made principal payments on long-term debt in the amount of \$538,079 and new long-term debt was issued in the amount of \$794,059.

**TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2013**

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Three mill note payable	1,485,000	1,580,000	(6.01) %
Shortfall notes payable	-	92,239	(100.00) %
Obligations under capital leases	858,884	303,180	183.29 %
Obligations under energy efficiency lease	260,848	373,333	(30.13) %
Qualified school construction bonds	3,000,000	3,000,000	0.00 %
Compensated absences payable	232,826	227,106	2.52 %
Total	\$ 5,837,558	\$ 5,575,858	4.69 %

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

CURRENT ISSUES

The Tishomingo County Special Municipal Separate 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.

Enrollment for the 2012-2013 school year increased by 1.83% to 3,180 students.

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 Tishomingo County Special Municipal Separate School District, 1620 Paul Edmondson Drive, Iuka, MS 38852.

FINANCIAL STATEMENTS

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 9,968,673
Investments	65,000
Due from other governments	507,505
Inventories	43,956
Prepaid items	96,975
Restricted assets	830,993
Capital assets, non-depreciable:	
Land	550,735
Capital assets, net of accumulated depreciation:	
Buildings	18,957,382
Building improvements	4,364,066
Improvements other than buildings	550,142
Mobile equipment	1,004,728
Furniture and equipment	468,557
Total Assets	37,408,712
Liabilities	
Accounts payable and accrued liabilities	1,534,579
Unearned revenue	5,084
Interest payable on long-term liabilities	26,037
Long-term liabilities, due within one year:	
Capital related liabilities	293,845
Non-capital related liabilities	163,300
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,723,110
Non-capital related liabilities	657,303
Total Liabilities	7,403,258
Net Position	
Net investment in capital assets	20,878,655
Restricted for:	
Expendable:	
School-based activities	935,286
Debt service	901,072
Unemployment benefits	78,264
Unrestricted	7,212,177
Total Net Position	\$ 30,005,454

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental Activities:					
Instruction	\$ 17,004,615	647,875	1,700,856		(14,655,884)
Support services	9,867,677		6,152		(9,861,525)
Non-instructional	2,021,982	465,392	1,597,458		40,868
Interest on long-term liabilities	112,621				(112,621)
Total Governmental Activities	<u>\$ 29,006,895</u>	<u>1,113,267</u>	<u>3,304,466</u>		<u>(24,589,162)</u>
General Revenues:					
Taxes:					
General purpose levies					
Debt purpose levies					
Unrestricted grants and contributions:					
State					
Federal					
Unrestricted investment earnings					
Other					
Total General Revenues					
					5,112,310
					487,653
					14,948,754
					1,135,444
					21,129
					292,812
					<u>21,998,102</u>
Change in Net Position					<u>(2,591,060)</u>
Net Position - Beginning, as previously reported					32,593,762
Prior Period Adjustment					<u>2,752</u>
Net Position - Beginning, as restated					<u>32,596,514</u>
Net Position - Ending					<u>\$ 30,005,454</u>

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2013

	<u>Major Fund</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 8,910,392	1,491,274	10,401,666
Cash with fiscal agent		398,000	398,000
Investments		65,000	65,000
Due from other governments	222,443	285,062	507,505
Due from other funds	147,224	4,503	151,727
Inventories		43,956	43,956
Prepaid items	96,975		96,975
Total Assets	\$ 9,377,034	2,287,795	11,664,829
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,249,738	284,841	1,534,579
Due to other funds		151,727	151,727
Unearned revenue		5,084	5,084
Total Liabilities	1,249,738	441,652	1,691,390
Fund Balances:			
Nonspendable:			
Inventory		43,956	43,956
Prepaid items	96,975		96,975
Restricted:			
Debt service		927,109	927,109
Unemployment benefits		78,264	78,264
Other commitments		794,355	794,355
Assigned:			
Other purposes	1,928,892	2,459	1,931,351
Student activities	174,284		174,284
Unassigned	5,927,145		5,927,145
Total Fund Balances	8,127,296	1,846,143	9,973,439
Total Liabilities and Fund Balances	\$ 9,377,034	2,287,795	11,664,829

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013

		Amount
Total fund balances - for governmental funds	\$	9,973,439
Amounts reported for governmental activities in the statement of net position are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	\$	550,735
Buildings		29,363,436
Building improvements		5,924,680
Improvements other than buildings		1,189,146
Mobile equipment		2,455,972
Furniture and equipment		1,357,751
Accumulated depreciation		<u>(14,946,110)</u>
		25,895,610
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Notes payable		(1,485,000)
Capital lease obligations		(1,119,731)
Qualified school construction bond		(3,000,000)
Compensated absences		(232,827)
Accrued interest payable		<u>(26,037)</u>
		(5,863,595)
Net position of governmental activities	\$	<u>30,005,454</u>

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	Major Funds General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Local sources	\$ 6,057,459	968,924	7,026,383
State sources	13,525,784	1,592,243	15,118,027
Federal sources	1,164,365	3,106,272	4,270,637
Total Revenues	<u>20,747,608</u>	<u>5,667,439</u>	<u>26,415,047</u>
Expenditures:			
Instruction	14,219,305	2,211,682	16,430,987
Support services	8,765,550	1,284,028	10,049,578
Noninstructional services	187,251	1,782,145	1,969,396
Facilities acquisition and construction	225,319	41,124	266,443
Debt service:			
Principal	350,840	187,239	538,079
Interest	14,605	96,055	110,660
Total Expenditures	<u>23,762,870</u>	<u>5,602,273</u>	<u>29,365,143</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(3,015,262)</u>	<u>65,166</u>	<u>(2,950,096)</u>
Other Financing Sources (Uses):			
Proceeds of loans	794,059		794,059
Sale of other property		788	788
Operating transfers in		295,814	295,814
Operating transfers out	(7,249)	(288,565)	(295,814)
Total Other Financing Sources (Uses)	<u>786,810</u>	<u>8,037</u>	<u>794,847</u>
Net Change in Fund Balances	<u>(2,228,452)</u>	<u>73,203</u>	<u>(2,155,249)</u>
Fund Balances:			
July 1, 2012	<u>10,355,748</u>	<u>1,773,010</u>	<u>12,128,758</u>
Increase (Decrease) in reserve for inventory		(70)	(70)
June 30, 2013	<u>\$ 8,127,296</u>	<u>1,846,143</u>	<u>9,973,439</u>

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE 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

		<u>Amount</u>
Net change in fund balances - total governmental funds	\$	(2,155,249)
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$	1,069,654
Depreciation expense		<u>(1,240,954)</u>
		(171,300)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.		
		(780)
3. This issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Capital lease issued	\$	(794,059)
Payments of debt principal		538,079
Accrued interest payable		<u>(1,961)</u>
		(257,941)
4. Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences		(5,720)
Change in inventory reserve		<u>(70)</u>
Change in net position of governmental activities	\$	<u>(2,591,060)</u>

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2013

		Agency Funds
Assets		
Cash and cash equivalents	\$	128,889
Total Assets		128,889
Liabilities		
Accounts payable and accrued liabilities		8,276
Due to student clubs		120,613
Total Liabilities	\$	128,889

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE 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.

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

B. Government-wide and Fund Financial Statements

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or

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

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 is 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 fund:

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

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

The District's fiduciary funds include the following:

Payroll Clearing – This fund is used as a clearing account for payroll services.

A/P Clearing – This fund is used as a clearing account for accounts payable services.

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

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 Project 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.

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.

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

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.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE 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

Activity 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.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

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.

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.

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

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

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

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

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

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

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

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the superintendent and business manager pursuant to authorization established by the 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, Cash with Fiscal Agents 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.

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

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 the financial institutions reported in the governmental funds and fiduciary funds was \$10,466,666 (which includes \$65,000 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$128,889, respectively.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance \$10,927,426 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$398,000.

Investments

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Certificate of Deposit	Not rated	1 year	\$ 65,000
Total			\$ 65,000

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.

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

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 had no investments requiring such disclosure.

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 147,224
Other governmental funds	Other governmental funds	4,503
Total		<u>\$ 151,727</u>

The purpose of the inter-fund loans was to cover federal funds not received prior to year-end.

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 7,249
Other governmental funds	Other governmental funds	288,565
Total		<u>\$ 295,814</u>

The primary purpose of inter-fund transfers was to provide funds for daily operations. All transfers were routine and consistent with the activities of the fund making the transfer.

Note 4 – Restricted Assets

The restricted assets represent the cash balances totaling \$830,993 of debt service funds whose balances are legally restricted and may not be used except for their restricted purposes. Included in the restricted assets balance is the cash with fiscal agent balance of \$398,000 of the QSCB Bond Retirement Fund.

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

Note 5 - Capital Assets

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

	Balance 7/1/2012	Increases	Decreases	Adjustments	Balance 6/30/2013
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 550,735	\$ _____	\$ _____	\$ _____	\$ 550,735
Total non-depreciable capital assets	<u>550,735</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>550,735</u>
<u>Depreciable capital assets:</u>					
Buildings	29,132,453	230,983			29,363,436
Building improvements	5,924,680				5,924,680
Improvements other than buildings	1,093,536	95,610			1,189,146
Mobile equipment	2,094,457	369,314	7,799		2,455,972
Furniture and equipment	984,004	373,747			1,357,751
Total depreciable capital assets	<u>39,229,130</u>	<u>1,069,654</u>	<u>7,799</u>	<u>_____</u>	<u>40,290,985</u>
<u>Less accumulated depreciation for:</u>					
Buildings	9,858,601	547,453			10,406,054
Building improvements	1,323,627	236,987			1,560,614
Improvements other than buildings	608,199	30,805			639,004
Mobile equipment	1,322,857	138,158	7,019	(2,752)	1,451,244
Furniture and equipment	601,643	287,551			889,194
Total accumulated depreciation	<u>13,714,927</u>	<u>1,240,954</u>	<u>7,019</u>	<u>(2,752)</u>	<u>14,946,110</u>
Total depreciable capital assets, net	<u>25,514,203</u>	<u>(171,300)</u>	<u>780</u>	<u>2,752</u>	<u>25,344,875</u>
Governmental activities capital assets, net	<u>\$ 26,064,938</u>	<u>\$ (171,300)</u>	<u>\$ 780</u>	<u>\$ 2,752</u>	<u>\$ 25,895,610</u>

The adjustment to capital assets is to correct beginning accumulated depreciation.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental Activities:	
Instruction	\$ 627,278
Support services	533,932
Non-instructional	79,744
Total Depreciation Expense	<u>\$ 1,240,954</u>

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

Note 6 – Long-term Liabilities

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

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. Three mill notes payable	\$ 1,580,000	\$	\$ 95,000	\$ 1,485,000	\$ 100,000
B. Shortfall note payable	92,239		92,239		
C. Obligations under capital lease	303,180	794,059	238,355	858,884	229,570
D. Obligations under energy efficiency lease	373,333		112,485	260,848	127,575
E. Qualified school construction bond series 2009-B	3,000,000			3,000,000	
F. Compensated absences payable	227,106	5,720		232,826	
Total	<u>\$ 5,575,858</u>	<u>\$ 799,779</u>	<u>\$ 538,079</u>	<u>\$ 5,837,558</u>	<u>\$ 457,145</u>

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note payable, series 2009	4.03%	11/15/2009	9/01/2024	1,600,000	1,485,000
Total				<u>\$ 1,600,000</u>	<u>\$ 1,485,000</u>

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

Three mill notes payable issue of 11/15/2009.

Year Ending June 30	Principal	Interest	Total
2014	\$ 100,000	\$ 57,831	\$ 157,831
2015	105,000	53,700	158,700
2016	110,000	49,368	159,368
2017	115,000	44,834	159,834
2018	115,000	40,199	155,199
2019-2023	670,000	124,326	794,326
2024-2026	270,000	10,277	280,277
Total	<u>\$ 1,485,000</u>	<u>\$ 380,535</u>	<u>\$ 1,865,535</u>

This debt will be retired from the 3 Mill 09 Fund.

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

B. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Revenues shortfall note, Series 2010	3.03%	6/30/2010	6/30/2013	\$ 268,709	\$ _____
Total				\$ 268,709	\$ _____

C. Obligations under capital lease

The school district has entered into a lease agreement as lessee for financing the acquisition of various technology upgrades at a cost of \$794,059 with a down payment of \$0. This lease qualifies as a capital lease for accounting purposes.

The school district has entered into a lease agreement as lessee for financing the acquisition of 300 computers at a cost of \$380,688 with a down payment of \$0. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Cisco Lease	5.89%	1/21/2013	1/21/2017	\$ 794,059	\$ 630,483
2. Apple, Inc. Lease	0.90%	4/2/2012	4/2/2016	380,688	228,401
Total				\$ 1,174,747	\$ 858,884

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

1. Cisco Lease dated 1/21/2013

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2014	\$ 154,118	\$ 9,457	\$ 163,575
2015	156,430	7,145	163,575
2016	158,777	4,799	163,576
2017	161,158	2,418	163,576
Total	\$ 630,483	\$ 23,819	\$ 654,302

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However the difference between the effective interest method and the straight-line method is not considered material.

This debt will be retired from the Local Technology Fund.

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

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

2. Apple, Inc. Lease dated 1/21/2013

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2014	\$ 75,452	\$ 2,056	\$ 77,508
2015	76,132	1,376	77,508
2016	76,817	691	77,508
Total	<u>\$ 228,401</u>	<u>\$ 4,123</u>	<u>\$ 232,524</u>

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However the difference between the effective interest method and the straight-line method is not considered material.

This debt will be retired from the Local Technology Fund.

The following is a schedule of total obligation under capital leases for all issues:

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2014	\$ 229,570	\$ 11,513	\$ 241,083
2015	232,562	8,521	241,083
2016	235,594	5,490	241,084
2017	161,158	2,417	163,575
Total	<u>\$ 858,884</u>	<u>\$ 27,941</u>	<u>\$ 886,825</u>

D. Obligations under energy efficiency lease

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Obligations under energy efficiency lease	4.00%	7/3/2003	7/03/2015	\$ 1,248,925	\$ 260,848
Total				<u>\$ 1,248,925</u>	<u>\$ 260,848</u>

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2014	127,575	8,092	135,667
2015	121,505	2,857	124,362
2016	11,768	38	11,806
Total	<u>\$ 260,848</u>	<u>\$ 10,987</u>	<u>\$ 271,835</u>

This debt will be retired from the District Maintenance Fund.

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

An energy efficiency lease agreement dated July 3, 2003, was executed by and between the district, the lessee, and LaSalle Bank National Association, the lessor.

The agreement authorized the borrowing of \$1,248,925 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed ten (10) years.

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

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

E. Qualified school construction bonds payable

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bond series 2009-B	1.05%	12/04/09	9/15/24	\$ 3,000,000	\$ 3,000,000
Total				<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

F. Compensated absences payable.

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

Note 7 - Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$ 2,245,734, \$1,914,740, and \$1,856,082, respectively, which equaled the required contributions for each year.

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

Note 8 – Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

Exhibit B – Statement of Activities

Explanation	Amount
1. To correct accumulated depreciation	\$ 2,752
Total	\$ 2,752

Note 9 - Contingencies

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

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

Note 10 - 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 11 - Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments

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

to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCB's) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount of deposit at June 30, 2013 was \$398,000. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2014	\$ 202,000
2015	205,000
2016	208,000
2017	209,000
2018	212,000
2019-2023	1,098,000
2024-2025	468,000
Total	\$ 2,602,000

Note 12 – Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Tishomingo County Special Municipal Separate School District evaluated the activity of the district through May 5, 2014 (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

- District purchased land adjacent to Belmont Elementary in the amount of \$32,500.
- Approved purchase of used Ford F250
- Approved the purchase of five vehicles for the school resource officer program in the total amount of \$10,500.
- Approved the bid for the installation of freezer and coolers for luka, Tishomingo, and Belmont Elementary schools in the amount of \$92,856.
- The District approved the contract of a new Superintendent Mrs. Christie Holly, for the FY15 school year. The current Superintendent, Mr. Ben McClung is retiring at the end of the FY14 year.

REQUIRED SUPPLEMENTARY INFORMATION

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
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	\$ 5,905,718	6,057,459	6,057,459	151,741	
State sources	13,562,602	13,525,784	13,525,784	(36,818)	
Federal sources	930,000	1,164,365	1,164,365	234,365	
Total revenues	<u>20,398,320</u>	<u>20,747,608</u>	<u>20,747,608</u>	<u>349,288</u>	
Expenditures					
Instruction	14,182,963	14,219,422	14,219,305	(36,459)	117
Support services	7,365,832	7,983,883	8,765,550	(618,051)	(781,667)
Noninstructional services	216,569	187,251	187,251	29,318	
Facilities acquisition and construction	200,000	225,319	225,319	(25,319)	
Debt Service:					
Principal	136,000	350,840	350,840	(214,840)	
Interest		14,605	14,605	(14,605)	
Total expenditures	<u>22,101,364</u>	<u>22,981,320</u>	<u>23,762,870</u>	<u>(879,956)</u>	<u>(781,550)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,703,044)</u>	<u>(2,233,712)</u>	<u>(3,015,262)</u>	<u>(530,668)</u>	<u>(781,550)</u>
Other Financing Sources (Uses)					
Proceeds of loans			794,059		794,059
Other sources	300			(300)	
Operating transfers in	2,517,546	3,096,545		578,999	(3,096,545)
Operating transfers out	(2,528,096)	(3,103,794)	(7,249)	(575,698)	3,096,545
Total other financing sources (uses)	<u>(10,250)</u>	<u>(7,249)</u>	<u>786,810</u>	<u>3,001</u>	<u>794,059</u>
Net change in fund balances	<u>(1,713,294)</u>	<u>(2,240,961)</u>	<u>(2,228,452)</u>	<u>(527,667)</u>	<u>12,509</u>
Fund balances:					
July 1, 2012	<u>9,632,997</u>	<u>10,363,352</u>	<u>10,355,748</u>	<u>730,355</u>	<u>(7,604)</u>
June 30, 2013	<u>\$ 7,919,703</u>	<u>8,122,391</u>	<u>8,127,296</u>	<u>202,688</u>	<u>4,905</u>

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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE 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 Schedule presents 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 consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
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	\$ 334,220
National School Lunch Program	10.555	1,042,728
Summer Food Service	10.559	34,143
Total Child Nutrition Cluster		<u>1,411,091</u>
Total passed through the Mississippi Department of Education		<u>1,411,091</u>
Total U.S. Department of Agriculture		<u><u>1,411,091</u></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	134,427
Total Federal Communications Commission		<u><u>134,427</u></u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	688,897
Career and technical education-basic grants to states	84.048	34,547
Twenty first century community learning centers	84.287	147
Rural education	84.358	65,949
Improving teacher quality state grants	84.367	163,598
Subtotal		<u>953,138</u>
Special education cluster:		
Special education-grants to states	84.027	744,082
Special education-preschool grants	84.173	26,950
Total special education cluster		<u>771,032</u>
Total passed through the Mississippi Department of Education		<u>1,724,170</u>
Total U.S. Department of Education		<u><u>1,724,170</u></u>
Total Federal Awards		<u><u>\$ 3,269,688</u></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 pass-through entities did not assign identifying numbers to the school district.
3. The expenditure amounts include transfers out.

The accompanying notes to the Schedule of Expenditures of Federal Awards is an integral part of this schedule.

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2013

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 21,492,562	14,896,767	685,371	1,559,526	4,350,898
Other	<u>7,872,581</u>	<u>1,534,337</u>	<u>237,635</u>	<u>40,157</u>	<u>6,060,452</u>
Total	<u>\$ 29,365,143</u>	<u>16,431,104</u>	<u>923,006</u>	<u>1,599,683</u>	<u>10,411,350</u>
 Total number of students *	<u>3,180</u>				
Cost per student \$	<u>9,234</u>	<u>5,167</u>	<u>290</u>	<u>503</u>	<u>3,274</u>

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

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

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

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

Other - includes all expenditure functions not included in Instruction or Administrative 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

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 6,057,459	\$ 5,930,329	\$ 5,635,105	\$ 5,294,388
State sources	13,525,784	13,884,523	13,807,451	13,408,732
Federal sources	1,164,365	1,135,580	1,354,500	1,019,513
Total Revenues	20,747,608	20,950,432	20,797,056	19,722,633
Expenditures:				
Instruction	14,219,305	13,655,931	11,533,355	11,818,373
Support services	8,765,550	7,001,757	6,854,184	6,407,155
Noninstructional services	187,251	110,063	102,928	122,470
Facilities acquisition and construction	225,319			
Debt service:				
Principal	350,840	205,254	113,171	108,741
Interest	14,605	19,226	22,495	26,926
Total Expenditures	23,762,870	20,992,231	18,626,133	18,483,665
Excess (Deficiency) of Revenues over (under) Expenditures	(3,015,262)	(41,799)	2,170,923	1,238,968
Other Financing Sources (Uses):				
Proceeds of loans	794,059	380,688	681	268,709
Insurance loss recoveries		4,116		
Operating transfers in				134
Operating transfers out	(7,249)		(910,660)	(388,545)
Total Other Financing Sources (Uses)	786,810	384,804	(909,979)	(119,702)
Net Change in Fund Balances	(2,228,452)	343,005	1,260,944	1,119,266
Fund Balances:				
Beginning of period	10,355,748	10,012,743	8,751,799	7,632,533
End of Period	\$ 8,127,296	10,355,748	10,012,743	8,751,799

*SOURCE - PRIOR YEAR AUDIT REPORTS

TISHOMINGO COUNTY SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 7,026,383	\$ 6,948,484	\$ 6,673,549	\$ 6,391,445
State sources	15,118,027	15,475,394	14,535,139	14,613,003
Federal sources	4,270,637	4,769,572	6,557,588	6,136,693
Total Revenues	26,415,047	27,193,450	27,766,276	27,141,141
Expenditures:				
Instruction	16,430,987	16,269,823	15,528,152	15,696,108
Support services	10,049,578	8,414,810	8,078,895	7,686,073
Noninstructional services	1,969,396	2,234,932	2,235,469	1,998,439
Facilities acquisition and construction	266,443	17,213	1,619,865	2,403,884
Debt service:				
Principal	538,079	325,201	632,981	1,584,445
Interest	110,660	128,925	157,602	97,013
Total Expenditures	29,365,143	27,390,904	28,252,964	29,465,962
Excess (Deficiency) of Revenues over (under) Expenditures	(2,950,096)	(197,454)	(486,688)	(2,324,821)
Other Financing Sources (Uses):				
Proceeds of loans	794,059	380,688	681	4,868,709
Insurance loss recoveries	788	4,116		
Sale of other property				1,812
Operating transfers in	295,814	284,799	921,594	388,679
Operating transfers out	(295,814)	(284,799)	(921,594)	(388,679)
Total Other Financing Sources (Uses)	794,847	384,804	681	4,870,521
Net Change in Fund Balances	(2,155,249)	187,350	(486,007)	2,545,700
Fund Balances:				
Beginning of period	12,128,758	11,934,985	12,409,552	9,877,603
Increase (Decrease) in reserve for inventory	(70)	6,423	11,440	(13,751)
End of Period	\$ 9,973,439	\$ 12,128,758	\$ 11,934,985	\$ 12,409,552

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

**INDEPENDENT AUDITORS' 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
Tishomingo County Special Municipal Separate 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 Tishomingo County Special Municipal Separate School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Tishomingo County Special Municipal Separate School District's basic financial statements, and have issued our report thereon dated May 5, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
May 5, 2014

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

Superintendent and School Board
Tishomingo County Special Municipal Separate School District

Report on Compliance for Each Major Federal Program

We have audited Tishomingo County Special Municipal Separate School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Tishomingo County Special Municipal Separate School District's major federal programs for the year ended June 30, 2013. Tishomingo County Special Municipal Separate School District's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

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

Internal Control Over Compliance

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
May 5, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE
LAWS AND REGULATIONS**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS**

Superintendent and School Board
Tishomingo County Special Municipal Separate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tishomingo County Special Municipal Separate School District as of and for the year ended June 30, 2013, which collectively comprise Tishomingo County Special Municipal Separate School District's basic financial statements and have issued our report thereon dated May 5, 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 no classroom supply funds carried over from previous years.

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

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

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

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

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

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Red Bay, Alabama
May 5, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section 1: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None reported |
| 5. | Type of auditors' 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? | No |
| 7. | Identification of major programs: | |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
Child Nutrition	
Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service
Special Education	
Cluster	
84.027	Special Education (IDEA) – Grants to States
84.173	Special Education (IDEA) – Preschool Grants
Title I, Part A	
84.010	Title I Grants to Local Education Agencies

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

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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