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WALTHALL COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2013

Charles L. Shivers, CPA
Ridgeland, MS

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INDEPENDENT AUDITOR'S REPORT

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CHARLES L. SHIVERS

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Walthall County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Walthall County School District's 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), 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, as required by the Mississippi State Auditor's Office, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 basic 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 my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 1, 2014, on my consideration of the Walthall County School District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Walthall County School District's internal control over financial reporting and compliance.

Charles L Shivers, CPA

Ridgeland, MS
May 1, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2013 decreased \$1,211,402, including a prior period adjustment of \$2,790, which represents a 6% decrease from fiscal year 2012. Total net position for 2012 increased \$1,374,117, including a prior period adjustment of \$13,721, which represents a 7% increase from fiscal year 2011.
- General revenues amounted to \$14,709,233 and \$15,151,941, or 75% and 67% 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 \$4,999,796, or 25% of total revenues for 2013, and \$7,358,063, or 33% of total revenues for 2012.
- The District had \$20,923,221 and \$21,149,608 in expenses for fiscal years 2013 and 2012; only \$4,999,796 for 2013 and \$7,358,063 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$14,709,233 for 2013 were not adequate to provide for these programs. However, general revenues of \$15,151,941 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$14,569,180 in revenues and \$15,895,204 in expenditures for 2013, and \$14,896,989 in revenues and \$15,212,063 in expenditures in 2012. The General Fund's fund balance decreased by \$1,620,159, including a prior period adjustment of \$12,375, from 2012 to 2013, and increased by \$3,350,534, including a prior period adjustment of \$14,602, from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$618,911 for 2013 and decreased by \$41,808 for 2012. The increase for 2013 was due primarily to the ongoing construction of school facilities and the addition of mobile equipment and furniture and equipment.
- Long-term debt decreased by \$346,305 for 2013 and decreased by \$419,361 for 2012. The decrease for 2013 was due primarily to the principal payment on outstanding long-term debt. The liability for compensated absences decreased by \$6,305 for 2013 and decreased by \$3,767 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

services, non-instructional, sixteenth section and interest on long-term liabilities.

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$19,630,880 as of June 30, 2013.

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 7,111,044	\$ 8,755,818	(18.78) %
Restricted assets	3,451,977	3,950,029	(12.61) %
Capital assets, net	<u>11,205,575</u>	<u>10,586,664</u>	5.85 %
Total assets	<u>21,768,596</u>	<u>23,292,511</u>	(6.54) %
Current liabilities	131,998	98,206	34.41 %
Long-term debt outstanding	<u>2,005,718</u>	<u>2,352,023</u>	(14.72) %
Total liabilities	<u>2,137,716</u>	<u>2,450,229</u>	(12.75) %
Net position:			
Net investment in capital assets	9,350,575	8,391,664	11.43 %
Restricted	4,332,631	3,345,878	29.49 %
Unrestricted	<u>5,947,674</u>	<u>9,104,740</u>	(34.67) %
Total net position	<u>\$ 19,630,880</u>	<u>\$ 20,842,282</u>	(5.81) %

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

- Increase in net capital assets in the amount of \$618,911.
- The principal retirement of \$340,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$19,709,029 and \$22,510,004,

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

respectively. The total cost of all programs and services was \$20,923,221 for 2013 and \$21,149,608 for 2012. Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

Table 2
Changes in Net Position

	<u>Year Ended</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	\$ 784,900	\$ 1,809,443	(56.62) %
Operating grants and contributions	4,214,896	5,548,620	(24.04) %
General revenues:			
Property taxes	3,602,838	3,407,838	5.72 %
Grants and contributions not restricted	10,851,198	11,336,544	(4.28) %
Investment earnings	97,717	132,284	(26.13) %
Sixteenth section sources	146,714	270,907	(45.84) %
Other	10,766	4,368	146.47 %
Total revenues	19,709,029	22,510,004	(12.44) %
Expenses:			
Instruction	12,435,930	12,752,949	(2.49) %
Support services	6,838,847	6,761,461	1.14 %
Non-instructional	1,541,793	1,547,089	(0.34) %
Sixteenth section	37,437	21,399	74.95 %
Interest on long-term liabilities	69,214	66,710	3.75 %
Total expenses	20,923,221	21,149,608	(1.07) %
Increase (Decrease) in net position	(1,214,192)	1,360,396	(189.25) %
Net Position, July 1, as previously reported	20,842,282	19,468,165	7.06 %
Prior Period Adjustment	2,790	13,721	(79.67) %
Net Position, July 1, as restated	20,845,072	19,481,886	7.00 %
Net Position, June 30	\$ 19,630,880	\$ 20,842,282	(5.81) %

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage</u> <u>Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 12,435,930	\$ 12,752,949	(2.49) %
Support services	6,838,847	6,761,461	1.14 %
Non-instructional	1,541,793	1,547,089	(0.34) %
Sixteenth section	37,437	21,399	74.95 %
Interest on long-term liabilities	69,214	66,710	3.75 %
Total expenses	\$ 20,923,221	\$ 21,149,608	(1.07) %

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

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (10,068,571)	\$ (8,861,488)	13.62 %
Support services	(5,652,494)	(4,740,031)	19.25 %
Non-instructional	(95,709)	(103,658)	(7.67) %
Sixteenth section	(37,437)	(19,658)	90.44 %
Interest on long-term liabilities	(69,214)	(66,710)	3.75 %
Total net (expense) revenue	\$ (15,923,425)	\$ (13,791,545)	15.46 %

- Net cost of governmental activities (\$15,923,425 for 2013 and \$13,791,545 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$3,602,838 for 2013 and \$3,407,838 for 2012) and state and federal revenues (\$10,851,198 for 2013 and \$11,336,544 for 2012). In addition, there was \$146,714 and \$270,907 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$97,717 for 2013 and \$132,284 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 \$10,451,864, a decrease of \$2,179,761, which includes a prior period adjustment of \$2,790 and an increase in inventory of \$9,075. \$4,573,803, or 44%, 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 \$5,878,061, or 56%, 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.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$1,620,159, which includes a prior period adjustment of \$12,375. The fund balance of Other Governmental Funds showed a decrease in the amount of \$638,474, which includes a prior period adjustment of \$(9,585) and an increase in inventory of \$9,075. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no increase or decrease
EHA Part B Fund	no increase or decrease
Sixteenth Section Principal Fund	\$ 78,872

BUDGETARY HIGHLIGHTS

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$18,289,520, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$941,544 from 2012 due primarily to the ongoing construction of the THS Field House and the Salem Gym and the purchase of six school buses and various other items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2013, was \$7,083,945, and total depreciation expense for the year was \$532,997, resulting in total net capital assets of \$11,205,575.

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 143,285	\$ 143,285	0.00 %
Construction in Progress	656,332	16,800	3,806.74 %
Buildings	7,368,991	7,553,229	(2.44) %
Building improvements	740,668	784,237	(5.56) %
Improvements other than buildings	744,406	780,794	(4.66) %
Mobile equipment	1,276,569	976,681	30.70 %
Furniture and equipment	275,324	331,638	(16.98) %
Total	\$ 11,205,575	\$ 10,586,664	5.85 %

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 \$2,005,718 in outstanding long-term debt, of which \$352,536 is due within one year. During the fiscal year, the District made a principal payment in the amount of \$340,000 on outstanding long-term debt. The liability for compensated absences decreased \$6,305 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Limited obligation refunding bonds payable	\$ 1,855,000	\$ 2,195,000	(15.49) %
Compensated absences payable	150,718	157,023	(4.02) %
Total	\$ 2,005,718	\$ 2,352,023	(14.72) %

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Walthall County School District, 814-A Morse Avenue, Tylertown, MS 39667.

BASIC FINANCIAL STATEMENTS

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WALTHALL COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2013

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 5,369,263
Due from other governments	1,682,175
Accrued interest receivable	2,754
Inventories	56,852
Restricted assets (Note 4)	3,451,977
Non-depreciable capital assets (Note 5)	799,617
Depreciable capital assets, net (Note 5)	10,405,958
Total Assets	<u><u>21,768,596</u></u>
Liabilities	
Accounts payable and accrued liabilities	106,645
Interest payable on long-term liabilities	20,841
Other payables	4,512
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	345,000
Non-capital related liabilities	7,536
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	1,510,000
Non-capital related liabilities	143,182
Total Liabilities	<u><u>2,137,716</u></u>
Net Position	
Net investment in capital assets	9,350,575
Restricted net position	
Expendable	
School-based activities	455,246
Debt service	251,440
Contractual commitments	1,413,532
Ad valorem escrow	145,190
Forestry improvements	25,688
Unemployment benefits	47,927
Non-expendable	
Sixteenth section	1,993,608
Unrestricted	<u>5,947,674</u>
Total Net Position	<u><u>\$ 19,630,880</u></u>

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

WALTHALL COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2013

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 12,435,930	310,044	2,057,315	(10,068,571)
Support services	6,838,847	338,466	847,887	(5,652,494)
Non-instructional	1,541,793	136,390	1,309,694	(95,709)
Sixteenth section	37,437			(37,437)
Interest on long-term liabilities	69,214			(69,214)
Total Governmental Activities	20,923,221	784,900	4,214,896	(15,923,425)
General Revenues				
Taxes				
General purpose levies				3,602,808
Debt purpose levies				30
Unrestricted grants and contributions				
State				10,681,524
Federal				169,674
Unrestricted investment earnings				97,717
Sixteenth section sources				146,714
Other				10,766
Total General Revenues				14,709,233
Changes in Net Position				(1,214,192)
Net Position - Beginning, as previously reported				20,842,282
Prior Period Adjustments (Note 10)				2,790
Net Position - Beginning - as restated				20,845,072
Net Position - Ending				\$ 19,630,880

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

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	EHA Part B Fund	16 Section Principal Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents (Note 2)	\$ 4,697,783			1,635,279	1,275,489	7,608,551
Cash with fiscal agent (Note 2)				55,456	4,005	59,461
Investments (Note 2)				1,153,228		1,153,228
Due from other governments	188,163	760,311	171,495		560,556	1,680,525
Accrued interest receivable				2,754		2,754
Due from other funds (Note 3)	1,346,580					1,346,580
Inventories					56,852	56,852
Total Assets	6,232,526	760,311	171,495	2,846,717	1,896,902	11,907,951
Liabilities and Fund Balances						
Liabilities						
Accounts payable & accrued liabilities	100,001				6,644	106,645
Due to other funds (Note 3)		760,311	171,495		413,124	1,344,930
Other payables					4,512	4,512
Total Liabilities	100,001	760,311	171,495	0	424,280	1,456,087
Fund Balances						
Nonspendable					56,852	56,852
Inventory				1,993,608		1,993,608
Permanent fund principal						
Restricted						
Debt service					272,281	272,281
Forestry improvements					25,688	25,688
Unemployment benefits					47,927	47,927
Grant activities					398,394	398,394
Contractual commitments	1,413,532					1,413,532
Ad valorem escrow	145,190					145,190
Assigned						
Sixteenth section				853,109		853,109
Facility improvements					671,480	671,480
Unassigned	4,573,803					4,573,803
Total Fund Balances	6,132,525	0	0	2,846,717	1,472,622	10,451,864
Total Liabilities and Fund Balances	\$ 6,232,526	760,311	171,495	2,846,717	1,896,902	11,907,951

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WALTHALL COUNTY SCHOOL DISTRICT
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2013

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 10,451,864
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Land	143,285
Construction in progress	656,332
Buildings	11,201,587
Building improvements	1,089,218
Improvement other than buildings	909,699
Mobile equipment	3,164,611
Furniture and equipment	1,124,788
Accumulated depreciation	<u>(7,083,945)</u>
	11,205,575
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:	
Limited obligation bonds payable	(1,855,000)
Compensated absences	(150,718)
Accrued interest payable	<u>(20,841)</u>
	<u>(2,026,559)</u>
Total Net Position - Governmental Activities	<u><u>\$ 19,630,880</u></u>

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

WALTHALL COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2013

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	EHA Part B Fund	16 Section Principal Fund	Other Governmental Funds	
Revenues						
Local sources	\$ 3,970,288				149,968	4,120,256
State sources	10,322,346				892,214	11,214,560
Federal sources	171,539	1,180,600	628,849		1,870,546	3,851,534
Sixteenth section sources	105,007			78,872	156	184,035
Total Revenues	14,569,180	1,180,600	628,849	78,872	2,912,884	19,370,385
Expenditures						
Instruction	9,550,185	660,743	495,449		1,463,331	12,169,708
Support services	5,682,076	276,228	133,400		1,028,266	7,119,970
Noninstructional services	10,359	64,544			1,379,419	1,454,322
Sixteenth section	13,052				24,385	37,437
Facilities acquisition and construction	639,532					639,532
Debt service						
Principal (Note 6)					340,000	340,000
Interest					71,357	71,357
Other					1,000	1,000
Total Expenditures	15,895,204	1,001,515	628,849	0	4,307,758	21,833,326
Excess (Deficiency) of Revenues Over Expenditures	(1,326,024)	179,085	0	78,872	(1,394,874)	(2,462,941)
Other Financing Sources (Uses)						
Insurances loss recoveries	338,466					338,466
Sale of other property					650	650
Operating transfers in (Note 3)	178,154				928,495	1,106,649
Other financing sources	178					178
Operating transfers out (Note 3)	(755,329)	(179,085)			(172,235)	(1,106,649)
Other financing uses	(67,979)					(67,979)
Total Other Financing Sources (Uses)	(306,510)	(179,085)	0	0	756,910	271,315
Net Change in Fund Balances	(1,632,534)	0	0	78,872	(637,964)	(2,191,626)

Fund Balances								
July 1, 2012, as previously reported	7,752,684	0	0	2,767,845	2,111,096	12,631,625		
Prior period adjustments (Note 10)	12,375				(9,585)	2,790		
July 1, 2012, as restated	<u>7,765,059</u>	<u>0</u>	<u>0</u>	<u>2,767,845</u>	<u>2,101,511</u>	<u>12,634,415</u>		
Increase in reserve for inventory					9,075	9,075		
June 30, 2013	<u>\$ 6,132,525</u>	<u>0</u>	<u>0</u>	<u>2,846,717</u>	<u>1,472,622</u>	<u>10,451,864</u>		

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

WALTHALL COUNTY SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
 and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2013

Exhibit D-1

	<u>Amount</u>	
Net Change in Fund Balance - Governmental Funds		\$ (2,191,626)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay 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, those amounts are:		
Capital outlay	1,174,540	
Depreciation expense	<u>(532,997)</u>	641,543
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 asset sold.		
		(22,632)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Payments of debt principal	340,000	
Accrued interest payable	<u>3,143</u>	343,143
Some items reported in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
Change in compensated absences	6,305	
Change in inventory reserve	<u>9,075</u>	<u>15,380</u>
Changes in Net Position of Governmental Activities		<u>\$ (1,214,192)</u>

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

WALTHALL COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2013

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	<u>\$ 1,051,448</u>
Total Assets	<u>1,051,448</u>
Liabilities	
Accounts payable and accrued liabilities	1,009,138
Due to other funds (Note 3)	1,650
Due to student clubs	<u>40,660</u>
Total Liabilities	<u>\$ 1,051,448</u>

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

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, the 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 privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

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

Title I Fund - This special revenue fund accounts for Federal funds that are used to assist with enhancing the education of at risk students.

EHA Part B Fund - This special revenue fund accounts for Federal funds that are also used to assist with enhancing the education of students with disabilities.

16th Section Principal Fund - This permanent fund is used to account for the sale of non-renewable resources generated from the sixteenth section trust lands.

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

The District's fiduciary funds include the following:

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

Accounts Payable Clearing - This fund is used as a clearing account for non-payroll transactions.

Student Club Accounts - These funds are used to account for the transaction of student 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 Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

D. Encumbrances

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

E. Assets, liabilities and net position/fund balances

I. 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

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

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.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

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

The following schedule details the capitalization thresholds:

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

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**

In the government-wide financial statements, outstanding debt is reported as liabilities.

9. **Fund Balances**

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

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

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

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

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

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental 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 of Education and the Business manager pursuant to authorization established by the School Board.

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

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.

It is the policy of the School District to maintain a minimum fund balance in the General Fund that is not less than 5% of the revenues of the General Fund.

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.

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$8,597,410 (which includes \$988,859 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$1,051,448 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.

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

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$59,461.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Federal Home Loan Bank	N/A	More than 10 Years	\$ 161,000
Government National Mortgage Association	AAA	More than 10 Years	3,369
Certificates of deposit	N/A	Less than one Year	988,859
Total			<u>\$ 1,153,228</u>

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

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

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

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

Issuer	Fair Value	% of Total Investments
USB Financial - Certificates of Deposit	<u>\$ 988,859</u>	85.7%

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Major fund - Title I Fund	\$ 760,311
	Major fund - EHA Part B Fund	171,495
	Other Governmental Funds	413,124
	Fiduciary Funds	1,650
Total		<u>\$ 1,346,580</u>

The purpose of the more significant inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year end closing adjustments.

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 755,329
Major fund - Title I Fund	General Fund	16,116
	Other governmental funds	162,969
Other governmental funds	General Fund	162,038
	Other governmental funds	10,197
Total		\$ 1,106,649

The transfer out of the General Fund was for the purpose of funding the vocational and similar programs in the Other Governmental Funds. The transfers to the General Fund were for indirect costs. The transfers from the Title I Fund to the Other Governmental Funds were to fund the Administrative Cost Fund (Title I Fund).

Note 4 – Restricted Assets

The restricted assets represent the cash, cash with fiscal agent and investment balances, totaling \$2,239,288, \$59,461 and \$1,153,228, respectively of various funds whose resources are legally restricted and may not be used for purposes that support the district's programs. Examples include the 16th Section Principal Fund, Debt Service Funds and other state and federally funded programs of the district.

Note 5 – Capital Assets

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

	Balance 7/1/2012	Increases	Decreases	Balance 6/30/2013
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 143,285			143,285
Construction-in-progress	16,800	639,532		656,332
Total non-depreciable capital assets	160,085	639,532	0	799,617
<u>Depreciable capital assets:</u>				
Buildings	11,201,587			11,201,587
Building improvements	1,089,218			1,089,218
Improvements other than buildings	909,699			909,699
Mobile equipment	2,885,740	504,440	(225,569)	3,164,611
Furniture and equipment	1,101,647	30,568	(7,427)	1,124,788
Total depreciable capital assets	17,187,891	535,008	(232,996)	17,489,903
<u>Less accumulated depreciation for:</u>				
Buildings	3,648,358	184,238		3,832,596
Building improvements	304,981	43,569		348,550
Improvements other than buildings	128,905	36,388		165,293
Mobile equipment	1,909,059	181,995	(203,012)	1,888,042
Furniture and equipment	770,009	86,807	(7,352)	849,464
Total accumulated depreciation	6,761,312	532,997	(210,364)	7,083,945
Total depreciable capital assets, net	10,426,579	2,011	(22,632)	10,405,958
Governmental activities capital assets, net	\$ 10,586,664	641,543	(22,632)	11,205,575

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

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 286,253
Support services	202,911
Non-instructional	43,833
Total depreciation expense - Governmental activities	\$ 532,997

Construction in progress is composed of:

	Spent to June 30, 2013	Remaining Commitment
Governmental Activities:		
Tylertown High School Fieldhouse	\$ 485,818	9,946
Salem Gymnasium	170,514	1,403,586
Total construction in progress	\$ 656,332	1,413,532

Construction projects included in governmental activities are funded with local funds.

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. Limited obligation refunding bonds payable	\$ 2,195,000		340,000	1,855,000	345,000
B. Compensated absences payable	157,023		6,305	150,718	7,536
Total	\$ 2,352,023	0	346,305	2,005,718	352,536

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, series 2008	2.4-3.75	12/30/2008	3/1/2018	\$ 3,215,000	1,855,000

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 345,000	62,007	407,007
2015	360,000	51,658	411,658
2016	370,000	40,497	410,497
2017	385,000	28,288	413,288
2018	395,000	14,813	409,813
Total	\$ 1,855,000	197,263	2,052,263

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

This debt will be retired from the MAEP Debt Retirement Fund (Debt Service Fund).

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

B. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 8 – Defined Benefit Pension Plan

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

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 \$1,535,906, \$1,370,536 and \$1,269,182, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

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

Year Ending June 30	Amount
2014	\$ 55,046
2015	55,046
2016	55,046
2017	55,046
2018	55,046
2019 – 2023	275,230
2024 – 2028	274,267
2029 – 2033	263,551
Thereafter	125,101
Total	\$ 1,213,379

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
Correction of prior year receivable/current year revenue	\$ 2,790

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

Fund	Explanation	Amount
General Fund	Correction of prior year receivable/current year revenue	\$ 12,375
Other governmental funds	Correction of prior year payable/current year expenditure	(9,585)
Total		\$ 2,790

Note 11 – Contingencies

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

Note 12 – Risk Management

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

Note 13 - Insurance loss recoveries

The School District received \$338,466 in insurance loss recoveries related to fire, wind and vehicle damage during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

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

Insurance Loss		
Recoveries	Percentage	Expense Function
\$ 333,345	98%	Instruction
5,121	2%	Support services
<u>0</u>	<u>0%</u>	Non-instructional
<u>\$ 338,466</u>	<u>100%</u>	

Note 14 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through May 1, 2014 and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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WALTHALL COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the 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	\$ 3,707,545	3,970,288	3,970,288	262,743	0
State sources	10,724,364	10,322,346	10,322,346	(402,018)	0
Federal sources	135,935	169,674	171,539	33,739	1,865
Sixteenth section sources	0	0	105,007	0	105,007
Total Revenues	14,567,844	14,462,308	14,569,180	(105,536)	106,872
Expenditures					
Instruction	9,360,917	9,550,185	9,550,185	(189,268)	0
Support services	5,101,868	5,682,076	5,682,076	(580,208)	0
Noninstructional services	6,500	10,359	10,359	(3,859)	0
Sixteenth section	0	0	13,052	0	(13,052)
Facilities acquisition and construction	0	639,532	639,532	(639,532)	0
Debt service					
Principal	73,559	0	0	73,559	0
Interest	3,000	0	0	3,000	0
Total Expenditures	14,545,844	15,882,152	15,895,204	(1,336,308)	(13,052)
Excess (Deficiency) of Revenues Over Expenditures	22,000	(1,419,844)	(1,326,024)	(1,441,844)	93,820
Other Financing Sources (Uses)					
Insurance loss recoveries	0	338,466	338,466	338,466	0
Operating transfers in	0	1,569,732	178,154	1,569,732	(1,391,578)
Other financing sources	0	178	178	178	0
Operating transfers out	0	(2,146,907)	(755,329)	(2,146,907)	1,391,578
Other financing uses	0	(67,979)	(67,979)	(67,979)	0
Total Other Financing Sources (Uses)	0	(306,510)	(306,510)	(306,510)	0
Net Change in Fund Balances			(1,632,534)		
Fund Balances					
July 1, 2012, as previously reported			7,752,684		
Prior period adjustments			12,375		
July 1, 2012, as restated			<u>7,765,059</u>		
June 30, 2013			<u>\$ 6,132,525</u>		

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

WALTHALL COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I Fund
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Federal sources	\$ 1,243,577	1,180,600	1,180,600	(62,977)	0
Total Revenues	<u>1,243,577</u>	<u>1,180,600</u>	<u>1,180,600</u>	<u>(62,977)</u>	<u>0</u>
Expenditures					
Instruction	822,175	660,743	660,743	161,432	0
Support services	313,320	276,228	276,228	37,092	0
Noninstructional services	82,967	64,544	64,544	18,423	0
Total Expenditures	<u>1,218,462</u>	<u>1,001,515</u>	<u>1,001,515</u>	<u>216,947</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>25,115</u>	<u>179,085</u>	<u>179,085</u>	<u>153,970</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers out	(21,326)	(179,085)	(179,085)	157,759	0
Total Other Financing Sources (Uses)	<u>(21,326)</u>	<u>(179,085)</u>	<u>(179,085)</u>	<u>157,759</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2012			<u>0</u>		
June 30, 2013			<u>\$ 0</u>		

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

WALTHALL COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the Major Special Revenue Fund - EHA Part B Fund
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Federal sources	\$ 668,182	628,849	628,849	(39,333)	0
Total Revenues	<u>668,182</u>	<u>628,849</u>	<u>628,849</u>	<u>(39,333)</u>	<u>0</u>
Expenditures					
Instruction	488,090	495,449	495,449	(7,359)	0
Support services	180,092	133,400	133,400	46,692	0
Total Expenditures	<u>668,182</u>	<u>628,849</u>	<u>628,849</u>	<u>39,333</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2012			<u>0</u>		
June 30, 2013			<u>\$ 0</u>		

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

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

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15 following the end of the fiscal year. A budgetary comparison is presented for the general fund and each major special revenue fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

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WALTHALL COUNTY 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	\$ 457,859
National school lunch program	10.555	1,080,070
Summer food service program for children	10.559	13,291
Total child nutrition cluster		<u>1,551,220</u>
Total U.S. Department of Agriculture		<u>1,551,220</u>
 <u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	<u>168,890</u>
Total Federal Communications Commission		<u>168,890</u>
 <u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I – grants to local educational agencies	84.010	1,181,319
Career and technical education - basic grants to states	84.048	38,245
Rural education	84.358	56,575
Improving teacher quality - state grants	84.367	284,313
School improvement grants	84.377	131,037
Total		<u>1,691,489</u>
Special Education Cluster:		
Special education - grants to states	84.027	628,849
Special education - preschool grants	84.173	39,648
Total special education cluster		<u>668,497</u>
Total passed-through Mississippi Department of Education		<u>2,359,986</u>
Total U.S. Department of Education		<u>2,359,986</u>
 <u>Homeland Security</u>		
Passed through the Mississippi Emergency Management Authority program:		
Disaster grants – public assistance (presidentially declared disasters)	97.036	<u>21,492</u>
Total Homeland Security		<u>21,492</u>
Total for All Federal Awards		<u>\$ 4,101,588</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 basic financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

WALTHALL COUNTY 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 Administrative	School Administration	Other
Salaries and fringe benefits	\$ 15,687,123	\$ 11,586,500	\$ 1,224,972	\$ 997,351	\$ 1,878,300
Other	\$ 6,146,203	\$ 2,085,503	\$ 257,398	\$ 119,766	\$ 3,683,536
Total	<u>\$ 21,833,326</u>	<u>\$ 13,672,003</u>	<u>\$ 1,482,370</u>	<u>\$ 1,117,117</u>	<u>\$ 5,561,836</u>
 Total number of students	 <u>2,143</u>				
 Cost per student	 <u>\$ 10,188</u>	 <u>\$ 6,380</u>	 <u>\$ 692</u>	 <u>\$ 521</u>	 <u>\$ 2,595</u>

Notes to the schedule.

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

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

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

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

Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

OTHER INFORMATION

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WALTHALL COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
Revenues				
Local sources	\$ 3,970,288	3,757,885	3,651,511	3,503,816
State sources	10,322,346	10,804,776	10,565,041	10,504,734
Federal sources	171,539	174,082	128,355	140,237
Sixteenth section sources	105,007	160,246	1,650	0
Total Revenues	14,569,180	14,896,989	14,346,557	14,148,787
Expenditures				
Instruction	9,550,185	9,314,852	8,995,400	9,111,118
Support services	5,682,076	5,784,960	4,829,345	4,687,701
Noninstructional services	10,359	14,500	9,307	11,755
Sixteenth section	13,052	5,805	0	0
Facilities acquisition and construction	639,532	16,800	133,544	256,026
Debt service				
Principal	0	73,559	43,887	42,921
Interest	0	1,587	2,913	3,879
Total Expenditures	15,895,204	15,212,063	14,014,396	14,113,400
Excess (Deficiency) of Revenues Over Expenditures	(1,326,024)	(315,074)	332,161	35,387
Other Financing Sources (Uses)				
Insurances loss recoveries	338,466	1,371,750	24,129	6,278
Sale of transportation equipment	0	0	0	1,388
Sale of other property	0	0	0	452
Operating transfers in	178,154	2,506,202	33,257	22,170
Other financing sources	178	0	0	1,238
Operating transfers out	(755,329)	(226,946)	(196,614)	(340,253)
Other financing uses	(67,979)	0	0	0
Total Other Financing Sources (Uses)	(306,510)	3,651,006	(139,228)	(308,727)
Net Change in Fund Balances	(1,632,534)	3,335,932	192,933	(273,340)
Fund Balances				
July 1, as previously reported	7,752,684	4,402,150	4,207,912	4,479,442
Prior period adjustments	12,375	14,602	1,305	1,810
July 1, as restated	7,765,059	4,416,752	4,209,217	4,481,252
June 30	\$ 6,132,525	7,752,684	4,402,150	4,207,912

* Source - Prior year audit reports.

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

UNAUDITED

	2013	2012*	2011*	2010*
Revenues				
Local sources	\$ 4,120,256	3,919,085	3,860,377	3,737,408
State sources	11,214,560	11,688,905	11,477,664	11,355,492
Federal sources	3,851,534	5,196,259	5,318,477	6,281,485
Sixteenth section sources	184,035	334,005	434,838	771,112
Total Revenues	19,370,385	21,138,254	21,091,356	22,145,497
Expenditures				
Instruction	12,169,708	12,478,188	12,089,141	12,998,258
Support services	7,119,970	6,967,806	6,176,061	6,258,244
Noninstructional services	1,454,322	1,557,830	1,688,939	1,331,666
Sixteenth section	37,437	21,399	67,555	132,915
Facilities acquisition and construction	639,532	16,800	133,544	256,026
Debt service				
Principal	340,000	403,559	368,887	362,921
Interest	71,357	81,360	90,811	99,616
Other	1,000	1,000	1,000	1,035
Total Expenditures	21,833,326	21,527,942	20,615,938	21,440,681
Excess (Deficiency) of Revenues Over Expenditures	(2,462,941)	(389,688)	475,418	704,816
Other Financing Sources (Uses)				
Insurances loss recoveries	338,466	1,371,750	24,129	6,278
Sale of transportation equipment	0	0	0	1,388
Sale of other property	650	0	0	452
Operating transfers in	1,106,649	2,942,655	437,249	547,056
Other financing sources	178	0	0	1,238
Operating transfers out	(1,106,649)	(2,942,655)	(437,249)	(547,056)
Other financing uses	(67,979)	0	0	0
Total Other Financing Sources (Uses)	271,315	1,371,750	24,129	9,356
Net Change in Fund Balances	(2,191,626)	982,062	499,547	714,172
Fund Balances				
July 1, as previously reported	12,631,625	11,638,676	11,112,171	10,398,183
Prior period adjustments	2,790	13,721	11,790	2,048
July 1, as restated	<u>12,634,415</u>	<u>11,652,397</u>	<u>11,123,961</u>	<u>10,400,231</u>
Increase (Decrease) in reserve for inventory	<u>9,075</u>	<u>(2,834)</u>	<u>15,168</u>	<u>(2,232)</u>
June 30	<u>\$ 10,451,864</u>	<u>12,631,625</u>	<u>11,638,676</u>	<u>11,112,171</u>

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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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*

Independent Auditor's Report

Superintendent and School Board
Walthall County School District

I 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 Walthall County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Walthall County School District's basic financial statements, and have issued my report thereon dated May 1, 2014.

Internal Control Over Financial Reporting

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be significant deficiencies. [2013-01, 2013-02 and 2013-03].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Walthall County School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Walthall County School District's Response to Findings

Walthall County School District's responses to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. Walthall County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

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

Charles L Shivers, CPA

Ridgeland, MS
May 1, 2014

CHARLES L. SHIVERS

Certified Public Accountant

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Superintendent and School Board
Walthall County School District

Report on Compliance for Each Major Federal Program

I have audited Walthall County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Walthall County School District's major federal programs for the year ended June 30, 2013. Walthall County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Walthall County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Walthall County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Walthall County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Walthall County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are

appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Walthall County School District's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items [2013-04 and 2013-05] that I consider to be significant deficiencies.

Walthall County School District's responses to the internal control over compliance findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. Walthall County School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the responses.

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

Charles L Shivers, CPA

Ridgeland, MS
May 1, 2014

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

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CHARLES L. SHIVERS

Certified Public Accountant

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

Superintendent and School Board
Walthall County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Walthall County School District as of and for the year ended June 30, 2013, which collectively comprise Walthall County School District's basic financial statements and have issued my report thereon dated May 1, 2014. I conducted my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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 \$-0- of classroom supply funds carried over from previous years.

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

The results of my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements disclosed the certain immaterial instances of noncompliance with other state laws and regulations. See Findings 2013-01, 2013-02 and 2013-03 in the Schedule of Findings and Questioned Costs contained in this report.

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

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, 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.

Charles L Shivers, CPA

Ridgeland, MS
May 1, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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WALTHALL COUNTY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued on the basic financial statements: | Unmodified |
| 2. | Noncompliance material to the basic financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|-----|--|------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes |
| 7. | Federal program identified as major program: | |
| | a. Child nutrition cluster | |
| | CFDA #: 10.553 | |
| | CFDA #: 10.555 | |
| | CFDA #: 10.559 | |
| | b. Special education cluster | |
| | CFDA #: 84.027 | |
| | CFDA#: 84.173 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

Section II: Financial Statement Findings

Significant deficiencies identified that are not considered to be material weaknesses.

Finding 2013-01

CONDITION: Nine invoices for the acquisition of diesel fuel were tested. Three of the purchases were acquired without at least two written quotes being obtained as required by Section 31-7-13 Miss. Code of 1972.

CRITERIA: The state purchase laws permit an alternate route to formal bidding of diesel fuel by first acquiring at least two written quotes.

CAUSE OF CONDITION: The cause of the condition was either failure to acquire the written quotes or a failure to maintain the documentation that properly supports that quotes were acquired.

EFFECT OF CONDITION: The effect of the condition is a significant control deficiency and non-compliance with state purchase laws.

WALTHALL COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2013

RECOMMENDATION: It is recommended that written quotes be acquired and properly maintained to support compliance with the state purchase laws.

Finding 2013-02

CONDITION: For the year ended June 30, 2013, the district incurred an escrow of ad valorem taxes of \$145,190. The district could not provide support to substantiate that the ad valorem tax request for the 2013-2014 fiscal year had been reduced by the escrow as required by Section 37-57-107. The auditor calculations for the 2013-2014 fiscal year did suggest that the escrow was properly applied as required by state law.

CRITERIA: Section 37-57-107 requires the district to properly calculate any escrow of ad valorem taxes and to ensure that "Taxes imposed for the succeeding year shall be reduced by the amount of the excess funds available."

CAUSE OF CONDITION: The cause of the condition was a failure by the district to properly document and support that the 2013-2014 ad valorem tax request was properly reduced by the escrowed amount.

EFFECT OF CONDITION: The effect of the condition is a significant control deficiency and non-compliance with state law.

RECOMMENDATION: It is recommended that should the district encounter another escrow of ad valorem taxes that proper support and documentation be available to support the required reduction of the ad valorem tax calculation for the succeeding year.

Finding 2013-03

CONDITION: Upon the review of PERS Form 4B, it was noted that the employment and compensation for the rehiring of a PERS retiree was to be set at half-time with half-pay for the position. However, upon testing the compensation actually received by the retiree, it was noted that the retiree received excess compensation of \$1,828.75.

CRITERIA: Section 25-11-127, Mississippi Code 1972 along with PERS rules and regulations strictly limits the employment and compensation arrangements as indicated on Form 4B.

CAUSE OF CONDITION: The cause of the condition appears to be an oversight by management.

EFFECT OF CONDITION: This condition results in significant control deficiency and non-compliance with state laws.

RECOMMENDATION: It is recommended that management comply with the rules and regulations of PERS.

Section III: Federal Award Findings and Questioned Costs

Significant deficiencies identified that are not considered to be material weaknesses.

Finding 2013-04

Child Nutrition Cluster; CFDA # 10.553, 10.555, 10.559; Passed through the Mississippi Department of Education

Compliance Requirement: Allowable Costs / Cost Principles

Questioned Cost: \$10,109

CONDITION: An employee of the school district worked in the cafeteria and also served as a school bus driver before and after school. Upon testing the employees' gross pay earnings, it was noted that the Child Nutrition Program paid for the services of the employee as a school bus driver. This payment is not permitted under Child Nutrition Program guidelines. The amount paid to the employee, including fringe benefits, was \$10,109.

CRITERIA: Program guidelines only permit costs which are strictly program related.

EFFECT OF CONDITION: The effect of this condition is a significant control deficiency that results in questioned costs to the school district.

QUESTIONED COST: \$10,109

CAUSE OF CONDITION: The cause of this condition is a failure of school district staff to properly allocate the salary associated with driving the school bus to the General Fund.

PERSPECTIVE: This appears to be an isolated incident.

RECOMMENDATION: It is recommended that the salary of Child Nutrition Program employees assigned to multiple cost functions be properly allocated to the source responsible for the salary.

WALTHALL COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2013

Finding 2013-05

Special Education Cluster; CFDA # 84.027, 84.173; Passed through the Mississippi Department of Education
Compliance Requirement: Allowable Costs / Cost Principles

CODITION: The Special Education Part B Program paid two separate service provider's invoices that did not contain sufficient information to comply with the service contract (date, time and service to student).

CRITERIA: Although the type of service is permitted under program requirements, the service provider's invoices did not contain sufficient information to satisfy the criteria required by OMB Circular A-87. Furthermore, the invoices did not satisfy the terms of the service provider's contract which required dates, times and services provided to students.

EFFECT OF CONDITION: The effect of the condition is a significant control deficiency relating to the cost principles required of the program.

QUESTIONED COST: None.

CAUSE OF CONDITION: The cause of this condition is a failure by management to comply with the contractual arrangement with the service providers.

PERSPECTIVE: This appears to be an isolated incident.

RECOMMENDATION: It is recommended that the district pay only those invoices that provide sufficient detail to comply with contract agreements and to provide management with assurance that appropriate services were provided.

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AUDITEE'S CORRECTIVE ACTION PLAN

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WALTHALL COUNTY SCHOOL DISTRICT
814 Morse Ave.
Tylertown, MS 39667

Zachary Rushing
Superintendent of Education

Phone 601-876-3401
Fax 601-876-6982

May 1, 2014

As requested by Section 31 (c) of OMB Circular A-133, the Walthall County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Finding and Questioned Costs for the year ended June 30, 2013.

Finding 2013-01

Corrective Action Plan

- | | |
|--|-------------------------------------|
| a. Contact person responsible for corrective action: | Accounts Payable clerk |
| b. Description of correction action to be taken: | Only P O's with quotes will be paid |
| c. Anticipated completion date of corrective action: | 4-30-14 |

Finding 2013-02

Corrective Action Plan

- | | |
|--|--|
| a. Contact person responsible for corrective action: | Business Manager |
| b. Description of correction action to be taken: | Ad valorem escrow will reduce each year's new budget |
| c. Anticipated completion date of correction action | 4-30-14 |

Finding 2013-03

Corrective Action Plan

- | | |
|--|--|
| a. Contact person responsible for corrective action: | Business Manager |
| b. Description of correction action to be taken: | Management will incorporate better oversight controls to comply with PERS rules and regulation |
| c. Anticipated completion date of corrective action: | 4-30/14 |

Finding 2013-04

Corrective Action Plan

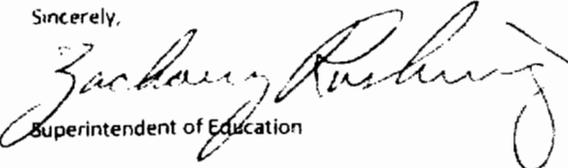
- | | |
|--|---|
| a. Contact person responsible for corrective action: | Payroll officer |
| b. Description of correction action to be taken: | Employees assigned to multiple cost functions will be properly allocated to the source responsible for the salary |
| c. Anticipated completion date of corrective action: | 4-30-14 |

Finding 2013-05

Corrective Action Plan:

- | | |
|--|--|
| a. Contact person responsible for corrective action: | Special Education Director |
| b. Description of corrective action to be taken: | Will pay only invoices that contain sufficient detail to comply with contract agreements |
| c. Anticipated completion date of corrective action: | 4-30-14 |

Sincerely,


Superintendent of Education

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