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YAZOO COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2013**

**Ardis D. Russell
Certified Public Accountant
Yazoo City, MS**

YAZOO COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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January 21, 2014

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Yazoo 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 Yazoo 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 Yazoo 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 Yazoo 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 inquires 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 Yazoo 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 standard 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 January 21, 2014, on my consideration of the Yazoo 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Yazoo County School District's internal control over financial reporting and compliance.



Ardis D. Russell, CPA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Yazoo 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 basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Total net position for 2013 increased \$146,484, including a prior period adjustment of \$78,398, which represents less than 1% increase from fiscal year 2012. Total net position for 2013 increased \$907,330, which represents a 7% increase from fiscal year 2012.

General revenues amounted to \$13,439,505 and \$13,828,224, or 81% and 80% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,113,470, or 19% of total revenues for 2013, and \$3,446,655, or 20% of total revenues for 2012.

The District had \$16,484,889 and \$16,367,553 in expenses for fiscal years 2013 and 2012; only \$3,113,470 for 2013 and \$3,446,655 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$13,439,505 for 2013 and \$13,828,224 for 2012 were adequate to provide for these programs.

Among major funds, the General Fund had \$11,939,986 in revenues and \$13,093,285 in expenditures for 2013, and \$11,749,254 in revenues and \$12,346,289 in expenditures for 2012. The General Fund's fund balance decreased by \$345,926 from 2012 to 2013 and increased by \$99,717 from 2011 to 2012.

Capital assets, net of accumulated depreciation, increased by \$1,458,415 for 2013 and decreased by \$475,510 for 2012. The increase for 2013 was due primarily to construction in progress on new administration building and an addition of four classrooms to the middle school.

Long-term debt increased by \$846,701 for 2013 and decreased by \$625,129 for 2012. This increase was due to the issuance of 2013 limited tax notes for construction and additions to buildings. The liability for compensated absences decreased by \$21,413 for 2013 and increased by \$3,089 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 supplemental information, supplemental 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 Assets 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 the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets 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 years.

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, 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 fund's balance sheet and in the governmental fund's statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together 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 are recorded as expenditures on the governmental funds financial statements.

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$15,078,618 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	\$3,527,896	\$3,882,438	-9.13 %
Restricted assets	2,032,028	1,995,196	1.85 %
Capital assets, net	<u>15,129,870</u>	<u>13,671,456</u>	10.66 %
Total assets	<u>20,689,794</u>	<u>19,549,090</u>	5.84 %

Table 1
Condensed Statement of Net Position

(continued)	<u>2013</u>	<u>2012</u>	Percentage <u>Change</u>
Current liabilities	354,364	185,432	91.10 %
Long-term debt outstanding	<u>5,256,812</u>	<u>4,431,524</u>	18.62 %
Total liabilities	<u>5,611,176</u>	<u>4,616,956</u>	21.53 %
Net position:			
Net investment in capital assets	10,347,116	9,774,701	5.86 %
Restricted	2,928,489	3,019,647	-3.02 %
Unrestricted	<u>1,803,013</u>	<u>2,137,786</u>	-15.66 %
Total net position	<u>\$15,078,618</u>	<u>\$14,932,134</u>	0.98 %

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

Increase in net capital assets in the amount of \$1,458,415.

The principal retirement of \$1,899,917 of long-term debt..

Issued the limited tax note, series 2012, in the amount of \$2,600,000.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$16,552,975 and \$17,274,879 respectively. The total cost of all programs and services was \$16,484,889 for 2013 and \$16,367,549 for 2012.

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

Table 2
Change in Net Position

	Year Ended <u>June 30, 2013</u>	June 30, 2012	Percentage <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$297,940	\$350,484	-14.99 %
Operating grants and contributions	2,815,530	3,096,171	-9.06 %
General revenues:			
Property taxes	5,050,293	4,852,013	4.09 %
Grants and contributions not restricted	7,232,271	7,270,010	-0.52 %
Investment earnings	63,476	37,424	69.61 %
Sixteenth section sources	1,020,311	1,555,080	-34.39 %
Other	<u>73,154</u>	<u>113,697</u>	-35.66 %
Total revenues	<u>16,552,975</u>	<u>17,274,879</u>	-41.79 %

Table 2
Change in Net Position

(continued)	Year Ended		Percentage Change
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	
Expenses:			
Instruction	7,587,266	7,901,204	-3.97 %
Support services	7,718,304	6,996,930	10.31 %
Non-instructional	925,666	1,110,015	-16.61 %
Sixteenth section	71,463	105,353	-32.17 %
Interest and other expenses on long-term liabilities	<u>182,190</u>	<u>254,047</u>	-28.28 %
Total expenses	<u>16,484,889</u>	<u>16,367,549</u>	0.72 %
Increase (Decrease) in net position	<u>68,086</u>	<u>907,330</u>	-92.50 %
Net Position, July 1, as originally reported	14,932,134	14,024,804	6.47 %
Prior period adjustments	<u>78,398</u>		
Net Position, July 1, as restated	<u>15,010,532</u>	<u>14,024,804</u>	7.03 %
Net Position, June 30	<u>\$15,078,618</u>	<u>\$14,932,134</u>	0.98 %

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

	Total Expenses		Percentage Change
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	
Instruction	\$7,587,266	\$7,901,204	-3.97 %
Support services	7,718,304	6,996,930	10.31 %
Non-instructional	925,666	1,110,015	-16.61 %
Sixteenth section	71,463	105,353	-32.17 %
Interest and other expenses on long-term liabilities	<u>182,190</u>	<u>254,047</u>	-28.28 %
Total expenses	<u>\$16,484,889</u>	<u>\$16,367,549</u>	0.72 %
	Net (Expense) Revenue		
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	Percentage Change
Instruction	(\$6,398,970)	(\$6,416,392)	-0.27 %
Support services	(6,913,789)	(6,205,328)	11.42 %
Non-instructional	139,791	60,226	132.11 %
Sixteenth section	(16,261)	(105,353)	-84.57 %
Interest and other expenses on long-term liabilities	<u>(182,190)</u>	<u>(254,047)</u>	-28.28 %
Total net(expense) revenue	<u>(\$13,371,419)</u>	<u>(\$12,920,894)</u>	3.49 %

Net cost of governmental activities (\$13,371,419 for 2013 and \$12,920,894 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$5,050,293 for 2013 and \$4,852,013 for 2012) and state

and federal revenues (\$7,232,271 for 2013 and \$7,270,010 for 2012). In addition, there was \$1,020,311 and \$1,555,080 in Sixteenth Section sources for 2013 and 2012, respectively.

Investment earnings amounted to \$63,476 for 2013 and \$37,424 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 \$5,274,145, a decrease of \$437,084, which includes a prior period adjustment of \$73,590 and an increase in inventory of \$5,410. \$1,674,966 or 32% 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 \$3,599,179 or 68% 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 \$345,926. The fund balance of Other Governmental Funds showed a decrease in the amount of \$259,894, and an increase in reserve for inventory of \$5,410. This other increase in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I - A Basic	no increase or decrease
Sixteenth Section Principal	168,836

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$21,586,706, including land, construction in progress, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$1,864,188 from 2012. Total accumulated depreciation as of June 30, 2013, was \$6,456,836, and total depreciation expense for the year was \$422,862, resulting in total net capital assets of \$15,129,870.

Table 4

	Capital Assets, Net of Accumulated Depreciation		Percentage Change	
	June 30, 2013	June 30, 2012		
Land	\$413,786	\$413,786	0.00	%
Construction in progress	1,824,342			
Buildings	11,825,369	12,137,124	-2.57	%
Building improvements	391,700	415,558	5.74	%
Improvements other than buildings	461,232	494,939	-6.81	%
Mobile equipment	143,618	145,953	-11.60	%
Furniture and equipment	69,823	64,095	31.71	%
Total	<u>\$15,129,870</u>	<u>\$13,671,455</u>	10.67	%

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

Debt Administration. At June 30, 2013, the District had \$5,256,812 in outstanding long-term debt, of which \$788,964 is due within one year. The liability for compensated absences decreased \$21,413 from the prior year.

The District maintains an AA bond rating.

	Table 5 Outstanding Long-Term Debt		Percentage Change	
	June 30, 2013	June 30, 2012		
Limited obligation bonds payable	\$0	\$85,000	-100.00	%
Refunding bonds, series 2012	1,982,000	2,306,000	-14.05	%
Limited tax note, series 2012	2,600,000			
Three mill notes payable	0	1,305,000	-100.00	%
Qualified school construction bonds payable	200,755	200,755	0.00	%
Shortfall notes payable	339,329	378,628	-10.38	%
Compensated absences payable	134,728	156,141	-13.71	%
Total	<u>\$5,256,812</u>	<u>\$4,431,524</u>	18.62	%

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

CURRENT ISSUES

The Yazoo 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.

Enrollment for the 2012-2013 year increased by 6% to 1726 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, or need additional information, contact the Superintendent's Office of the Yazoo County School District, 94 Panther Drive, Yazoo City, Mississippi 39194.

YAZOO COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

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

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 2)	\$2,952,135
Due from other governments	535,741
Other receivables, net	9,903
Inventories	30,117
Restricted assets (Note 4)	2,032,028
Capital assets, non-depreciable: (Note 5)	
Land	413,786
Construction in progress	1,824,342
Capital assets, net of accumulated depreciation: (Note 5)	
Buildings	11,825,369
Building improvements	391,700
Improvements other than buildings	461,232
Mobile equipment	143,618
Furniture and equipment	<u>69,823</u>
 Total Assets	 <u>\$ 20,689,794</u>
Liabilities	
Accounts payable and accrued liabilities	285,687
Unearned revenue	92
Interest payable on long-term liabilities	68,585
Long-term liabilities (Due Within One Year): (Note 6)	
Capital related liabilities	616,000
Non-capital related liabilities	172,964
Long-term liabilities (Due Beyond One Year): (Note6)	
Capital related liabilities	4,166,755
Non-capital related liabilities	<u>301,093</u>
Total Liabilities	<u>\$5,611,176</u>
Net Position	
Net investment in capital assets	\$10,347,116
Restricted for:	
Expendable:	
School-based activities	264,795
Debt service	528,006
Capital improvements	197,377
Forestry improvements	39,391
Unemployment benefits	32,411
Non-expendable:	
Sixteenth section	1,767,807
Other	30,117
Unrestricted	<u>1,871,598</u>
 Total Net Position	 <u>\$15,078,618</u>

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

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

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants Grants and Contributions</u>		
Governmental Activities:					
Instruction	\$7,587,266	149,360	1,038,936		(6,398,970)
Support Services	7,718,304		804,515		(6,913,789)
Non-instructional	925,666	93,378	972,079		139,791
Sixteenth Section	71,463	55,202			(16,261)
Debt Service:					
Interest on					
Long-term Liabilities	141,905				(141,905)
Other	40,285				(40,285)
Total government activities	<u>\$16,484,889</u>	<u>297,940</u>	<u>2,815,530</u>		<u>(13,371,419)</u>
General Revenues:					
Taxes:					
General Purpose Levies					4,583,098
Debt Purpose Levies					467,195
Unrestricted Grants and Contributions:					
State					7,099,484
Federal					132,787
Unrestricted Investment Earnings					63,476
Sixteenth Section Sources					1,020,311
Other					73,154
Total General Revenues					<u>13,439,505</u>
Change in Net Position					<u>68,086</u>
Net Position Beginning					14,932,134
Prior Period Adjustment					<u>78,398</u>
Net Position-Beginning-Restated					<u>15,010,532</u>
Net Position – Ending					<u>\$15,078,618</u>

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

YAZOO COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2013

Exhibit C

	<u>Major Funds</u>				
	<u>General</u>	<u>Title 1 - A</u>	<u>Sixteenth</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Basic</u>	<u>Principal Fund</u>	<u>Governmental</u>	<u>Governmental</u>
Assets				<u>Funds</u>	<u>Funds</u>
Cash and cash equivalents	\$2,569,380	\$2,392	\$1,084,458	\$1,296,465	\$4,952,695
Investments				31,468	31,468
Due from other governments	236,496	114,788	12,659	161,398	525,341
Other receivables, net	9,903				9,903
Due from other funds	366,941				366,941
Advances to other funds			670,690		670,690
Inventories				<u>30,117</u>	<u>30,117</u>
 Total Assets	 <u>\$3,182,720</u>	 <u>\$117,180</u>	 <u>\$1,767,807</u>	 <u>\$1,519,448</u>	 <u>\$6,587,155</u>
 Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$166,374	\$2,392		\$116,921	\$285,687
Due to other funds		114,788		241,753	356,541
Advance from other funds	670,690				670,690
Unavailable revenue				<u>92</u>	<u>92</u>
Total Liabilities	<u>837,064</u>	<u>117,180</u>	<u>0</u>	<u>358,766</u>	<u>1,313,010</u>
 Fund Balances:					
Nonspendable:					
Inventory				30,117	30,117
Permanent fund purposes			1,767,807		1,767,807
Advances	670,690				670,690
Restricted:					
Debt service				596,591	596,591
Capital improvements				197,377	197,377
Forestry improvement purposes				39,391	39,391
Unemployment benefits				32,411	32,411
Committed:					
School food service				181,755	181,755
Assigned:					
Special revenue funds				83,345	83,345
Unassigned	<u>1,674,966</u>				<u>1,674,966</u>
Total Fund Balances	<u>2,345,656</u>	<u>0</u>	<u>1,767,807</u>	<u>1,160,682</u>	<u>5,274,145</u>
Total Liabilities and Fund Balances	<u>\$3,182,720</u>	<u>\$117,180</u>	<u>\$1,767,807</u>	<u>\$1,519,448</u>	<u>\$6,587,155</u>

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

YAZOO COUNTY SCHOOL DISTRICT
Governmental Funds

Exhibit C-1

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

	<u>Amount</u>
Total Fund Balance – governmental funds	\$5,274,145
Amounts reported for governmental activities in the statement of net position are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Land	413,786
Construction in progress	1,824,342
Buildings	16,111,353
Building improvements	914,601
Improvements other than buildings	771,744
Mobile equipment	455,566
Furniture and equipment	1,095,314
Accumulated depreciation	<u>(6,456,836)</u>
	15,129,870
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds	(1,982,000)
Limited obligation bonds	(2,600,000)
QSCB loan plan	(200,755)
Notes payable	(339,329)
Accrued interest payable	(68,585)
Compensated absences	<u>(134,728)</u>
	<u>(5,325,397)</u>
Net position of governmental activities	<u>\$15,078,618</u>

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

YAZOO COUNTY SCHOOL DISTRICT
Governmental Funds

Combined Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013

Exhibit D

	Major Funds				Total
	General Fund	Title I-A Basic	16th Section Principal Fund	Other Governmental Funds	Governmental Funds
Revenues:					
Local sources	\$4,786,495			\$594,679	\$5,381,174
State sources	7,020,704			305,533	7,326,237
Federal sources	132,787	\$1,033,778		1,554,999	2,721,564
Sixteenth section sources			\$197,571	915,505	1,113,076
Total Revenues	<u>11,939,986</u>	<u>1,033,778</u>	<u>197,571</u>	<u>3,370,716</u>	<u>16,542,051</u>
Expenditures:					
Instruction	6,555,700	588,875		451,594	7,596,169
Support services	6,443,744	423,100		499,088	7,365,932
Non-instructional services	1,581	10,557		913,209	925,347
Sixteenth section				71,463	71,463
Facilities acquisition & construction	73,589			1,750,754	1,824,343
Debt Service:					
Principal				1,899,917	1,899,917
Interest	18,671			73,675	92,346
Other				40,285	40,285
Total Expenditures	<u>13,093,285</u>	<u>1,022,532</u>	<u>0</u>	<u>5,699,985</u>	<u>19,815,802</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,153,299)</u>	<u>11,246</u>	<u>197,571</u>	<u>(2,329,269)</u>	<u>(3,273,751)</u>
Other Financing Sources (Uses):					
Bonds and notes issued				2,600,000	2,600,000
Proceeds of loans	146,618				146,618
Insurance loss recoveries	11,049				11,049
Operating transfers in	1,371,933		77	1,249,132	2,621,142
Operating transfers out	(709,927)	(11,246)	(28,812)	(1,871,157)	(2,621,142)
Total Other Financing Sources (Uses)	<u>819,673</u>	<u>(11,246)</u>	<u>(28,735)</u>	<u>1,977,975</u>	<u>2,757,667</u>
Net Change in Fund Balances	<u>(333,626)</u>	<u>0</u>	<u>168,836</u>	<u>(351,294)</u>	<u>(516,084)</u>
Fund Balances:					
July 1, 2012 as previously reported	2,691,582	0	1,598,971	1,420,676	5,711,229
Prior period adjustments	(12,300)			85,890	73,590
July 1, 2012, as restated	<u>2,679,282</u>	<u>0</u>	<u>1,598,971</u>	<u>1,506,566</u>	<u>5,784,819</u>
Increase in reserve for inventory				5,410	5,410
June 30, 2013	<u>\$2,345,656</u>	<u>\$0</u>	<u>\$1,767,807</u>	<u>\$1,160,682</u>	<u>\$5,274,145</u>

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

YAZOO COUNTY SCHOOL DISTRICT
Governmental Funds

Exhibit D-1

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

Net change in fund balances – governmental funds (\$516,084)

Amounts reported for governmental activities in the statement of activities
are different because:

1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	1,876,592	
Depreciation expense	<u>(422,862)</u>	1,453,730

2. In the statement of activities, only the gain/loss on the disposal of assets is reported, while in the governmental funds, the proceeds from the disposal increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets disposed.

(124)

3. 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 costs, 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:

Bonds and notes issued	(2,746,618)	
Payments of debt principal	1,899,917	
Accrued interest payable	<u>(49,558)</u>	(896,259)

4. 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 governmental funds. These activities include:

Change in compensated absences	21,413	
Change in inventory reserve	<u>5,410</u>	<u>26,823</u>

Change in net position of governmental activities \$68,086

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

YAZOO COUNTY SCHOOL DISTRICT
Fiduciary Funds

Exhibit E

Statement of Fiduciary Assets and Liabilities
June 30, 2013

		<u>Agency Funds</u>
Assets		
	Cash and Cash Equivalents	\$691,395
Total Assets		<u>\$691,395</u>
Liabilities		
	Accounts Payable and Accrued Liabilities	\$664,181
	Due to Other Funds	10,400
	Due to student clubs	<u>16,814</u>
Total Liabilities		<u>\$691,395</u>

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

YAZOO COUNTY SCHOOL DISTRICT

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

Note 1 - **Summary of Significant Accounting Policies.**

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

B. **Government-Wide and Fund Financial Statements.**

Government-wide Financial Statements - The Statement of Net Position and 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 for bonds, notes and other debt attributable to the acquisition, construction or improvements 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 tax 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.

YAZOO COUNTY SCHOOL DISTRICT

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

The school district reports the following major governmental funds:

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

Title 1 – A Basic Fund– This is the school district’s federal reimbursable fund that serves to fund remedial mathematics and reading services to low-income , program eligible students.

Sixteenth Section Principal Fund – This is the sixteenth section fund used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the district’s programs.

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

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

The District’s fiduciary funds include the following:

Accounts Payable Clearing Fund – This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Payroll Clearing Fund – This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND

Special Revenue Funds – Special Revenue Funds are used to account for and report the proceeds of special revenue sources that are legally restricted or committed to expenditure for special 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.

YAZOO COUNTY SCHOOL DISTRICT

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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 Revenues 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*, as issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003* issued by the U. S. Department of Education.

D. Encumbrances.

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

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

YAZOO COUNTY SCHOOL DISTRICT

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

1. Cash, Cash Equivalents and Investments.

Cash and cash equivalents.

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

Investments.

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables.

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

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

3. Due from Other Governments.

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

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, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets.

Capital assets include land, improvement 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

YAZOO COUNTY SCHOOL DISTRICT

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

that are used in operations and have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences.

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

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

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

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

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

9. Fund Balances.

Fund balances 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

YAZOO COUNTY SCHOOL DISTRICT

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

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.

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 School Board.

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, or unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Note 2 - Cash and Cash Equivalents, and Investments.

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

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

Investments. Section 29-3-113 and 37-59-43, Miss Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits 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 interests in any open-end or closed-end any 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 bonds 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 \$4,952,695 and \$691,395, respectively.

YAZOO COUNTY SCHOOL DISTRICT

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

Custodian Credit Risk – Deposits. Custodian 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 formal deposit policy for custodian 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 institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the District. As of June 30, 2013, none of the District’s bank balance of \$5,644,090 was exposed to custodial credit risk.

Investments.

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Market</u>
U.S. Government SLGS	AA	1 to 5	<u>\$31,468</u>
Total			<u>\$31,468</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.

Custodian Credit Risk – Investments. Custodian 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 custodian credit risk. As of June 30, 2013, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosures 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:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
U. S. Government Securities SLGS	<u>\$31,468</u>	100%

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

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title 1 - A Basic	\$114,788
	Other governmental funds	241,753
	Fiduciary funds	<u>10,400</u>
Total		<u>\$366,941</u>

The purpose of the inter-fund loans was to cover federal funds not received prior to year-end and to eliminate deficit cash balances.

YAZOO COUNTY SCHOOL DISTRICT

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

B. Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sixteenth section principal fund	General Fund	<u>\$670,690</u>
Sixteenth section principal loans payable		

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes on Fund Balances. This loan was made to build a four-classroom addition to the middle school. This would allow space for the sixth graders and alleviate the over-crowding at the two elementary schools.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$24,238	\$26,827	\$51,065
2015	25,207	25,858	51,065
2016	26,216	24,850	51,066
2017	27,264	23,801	51,065
2018	28,355	22,710	51,065
2019-2023	159,722	95,605	255,327
2024-2028	194,326	61,002	255,328
2029-2032	<u>185,362</u>	<u>18,900</u>	<u>204,262</u>
	<u>\$670,690</u>	<u>\$299,553</u>	<u>\$970,243</u>

C. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$709,927
Title I – A Basic	General fund	11,246
16 th section principal fund	Other governmental funds	28,812
Other governmental funds	General fund	1,360,687
Other governmental funds	Other governmental funds	510,393
Other governmental funds	16 th section principal fund	<u>77</u>
Total		<u>\$2,621,142</u>

The primary purpose of interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded. The primary reason for the transfers out of the Title I, Basic fund and other governmental funds is the indirect cost allocation to the general fund.

Note 4 - Restricted Assets.

The restricted assets represent the cash balance, totaling \$1,084,458, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash balance totaling \$249,774 of the Construction Fund. In addition, the restricted assets represent the cash and investment balance, totaling \$209 and \$31,468, respectively, of the QSCB Bond Retirement Fund. Also, the restricted assets represent the cash balance, totaling \$165,047 and \$497,011, respectively, of the shortfall notes payable and the Limited Obligation Note Payable Fund. In addition, the restricted assets represent the cash balance, totaling \$4,061 of the 2012 Refunding Bonds Fund.

YAZOO COUNTY SCHOOL DISTRICT

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

Note 5 - Capital Assets.

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

	Balance 7-1-2012	Increases	Decreases	Adjustments	Balance 6-30-2013
Governmental Activities					
<u>Non-depreciable capital assets:</u>					
Land	\$ 413,786				\$ 413,786
Construction in progress		<u>\$1,824,342</u>			<u>1,824,342</u>
Total non-depreciable capital assets	<u>413,786</u>	<u>1,824,342</u>			<u>2,238,128</u>
<u>Depreciable capital assets:</u>					
Buildings	16,111,353				16,111,353
Building improvements	914,601				914,601
Improvements other than buildings	771,744				771,744
Mobile equipment	436,638	18,928			455,566
Furniture and equipment	<u>1,074,396</u>	<u>33,322</u>	(12,404)		<u>1,095,314</u>
Total depreciable capital assets	<u>19,308,732</u>	<u>52,250</u>	(12,404)		<u>19,348,578</u>
Less accumulated depreciation for:					
Buildings	3,974,229	311,755			4,285,984
Building improvements	499,043	23,858			522,901
Improvements other than buildings	276,805	33,707			310,512
Mobile equipment	290,685	21,263			311,948
Furniture & equipment	<u>1,010,301</u>	<u>32,279</u>	(12,280)	(4,809)	<u>1,025,491</u>
Total accumulated depreciation	<u>6,051,063</u>	<u>422,862</u>	(12,280)	(4,809)	<u>6,456,836</u>
Total depreciable capital assets, net	<u>13,257,669</u>	(370,612)	(124)	4,809	<u>12,891,742</u>
Governmental activities capital assets, net	<u>\$ 13,671,455</u>	<u>\$1,453,730</u>	\$ (124)	<u>\$ 4,809</u>	<u>\$15,129,870</u>

Depreciation expense was charged to the following governmental functions:

Governmental activities:

	Amount
Instruction	\$12,510
Support services	404,622
Non-instructional	<u>5,730</u>
Total depreciation expense – Governmental activities	<u>\$422,862</u>

Construction in progress is composed of:

Governmental Activities:	Spent to June 30, 2013	Remaining Commitment
Construction of new administration building	\$1,085,190	\$92,839
Addition of four classrooms to middle school	<u>739,152</u>	<u>44,740</u>
Construction in progress	<u>\$1,824,342</u>	<u>\$137,579</u>

YAZOO COUNTY SCHOOL DISTRICT

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

Construction projects included in governmental activities are funded with the issue of a limited tax note and an advance from the sixteenth section principal fund.

Adjustments to capital assets consisted of the following:

Correction of prior year depreciation as a result of changing the estimated life of a capital asset \$4,809

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 06/30/2013	Amounts Due Within One Year
A. Limited obligation bonds payable	\$85,000		(\$85,000)	\$0	
B. Refunding bonds, series 2012	2,306,000		(324,000)	1,982,000	\$311,000
C. Limited tax note, series 2012		2,600,000		2,600,000	305,000
D. Three-mill notes payable	1,305,000		(1,305,000)	0	
E. Qualified school construction bonds	200,755			200,755	0
F. Shortfall notes payable	378,628	146,618	(185,917)	339,329	172,964
G. Compensated absences payable	156,141		(21,413)	134,728	
Total	<u>\$4,431,524</u>	<u>\$2,746,618</u>	<u>(\$1,921,330)</u>	<u>\$5,256,812</u>	<u>\$788,964</u>

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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement bonds	4.3-5.7%	2/1/1998	\$1,760,000	\$0
Total			<u>\$1,760,000</u>	<u>\$0</u>

B. Refunding bonds, series 2012.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Refunding bonds, series 2012	2.05%	06/21/2012	06/21/2019	\$2,306,000	\$1,982,000
Total				<u>\$2,306,000</u>	<u>\$1,982,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$311,000	\$40,631	\$351,631
2015	320,000	34,256	354,256
2016	328,000	27,695	355,695
2017	334,000	20,972	354,972
2018	343,000	14,124	357,124
2019	346,000	7,093	353,093
Total	<u>\$1,982,000</u>	<u>\$144,771</u>	<u>\$2,126,771</u>

YAZOO COUNTY SCHOOL DISTRICT

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

This debt will be retired from the debt retirement fund.

C. Limited-Tax Note, Series 2012.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited Tax Note, Series 2012	1.95%	08/01/2012	08/01/2022	<u>\$2,600,000</u>	<u>\$2,600,000</u>
Total				<u>\$2,600,000</u>	<u>\$2,600,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$305,000	\$50,700	\$355,700
2015	310,000	44,752	354,752
2016	320,000	38,708	358,708
2017	265,000	32,468	297,468
2018	260,000	27,300	287,300
2019-2023	<u>1,140,000</u>	<u>62,595</u>	<u>1,202,595</u>
Total	<u>\$2,600,000</u>	<u>\$256,523</u>	<u>\$2,856,523</u>

This debt will be retired from the debt retirement fund.

D. Three mill notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
3-mill 15 year limited tax note, Series 2001	2.40-4.55%	01/01/2001	12/01/2016	<u>\$3,580,000</u>	<u>\$0</u>
Total				<u>\$3,580,000</u>	<u>\$0</u>

E. Qualified School Construction Bonds.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Qualified school construction bonds payable	0.65%	12/29/2009	09/15/2024	<u>\$200,755</u>	<u>\$200,755</u>
Total				<u>\$200,755</u>	<u>\$200,755</u>

This debt will be retired from the sinking fund.

F. Shortfall notes payable.

Debt currently outstanding is as follows:

YAZOO COUNTY SCHOOL DISTRICT

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
1. 2010 Shortfall note	3.50%	08/10/2010	08/10/2013	\$175,199	\$60,452
2. 2011 Shortfall note	3.50%	10/11/2011	10/11/2014	194,426	132,259
3. 2012 Shortfall note	2.75%	09/10/2012	09/10/2015	<u>146,618</u>	<u>146,618</u>
Total				<u>\$516,243</u>	<u>\$339,329</u>

Details of the district's June 30, 2013 shortfall notes payable are as follows:

1. Shortfall notes payable issue of 08/10/10:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$60,452</u>	<u>\$2,145</u>	<u>\$62,597</u>
Total	<u>\$60,452</u>	<u>\$2,145</u>	<u>\$62,597</u>

This debt will be retired from the shortfall note retirement fund.

2. Shortfall notes payable issue of 10/11/2011:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$64,977</u>	<u>\$4,693</u>	<u>\$69,670</u>
2015	<u>67,282</u>	<u>2,388</u>	<u>69,670</u>
Total	<u>\$132,259</u>	<u>\$7,081</u>	<u>\$139,340</u>

This debt will be retired from the shortfall note retirement fund.

3. Shortfall notes payable issue of 09/10/12:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$47,535</u>	<u>\$4,088</u>	<u>\$51,623</u>
2015	<u>48,860</u>	<u>2,763</u>	<u>51,623</u>
2016	<u>50,223</u>	<u>1,400</u>	<u>51,623</u>
Total	<u>\$146,618</u>	<u>\$8,251</u>	<u>\$154,869</u>

This debt will be retired from the shortfall note retirement fund.

Total shortfall notes payable payments for all issues:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$172,964</u>	<u>\$10,926</u>	<u>\$183,890</u>

2015	116,142	5,151	121,293
2016	<u>50,223</u>	<u>1,400</u>	<u>51,623</u>

Total	<u>\$339,329</u>	<u>\$17,477</u>	<u>\$356,806</u>
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YAZOO COUNTY SCHOOL DISTRICT

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

G. 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 \$1,202,688, \$1,060,493, and \$991,818, 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 there from as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending <u>June 30</u>	<u>Amount</u>
2014	\$677,563
2015	541,000
2016	376,721
2017	276,657
2018	18,990
2019-2023	60,793
2024-2028	37,653
2029-2033	32,215
2034-2039	7,072
Thereafter	<u>1,600</u>
Total	<u>\$2,030,264</u>

Note 10 - Prior Period Adjustments

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

YAZOO COUNTY SCHOOL DISTRICT

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

Exhibit B – State of Activities

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
1. General Fund	Correct fund code on expenditure	(\$12,300)
2. Other governmental funds	Correct fund code on expenditure	12,300
3. Other governmental funds	Correct coding on prior year capital outlay expense	73,590
4. Other governmental funds	Correct coding on prior year depreciation expense	<u>4,808</u>
Total		<u>\$78,398</u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
1. General Fund	Correct fund code on expenditure	(\$12,300)
2. Other governmental funds	Correct fund code on expenditure	12,300
3. Other governmental funds	Correct coding on prior year expenditures	<u>73,590</u>
Total		<u>\$73,590</u>

Note 11 Contingencies.

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

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

Note 12- Risk Management.

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

Participation in Public Entity Risk Pool.

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

YAZOO COUNTY SCHOOL DISTRICT

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

Note 13- Vocational School Consortium.

The school district entered into a Vocational Education Agreement dated August 9, 1956, creating the Yazoo City Vocational School. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Yazoo City School District and the Yazoo County School District.

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

The Yazoo City School District has been designated as the fiscal agent for the Yazoo City Vocational School, and the operations of the consortium are included in its financial statements.

Note 14- Qualified School Construction Bonds.

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

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

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit with the escrow agent at June 30, 2013 was \$31,468. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending <u>June 30</u>	<u>Amount</u>
2014	\$11,000
2015	11,000
2016	11,000
2017	16,000
2018	16,000
2019-2023	78,000
2024-2025	<u>30,755</u>
Total	<u>\$173,755</u>

Note 15- Insurance Loss Recoveries.

The Yazoo County School District received \$11,049 during the 2012-2013 fiscal year which was related to storm damage sustained in prior years. . In the government-wide Statement of Activities, the insurance loss recoveries were reported as other general revenue.

REQUIRED SUPPLEMENTARY INFORMATION

YAZOO COUNTY SCHOOL DISTRICT
Required Supplementary Information

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

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues					
Local Sources	\$4,874,189	\$4,786,495	\$4,786,495	\$(87,694)	\$0
State Sources	7,038,109	7,020,704	7,020,704	(17,405)	0
Federal Sources	<u>226,117</u>	<u>132,787</u>	<u>132,787</u>	<u>(93,330)</u>	<u>0</u>
Total Revenues	<u>12,138,415</u>	<u>11,939,986</u>	<u>11,939,986</u>	<u>(198,429)</u>	<u>0</u>
Expenditures					
Instruction	6,648,699	6,580,980	6,555,700	67,719	25,280
Support Services	6,706,946	6,354,931	6,443,744	352,015	(88,813)
Noninstructional Services	2,741	1,581	1,581	1,160	0
Facilities Acquisition and Construction	28,836	83,541	73,589	(54,705)	9,952
Debt Service:					
Principal		18,671	18,671	(18,671)	
Interest	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>13,387,222</u>	<u>13,039,704</u>	<u>13,093,285</u>	<u>347,518</u>	<u>(53,581)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,248,807)</u>	<u>(1,099,718)</u>	<u>(1,153,299)</u>	<u>149,089</u>	<u>(53,581)</u>
Other Financing Sources (Uses)					
Receipt of shortfall note	0	146,618	146,618	146,618	0
Insurance recoveries		11,049	11,049	11,049	
Operating transfers in	1,245,095	1,521,427	1,371,933	276,332	(149,494)
Operating transfers out	<u>(30,616)</u>	<u>(859,421)</u>	<u>(709,927)</u>	<u>(828,805)</u>	<u>149,494</u>
Total Other Financing Sources (Uses)	<u>1,214,479</u>	<u>819,673</u>	<u>819,673</u>	<u>(394,806)</u>	<u>0</u>
Net Change in Fund Balances	<u>(34,328)</u>	<u>(280,045)</u>	<u>(333,626)</u>	<u>(245,717)</u>	<u>(53,581)</u>
Fund Balances					
July 1, 2012, as previously reported	2,691,582	2,691,582	2,691,582	0	
Prior Period Adjustments	<u>0</u>	<u>(12,605)</u>	<u>(12,300)</u>	<u>(12,605)</u>	<u>305</u>
July 1, 2012, as restated	<u>2,691,582</u>	<u>2,678,977</u>	<u>2,679,282</u>	<u>(12,605)</u>	<u>305</u>
June 30, 2013	<u>\$2,657,254</u>	<u>\$2,398,932</u>	<u>\$2,345,656</u>	<u>\$(258,322)</u>	<u>\$(53,276)</u>

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

YAZOO COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
 Title 1- A Basic
 For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues					
Federal Sources	<u>\$1,057,465</u>	<u>\$1,236,681</u>	<u>\$1,033,778</u>	<u>\$179,216</u>	<u>\$(202,903)</u>
Total Revenues	<u>1,057,465</u>	<u>1,236,681</u>	<u>1,033,778</u>	<u>179,216</u>	<u>(202,903)</u>
Expenditures					
Instruction	<u>507,922</u>	<u>641,952</u>	<u>588,875</u>	<u>(134,030)</u>	<u>(53,077)</u>
Support Services	<u>511,179</u>	<u>560,316</u>	<u>423,100</u>	<u>(49,137)</u>	<u>(137,216)</u>
Noninstructional Services	<u>30,587</u>	<u>20,784</u>	<u>10,557</u>	<u>9,803</u>	<u>(10,227)</u>
Total Expenditures	<u>1,049,688</u>	<u>1,223,052</u>	<u>1,022,532</u>	<u>(173,364)</u>	<u>(200,520)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>7,777</u>	<u>13,629</u>	<u>11,246</u>	<u>5,852</u>	<u>2,383</u>
Other Financing Sources (Uses)					
Operating transfers out	<u>(8,362)</u>	<u>(13,875)</u>	<u>(11,246)</u>	<u>(5,513)</u>	<u>2,629</u>
Other financing uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(8,362)</u>	<u>(13,875)</u>	<u>(11,246)</u>	<u>(5,513)</u>	<u>2,629</u>
Net Change in Fund Balances	<u>(585)</u>	<u>(246)</u>	<u>0</u>	<u>339</u>	<u>246</u>
Fund Balances					
July 1, 2012	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2013	<u>\$(585)</u>	<u>\$(246)</u>	<u>\$0</u>	<u>\$339</u>	<u>\$246</u>

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

YAZOO COUNTY SCHOOL DISTRICT
Required Supplementary Information

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

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(GAAP Basis)</u>	<u>Variances</u> <u>Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues					
Sixteenth Section Sources	<u>\$ 192,556</u>	<u>\$ 192,556</u>	<u>\$ 197,571</u>	\$0	<u>\$5,015</u>
Total Revenues	<u>192,556</u>	<u>192,556</u>	<u>197,571</u>	0	<u>5,015</u>
Expenditures					
Sixteenth Section	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (under) Expenditures	<u>192,556</u>	<u>192,556</u>	<u>197,571</u>	0	<u>5,015</u>
Other Financing Sources (Uses)					
Operating Transfers In	0	0	77	0	77
Operating Transfers Out	<u>(10,000)</u>	<u>(28,812)</u>	<u>(28,812)</u>	<u>(18,812)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>(28,812)</u>	<u>(28,735)</u>	<u>(18,812)</u>	<u>77</u>
Net Change in Fund Balances	182,556	163,744	168,836	(18,812)	5,092
Fund Balances					
July 1, 2012	<u>1,598,971</u>	<u>1,598,971</u>	<u>1,598,971</u>	0	<u>0</u>
June 30, 2013	<u>\$ 1,781,527</u>	<u>\$ 1,762,715</u>	<u>\$ 1,767,807</u>	<u>\$(18,812)</u>	<u>\$5,092</u>

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

YAZOO COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2013

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTARY INFORMATION

YAZOO COUNTY SCHOOL DISTRICT
Supplementary Information

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$251,848
National school lunch program	10.555	685,764
USDA fruits and vegetables	10.582	<u>9,297</u>
Total child nutrition cluster		<u>946,909</u>
Total passed-through Mississippi Department of Education		
Total U. S. Department of Agriculture		<u>946,909</u>
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.xxx	<u>58,415</u>
Total U. S. Department of Defense		<u>58,415</u>
<u>Federal Communications Commission</u>		
Administrated through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	<u>74,372</u>
Total Federal Communications Commission		<u>74,372</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,114,018
Rural education	84.358	73,096
Improving teacher quality-state grants	84.367	<u>52,428</u>
Subtotal		<u>1,239,542</u>
Special education cluster:		
Special education-grants to states	84.027	387,951
Special education – preschool grants	84.173	<u>14,375</u>
Total special education cluster		<u>402,326</u>
Total passed-through Mississippi Department of Education		<u>1,641,868</u>
Total U.S. Department of Education		<u>1,641,868</u>
Total for all Federal Awards		<u>\$2,721,564</u>

NOTES TO SCHEDULE

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

Yazoo County School District
Supplementary Information

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$11,337,959	\$6,960,862	\$775,025	\$1,351,946	\$2,250,126
Other	<u>8,477,843</u>	<u>635,307</u>	<u>203,698</u>	<u>185,840</u>	<u>7,452,998</u>
Total	<u>\$ 19,815,802</u>	<u>\$ 7,596,169</u>	<u>\$ 978,723</u>	<u>\$ 1,537,786</u>	<u>\$ 9,703,124</u>
 Total number of students*	 <u>1,726</u>				
Cost per student	<u>\$ 11,481</u>	<u>\$ 4,401</u>	<u>\$ 567</u>	<u>\$ 891</u>	<u>\$ 5,622</u>

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

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

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

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

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

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

OTHER INFORMATION

YAZOO COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund
Last Four Years
UNAUDITED

	<u>2013</u>	<u>2012*</u>	<u>2011*</u>	<u>2010*</u>
Revenues:				
Local sources	\$4,786,495	\$ 4,676,172	\$ 4,362,615	\$ 4,202,105
State sources	7,020,704	6,943,978	6,532,673	6,587,484
Federal sources	132,787	129,104	127,551	514,772
Total Revenues	<u>11,939,986</u>	<u>11,749,254</u>	<u>11,022,839</u>	<u>11,304,361</u>
Expenditures:				
Instruction	6,555,700	6,646,962	5,655,721	6,197,632
Support services	6,443,744	5,595,036	5,570,185	5,922,822
Noninstructional services	1,581	2,329	2,441	3,182
Facilities acquisition and construction	73,589	100,684		21,870
Debt service:				
Principal	18,671	1,276		
Total Expenditures	<u>13,093,285</u>	<u>12,346,287</u>	<u>11,228,347</u>	<u>12,145,506</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,153,299)</u>	<u>(597,033)</u>	<u>(205,508)</u>	<u>(841,145)</u>
Other Financing Sources (Uses):				
Proceeds of loans	146,618	194,424	175,199	189,066
Sale of transportation equipment			2,002	1,588
Insurance loss recoveries	11,049	32,410	131,252	12,540
Operating transfers in	1,371,933	509,049	490,478	399,556
Other financing uses			(9,462)	(68)
Operating transfers out	<u>(709,927)</u>	<u>(39,131)</u>	<u>(6,805)</u>	<u>(48,072)</u>
Total Other Financing Sources (Uses)	<u>819,673</u>	<u>696,752</u>	<u>782,664</u>	<u>554,610</u>
Net Change in Fund Balances	<u>(333,626)</u>	<u>99,719</u>	<u>577,156</u>	<u>(286,535)</u>
Fund Balances:				
Beginning of period, as originally reported	2,691,582	2,591,863	2,014,707	2,301,242
Prior period adjustments	<u>(12,300)</u>			
Beginning of period, as restated	<u>2,679,282</u>	<u>2,591,863</u>	<u>2,014,707</u>	<u>2,301,242</u>
End of Period	<u>\$2,345,656</u>	<u>\$ 2,691,582</u>	<u>\$ 2,591,863</u>	<u>\$ 2,014,707</u>

*Source-prior year audit reports

YAZOO COUNTY SCHOOL DISTRICT
Other Information

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

	<u>2013</u>	<u>2012*</u>	<u>2011*</u>	<u>2010*</u>
Revenues:				
Local sources	\$5,381,174	\$5,283,201	\$ 4,985,536	\$ 4,808,221
State sources	7,326,237	7,408,197	6,962,347	7,008,918
Federal sources	2,721,564	2,957,984	3,719,712	4,745,690
Sixteenth section sources	<u>1,113,076</u>	<u>1,594,832</u>	<u>1,317,748</u>	<u>1,651,976</u>
Total Revenues	<u>16,542,051</u>	<u>17,244,214</u>	<u>16,985,343</u>	<u>18,214,805</u>
Expenditures:				
Instruction	7,596,169	7,885,054	7,614,197	8,308,970
Support services	7,365,932	6,433,954	6,406,289	7,245,693
Noninstructional services	925,347	1,077,431	1,169,472	1,202,385
Sixteenth section	71,463	105,353	59,795	272,367
Facilities acquisition and construction	1,824,343	117,962	34,929	101,753
Debt Service:				
Principal	1,918,588	3,125,502	830,943	736,206
Interest	73,675	234,121	241,417	264,786
Other	<u>40,285</u>	<u>43,942</u>	<u>5,359</u>	<u>5,156</u>
Total Expenditures	<u>19,815,802</u>	<u>19,023,319</u>	<u>16,362,401</u>	<u>18,137,316</u>
Excess (Deficiency) of Revenues Over (under) Expenditures	<u>(3,273,751)</u>	<u>(1,779,105)</u>	<u>622,942</u>	<u>77,489</u>
Other Financing Sources (Uses):				
Proceeds of refunding bonds	2,600,000	2,306,000		
Proceeds of loans	146,618	194,424	175,199	389,821
Insurance loss recoveries	11,049	32,410	131,252	12,540
Sale of transportation equipment			2,002	1,588
Transfer from QSCB debt service agent			10,000	
Operating transfers in	2,621,142	1,068,299	951,461	912,640
Other financing sources/uses			(10,362)	(1,401)
Operating transfers out	(2,621,142)	(1,068,299)	(951,461)	(912,640)
Payment to QSCB escrow agent			(10,000)	
Total Other Financing Sources (Uses)	<u>2,757,667</u>	<u>2,532,834</u>	<u>298,091</u>	<u>402,548</u>
Net Change in Fund Balances	<u>(516,084)</u>	<u>753,729</u>	<u>921,033</u>	<u>480,037</u>
Fund Balances:				
Beginning of period, as originally reported	5,711,229	4,974,390	4,037,596	3,561,681
Prior period adjustments	<u>73,590</u>			
Beginning of period, as restated	<u>5,784,819</u>	<u>4,974,390</u>	<u>4,037,596</u>	<u>3,561,681</u>
Increase (Decrease) in reserve for inventory	<u>5,410</u>	<u>(16,890)</u>	<u>15,761</u>	<u>(4,122)</u>
End of period	<u>\$ 5,274,145</u>	<u>\$ 5,711,229</u>	<u>\$ 4,974,390</u>	<u>\$ 4,037,596</u>

*Source-prior year audit reports

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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January 21, 2014

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

Superintendent and School Board
Yazoo 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 the Yazoo County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Yazoo County School District's basic financial statements, and have issued my report thereon dated January 21, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Yazoo 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 Yazoo County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Yazoo 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Yazoo County School District's financial statements are free of 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*.

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.



Ardis D. Russell, C.P.A.

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January 21, 2014

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

Superintendent and School Board
Yazoo County School District

Report on Compliance for Each Major Federal Program

I have audited the Yazoo 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 Yazoo County School District's major federal programs for the year ended June 30, 2013. The Yazoo 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 Yazoo 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 test basis, evidence about Yazoo 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 Yazoo County School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Yazoo 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

Management of the Yazoo 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 Yazoo 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 Yazoo 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Ardis D. Russell, C.P.A.

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

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January 21, 2014

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

Superintendent and School Board
Yazoo County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Yazoo County School District as of and for the year ended June 30, 2013, which collectively comprise Yazoo County School District's basic financial statements, and have issued my report thereon dated January 21, 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.

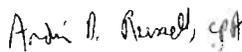
Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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 did not disclose any instances of noncompliance with other state laws and regulations.

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


Ardis D. Russell, C.P.A.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YAZOO COUNTY SCHOOL DISTRICT

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

Section I: Summary of Auditor's Results

Financial Statements:

- | | |
|---|---------------|
| 1. Type of auditor's report issued on the basic financial statements. | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None Reported |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | |
|--|---------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified ? | None Reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. Any audit finding(s) disclosed that are required to be reported in accordance with Section __.510(a) of Circular A-133? | No |
| 7. Identification of major programs: | |
| A. Child Nutrition Cluster: | |
| CFDA# | 10.553 |
| CFDA# | 10.555 |
| CFDA# | 10.582 |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | Yes |
| 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

The results of my tests did not disclose any findings related to the financial statements that are required to be reported by Government Audit Standards.

Section III: Federal Award Findings and Questioned Costs

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