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Brookhaven School District

Audited Financial Statements
For the Year Ended June 30, 2013

Fortenberry & Ballard, PC
Certified Public Accountants

**Brookhaven School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Brookhaven School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 to 15 and 45 to 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brookhaven School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing

and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2013, on our consideration of the Brookhaven School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Brookhaven School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 5, 2013

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2013 decreased \$509,507, which represents a 2% decrease from fiscal year 2012. Total net position for 2012 increased \$1,471,891, including a prior period adjustment of (\$10,545), which represents a 6% increase from fiscal year 2011.
- General revenues amounted to \$21,829,866 and \$22,790,405, or 81% and 81% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,969,052, or 19% of total revenues for 2013, and \$5,263,320, or 19% of total revenues for 2012.
- The District had \$27,308,425 and \$26,571,289 in expenses for fiscal years 2013 and 2012; only \$4,969,052 for 2013 and \$5,263,320 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$21,829,866 for 2013 were not adequate to provide for these programs. However, general revenues of \$22,790,405 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$19,049,551 in revenues and \$21,803,588 in expenditures for 2013, and \$19,547,370 in revenues and \$20,217,181 in expenditures in 2012. The General Fund's fund balance decreased by \$2,384,863, including an increase in inventory of \$2,045, from 2012 to 2013, and increased by \$155,307, including a prior period adjustment of \$2,753 and an increase in inventory of \$2,673, from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$39,588 for 2013 and decreased by \$470,504 for 2012. The decrease for 2013 was due primarily to the disposal of furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt, including deferred charges, premiums, and compensated absences decreased by \$1,293,817 for 2013 and decreased by \$997,889 for 2012. The decrease for 2013 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$23,070 for 2013 and decreased by \$20,566 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund 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 \$24,275,499 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.

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

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

Table 1
Condensed Statement of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	Percentage Change
Current assets	\$ 8,195,732	\$ 10,638,409	(22.96) %
Restricted assets	7,231,315	6,490,544	11.41 %
Capital assets, net	15,837,536	15,877,124	(0.25) %
Total assets	<u>31,264,583</u>	<u>33,006,077</u>	(5.28) %
Current liabilities	1,528,259	1,466,429	4.22 %
Long-term debt outstanding	5,460,825	6,754,642	(19.15) %
Total liabilities	<u>6,989,084</u>	<u>8,221,071</u>	(14.99) %
Net position:			
Net investment in capital assets	11,832,593	11,243,542	5.24 %
Restricted	9,486,502	8,855,319	7.13 %
Unrestricted	2,956,404	4,686,145	(36.91) %
Total net position	<u>\$ 24,275,499</u>	<u>\$ 24,785,006</u>	(2.06) %

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

- Decrease in net capital assets in the amount of \$39,588.
- The principal retirement of \$1,325,998 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$26,798,918 and \$28,053,725, respectively. The total cost of all programs and services was \$27,308,425 for 2013 and \$26,571,289 for 2012.

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

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

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 802,038	\$ 850,157	(5.66) %
Operating grants and contributions	4,167,014	4,413,163	(5.58) %
General revenues:			
Property taxes	8,189,576	8,438,830	(2.95) %
Grants and contributions not restricted	12,320,243	12,586,105	(2.11) %
Investment earnings	132,644	140,980	(5.91) %
Sixteenth section sources	1,140,166	1,593,722	(28.46) %
Other	47,237	30,768	53.53 %
Total revenues	<u>26,798,918</u>	<u>28,053,725</u>	(4.47) %
Expenses:			
Instruction	14,101,326	14,539,838	(3.02) %
Support services	10,964,184	9,585,499	14.38 %
Non-instructional	1,740,742	1,829,525	(4.85) %
Sixteenth section	268,694	335,380	(19.88) %
Interest on long-term liabilities	233,479	281,047	(16.93) %
Total expenses	<u>27,308,425</u>	<u>26,571,289</u>	2.77 %
Increase (Decrease) in net position	<u>(509,507)</u>	<u>1,482,436</u>	(134.37) %
Net Position, July 1, as previously reported	<u>24,785,006</u>	<u>23,313,115</u>	6.31 %
Prior Period Adjustment	<u>-</u>	<u>(10,545)</u>	100.00 %
Net Position, July 1, as restated	<u>24,785,006</u>	<u>23,302,570</u>	6.36 %
Net Position, June 30	<u>\$ 24,275,499</u>	<u>\$ 24,785,006</u>	(2.06) %

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.

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2013	2012	
Instruction	\$ 14,101,326	\$ 14,539,838	(3.02) %
Support services	10,964,184	9,585,499	14.38 %
Non-instructional	1,740,742	1,829,525	(4.85) %
Sixteenth section	268,694	335,380	(19.88) %
Interest on long-term liabilities	233,479	281,047	(16.93) %
Total expenses	\$ 27,308,425	\$ 26,571,289	2.77 %

	Net (Expense) Revenue		Percentage Change
	2013	2012	
Instruction	\$ (11,838,541)	\$ (11,963,221)	(1.04) %
Support services	(9,874,293)	(8,477,882)	16.47 %
Non-instructional	(149,796)	(271,785)	(44.88) %
Sixteenth section	(243,264)	(314,034)	(22.54) %
Interest on long-term liabilities	(233,479)	(281,047)	(16.93) %
Total net (expense) revenue	\$ (22,339,373)	\$ (21,307,969)	4.84 %

- Net cost of governmental activities (\$22,339,373 for 2013 and \$21,307,969 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$8,189,576 for 2013 and \$8,438,830 for 2012) and state and federal revenues (\$12,320,243 for 2013 and \$12,586,105 for 2012). In addition, there was \$1,140,166 and \$1,593,722 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$132,644 for 2013 and \$140,980 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 \$13,902,321, a decrease of \$1,778,029, which includes a decrease in inventory of \$7,150. \$4,264,575, or 31%, 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$9,637,746, or 69%, is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

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

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$2,384,863, which includes an increase in inventory of \$2,045. The fund balance of Other Governmental Funds showed a decrease in the amount of \$186,826, which includes a decrease in inventory of \$9,195. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Sixteenth Section Principal Fund	\$ 793,660

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund 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 \$25,587,138, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$523,961 from 2012, due primarily to the addition of a baseball field house, school bus and various other items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2013, was \$9,749,602, and total depreciation expense for the year was \$597,900, resulting in total net capital assets of \$15,837,536.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 174,115	\$ 174,115	0.00 %
Buildings	14,052,207	14,030,812	0.15 %
Building improvements	216,390	227,151	(4.74) %
Improvements other than buildings	267,847	283,428	(5.50) %
Mobile equipment	977,041	1,046,239	(6.61) %
Furniture and equipment	149,936	115,379	29.95 %
Total	\$ 15,837,536	\$ 15,877,124	(0.25) %

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

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

Debt Administration. At June 30, 2013, the District had \$5,506,382 in outstanding long-term debt, of which \$1,163,159 is due within one year. During the fiscal year, the District made principal payments in the amount of \$1,325,998 on outstanding long-term debt. The liability for compensated absences increased \$23,070 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 3,788,000	\$ 4,387,000	(13.65) %
Three mill notes payable	1,050,000	1,205,000	(12.86) %
Shortfall notes payable	463,398	1,035,396	(55.24) %
Compensated absences payable	204,984	181,914	12.68 %
Subtotal	<u>\$ 5,506,382</u>	<u>\$ 6,809,310</u>	(19.13) %
Less: Deferred charges	(45,557)	(54,668)	(16.67) %
Total	<u><u>\$ 5,460,825</u></u>	<u><u>\$ 6,754,642</u></u>	(19.15) %

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Brookhaven School District, P. O. Box 540, Brookhaven, MS 39602.

FINANCIAL STATEMENTS

BROOKHAVEN SCHOOL DISTRICT

Statement of Net Position
June 30, 2013

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 6,877,239
Due from other governments	729,087
Other receivables, net	463,399
Inventories	49,556
Prepaid items	26,177
Deferred debt issuance costs	50,274
Restricted assets	7,231,315
Capital assets, non-depreciable:	
Land	174,115
Capital assets, net of accumulated depreciation:	
Buildings	14,052,207
Building improvements	216,390
Improvements other than buildings	267,847
Mobile equipment	977,041
Furniture and equipment	149,936
Total Assets	<u>31,264,583</u>
Liabilities	
Accounts payable and accrued liabilities	1,452,204
Due to other governments	5,078
Unearned revenue	17,170
Interest payable on long-term liabilities	53,807
Deferred charges on refunding debt	(83,183)
Deferred bond premiums	37,626
Long-term liabilities, due within one year:	
Capital related liabilities	664,000
Non-capital related liabilities	499,159
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,386,500
Non-capital related liabilities	956,723
Total Liabilities	<u>6,989,084</u>
Net Position	
Net investment in capital assets	11,832,593
Restricted for:	
Expendable:	
School-based activities	1,215,115
Debt service	907,470
Forestry improvements	267,887
Unemployment benefits	71,550
Sixteenth section	635,912
Non-expendable:	
Sixteenth section	6,388,568
Unrestricted	2,956,404
Total Net Position	<u>\$ 24,275,499</u>

BROOKHAVEN SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 14,101,326	\$ 511,589	\$ 1,751,196	\$ (11,838,541)
Support services	10,964,184	-	1,089,891	(9,874,293)
Non-instructional	1,740,742	265,019	1,325,927	(149,796)
Sixteenth sector	268,694	25,430	-	(243,264)
Interest on long-term liabilities	233,479	-	-	(233,479)
Total Governmental Activities	\$ 27,308,425	\$ 802,038	\$ 4,167,014	\$ (22,339,373)

General Revenues:

Taxes:	
General purpose levies	6,778,303
Debt purpose levies	1,411,273
Unrestricted grants and contributions:	
State	12,199,355
Federal	120,888
Unrestricted investment earnings	132,644
Sixteenth section sources	1,140,166
Other	47,237
Total General Revenues	21,829,866

Change in Net Position	(509,507)
Net Position - Beginning	24,785,006
Net Position - Ending	\$ 24,275,499

BROOKHAVEN SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2013

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
Assets				
Cash and cash equivalents	\$ 4,239,147	\$ 7,231,315	\$ 2,638,092	\$ 14,108,554
Due from other governments	377,066	-	315,653	692,719
Other receivables, net	463,399	-	-	463,399
Due from other funds	334,116	-	76,621	410,737
Inventories	18,135	-	31,421	49,556
Prepaid items	26,177	-	-	26,177
Total assets	<u>\$ 5,458,040</u>	<u>\$ 7,231,315</u>	<u>\$ 3,061,787</u>	<u>\$ 15,751,142</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,095,234	\$ 206,835	\$ 150,135	\$ 1,452,204
Due to other funds	794	-	378,653	379,447
Unearned revenue	-	-	17,170	17,170
Total Liabilities	<u>1,096,028</u>	<u>206,835</u>	<u>545,958</u>	<u>1,848,821</u>
Fund Balances:				
Nonspendable:				
Inventory	18,135	-	31,421	49,556
Permanent fund principal	-	6,388,568	-	6,388,568
Prepaid items	26,177	-	-	26,177
Restricted:				
Debt service	-	-	961,277	961,277
Forestry improvement purposes	-	-	267,887	267,887
Unemployment benefits	-	-	71,550	71,550
Child Nutrition	-	-	459,655	459,655
Sixteenth section interest	-	-	688,629	688,629
Grant activities	-	-	35,410	35,410
Other purposes	-	635,912	-	635,912
Assigned:				
Activity funds	50,991	-	-	50,991
Other purposes	2,134	-	-	2,134
Unassigned	<u>4,264,575</u>	<u>-</u>	<u>-</u>	<u>4,264,575</u>
Total Fund Balances	<u>4,362,012</u>	<u>7,024,480</u>	<u>2,515,829</u>	<u>13,902,321</u>
Total Liabilities and Fund Balances	<u>\$ 5,458,040</u>	<u>\$ 7,231,315</u>	<u>\$ 3,061,787</u>	<u>\$ 15,751,142</u>

BROOKHAVEN SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds \$ 13,902,321

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	\$ 174,115	
Buildings	20,018,473	
Building improvements	453,149	
Improvements other than buildings	389,513	
Mobile equipment	2,629,920	
Furniture and equipment	1,921,968	
Accumulated depreciation	<u>(9,749,602)</u>	15,837,536

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	(3,788,000)	
Notes payable	(1,513,398)	
Compensated absences	(204,984)	
Unamortized charges	133,457	
Unamortized premiums	(37,626)	
Accrued interest payable	<u>(53,807)</u>	(5,464,358)

Net Position of governmental activities \$ 24,275,499

BROOKHAVEN SCHOOL DISTRICT

Governmental Funds

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

Exhibit D

	Major Funds			Total Governmenta Funds
	Genera Fund	Sixteenth Section Principal Fund	Other Governmenta Funds	
Revenues:				
Local sources	\$ 6,748,563	\$ -	\$ 2,313,200	\$ 9,061,763
State sources	12,114,748	-	784,807	12,899,555
Federal sources	186,240	-	3,401,459	3,587,699
Sixteenth section sources	-	1,000,495	249,406	1,249,901
Total Revenues	19,049,551	1,000,495	6,748,872	26,798,918
Expenditures:				
Instruction	11,707,170	-	1,976,787	13,683,957
Support services	9,686,449	-	1,233,720	10,920,169
Noninstructional services	13,424	-	1,712,293	1,725,717
Sixteenth section	-	206,835	61,859	268,694
Facilities acquisition and construction	396,545	-	-	396,545
Debt service:				
Principal	-	-	1,325,998	1,325,998
Interest	-	-	246,777	246,777
Other	-	-	1,940	1,940
Total Expenditures	21,803,588	206,835	6,559,374	28,569,797
Excess (Deficiency) of Revenues over (under) Expenditures	(2,754,037)	793,660	189,498	(1,770,879)
Other Financing Sources (Uses):				
Operating transfers in	446,149	-	82,695	528,844
Operating transfers out	(79,020)	-	(449,824)	(528,844)
Total Other Financing Sources (Uses)	367,129	-	(367,129)	-
Net Change in Fund Balances	(2,386,908)	793,660	(177,631)	(1,770,879)
Fund Balances:				
July 1, 2012	6,746,875	6,230,820	2,702,655	15,680,350
Increase (Decrease) in inventory	2,045	-	(9,195)	(7,150)
June 30, 2013	\$ 4,362,012	\$ 7,024,480	\$ 2,515,829	\$ 13,902,321

BROOKHAVEN SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ (1,770,879)

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

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

Capital outlay	\$ 558,659	
Depreciation expense	<u>(597,900)</u>	(39,241)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (347)

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:

Payments of debt principal	1,325,998	
Accrued interest payable	<u>24,349</u>	1,350,347

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	(23,070)	
Change in inventory	(7,150)	
Amortization of deferred charges, premiums and discounts	<u>(19,167)</u>	(49,387)

Change in Net Position of governmental activities \$ (509,507)

BROOKHAVEN SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2013

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 254,323
Other receivables	1,212
Due from other funds	5,078
Total Assets	<u>\$ 260,613</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 211,924
Due to other funds	36,368
Due to student clubs	12,321
Total Liabilities	<u>\$ 260,613</u>

Brookhaven School District

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

Brookhaven School District

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

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is related organization of, but not a component unit of, the city of Brookhaven since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of

Brookhaven School District

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

accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

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

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

The school district reports the following major governmental funds:

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

Sixteenth Section Principal Fund - This is a permanent fund used to account for the nonexpendable resources generated from the sale of non-renewable resources on sixteenth section lands.

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

The District's fiduciary funds include the following:

Brookhaven School District

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

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

FIDUCIARY FUNDS

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

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

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

Brookhaven School District

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

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

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

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

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

Brookhaven School District

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

Brookhaven School District

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

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

Brookhaven School District

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

Brookhaven School District

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

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

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

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

Nonspendable fund balance includes items that cannot be spent. This

Brookhaven School District

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

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

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

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

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of actual revenues. If the unassigned fund balance at fiscal year end falls below the

Brookhaven School District

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

goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 - Cash and Cash Equivalents

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$14,108,554 and \$254,323, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$14,901,697 was exposed to custodial credit risk.

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

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

Brookhaven School District

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 297,748
	Fiduciary Fund	36,368
Other Governmental Funds	Other Governmental Funds	76,621
Fiduciary Fund	General Fund	794
	Other Governmental Funds	4,284
Total		\$ <u>415,815</u>

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

B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 446,149
Other Governmental Funds	General Fund	79,020
	Other Governmental Funds	3,675
Total		\$ <u>528,844</u>

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

Note 4 - Restricted Assets

The restricted assets represent the cash balance, totaling \$7,231,315, 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.

Note 5 - Capital Assets

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

Brookhaven School District

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

	Balance 7-1-2012	Additions	Deletions	Balance 6-30-2013
<u>Non-depreciable capital assets:</u>				
Land	\$ 174,115			174,115
Total non-depreciable capital assets	<u>174,115</u>	<u>0</u>	<u>0</u>	<u>174,115</u>
<u>Depreciable capital assets:</u>				
Buildings	19,621,928	396,545		20,018,473
Building improvements	453,149			453,149
Improvements other than buildings	389,513			389,513
Mobile equipment	2,539,920	90,000		2,629,920
Furniture and equipment	1,884,552	72,114	34,698	1,921,968
Total depreciable capital assets	<u>24,889,062</u>	<u>558,659</u>	<u>34,698</u>	<u>25,413,023</u>
<u>Less accumulated depreciation for:</u>				
Buildings	5,591,116	375,150		5,966,266
Building improvements	225,998	10,761		236,759
Improvements other than buildings	106,085	15,581		121,666
Mobile equipment	1,493,681	159,198		1,652,879
Furniture and equipment	1,769,173	37,210	34,351	1,772,032
Total accumulated depreciation	<u>9,186,053</u>	<u>597,900</u>	<u>34,351</u>	<u>9,749,602</u>
Total depreciable capital assets, net	<u>15,703,009</u>	<u>(39,241)</u>	<u>347</u>	<u>15,663,421</u>
Governmental activities capital assets, net	<u>\$ 15,877,124</u>	<u>(39,241)</u>	<u>347</u>	<u>15,837,536</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 408,172
Support services	183,007
Non-instructional	6,721
Total depreciation expense	<u>\$ 597,900</u>

Note 6 - Long-term liabilities

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

Brookhaven School District

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

	Balance 7-1-2012	Additions	Deletions	Balance 6-30-2013	Amounts due within one year
A. General obligation bonds payable	\$ 4,387,000		599,000	3,788,000	624,000
Premiums on bonds	45,152		7,526	37,626	
Deferred amount on refunding	(99,820)		(16,637)	(83,183)	
B. Three mill notes payable	1,205,000		155,000	1,050,000	160,000
C. Shortfall notes payable	1,035,396		571,998	463,398	368,909
D. Compensated absences payable	181,914	23,070		204,984	10,250
Total	\$ 6,754,642	23,070	1,316,887	5,460,825	1,163,159

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2006	3.84%	01-10-06	07-15-16	\$ 1,116,000	458,000
General obligation refunding bonds, Series 2006	4.00%	10-31-06	04-01-19	5,345,000	3,330,000
Total				\$ 6,461,000	3,788,000

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

1. General obligation bond issue of January 10, 2006:

Year Ending	Principal	Interest	Total
June 30			
2014	\$ 109,000	15,494	124,494
2015	113,000	11,232	124,232
2016	122,000	6,720	128,720
2017	114,000	2,189	116,189
Total	\$ 458,000	35,635	493,635

A portion of this general obligation refunding bonds payable is secured by the pledge of EEF Building and Buses revenue that the district receives from the State of Mississippi. Pledged EEF funds of \$101,041 will be used to pay approximately 80% of the total annual debt service payment until the final maturity of the general obligation bonds on July 15, 2016.

Brookhaven School District

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

This debt will be retired from the EEF Buildings and Buses Fund.

2. General obligation bond issue of October 31, 2006:

Year Ending June 30		Principal	Interest	Total
2014	\$	515,000	133,200	648,200
2015		540,000	112,600	652,600
2016		565,000	91,000	656,000
2017		580,000	68,400	648,400
2018		595,000	45,200	640,200
2019		535,000	21,400	556,400
Total	\$	<u>3,330,000</u>	<u>471,800</u>	<u>3,801,800</u>

This debt will be retired from the Bond Debt Service Fund (Fund 4021).

Total general obligation bond payments for all issues:

Year Ending June 30		Principal	Interest	Total
2014	\$	624,000	148,694	772,694
2015		653,000	123,832	776,832
2016		687,000	97,720	784,720
2017		694,000	70,589	764,589
2018		595,000	45,200	640,200
2019		535,000	21,400	556,400
Total	\$	<u>3,788,000</u>	<u>507,435</u>	<u>4,295,435</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2013, the amount of outstanding bonded indebtedness was equal to 10% of property assessments as of October 1, 2012.

B. Three mill notes payable

Debt currently outstanding is as follows:

Brookhaven School District

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax school note, Series 2008	3.57%	12-19-08	12-19-18	\$ <u>1,625,000</u>	<u>1,050,000</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 160,000	34,639	194,639
2015	165,000	28,836	193,836
2016	170,000	22,854	192,854
2017	180,000	16,605	196,605
2018	185,000	10,088	195,088
2019	<u>190,000</u>	<u>3,392</u>	<u>193,392</u>
Total	\$ <u>1,050,000</u>	<u>116,414</u>	<u>1,166,414</u>

This debt will be retired from the Debt Service Fund.

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2010	2.91%	08-26-10	08-26-13	\$ 807,784	277,020
Series 2011	2.79%	08-26-11	08-26-14	<u>275,719</u>	<u>186,378</u>
Total				\$ <u>1,083,503</u>	<u>463,398</u>

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

1. Shortfall notes payable issue of August 26, 2009:

This debt was paid off during the year and retired from the Shortfall Loan Fund.

2. Shortfall notes payable issue of August 26, 2010:

Year Ending June 30	Principal	Interest	Total
2014	\$ <u>277,020</u>	<u>8,061</u>	<u>285,081</u>

Brookhaven School District

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

This debt will be retired from the Shortfall Loan Fund.

3. Shortfall notes payable issue of August 26, 2011:

Total shortfall notes payable payments for all issues:

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$	91,889	5,272	97,161
2015		<u>94,489</u>	<u>2,673</u>	<u>97,162</u>
Total	\$	<u>186,378</u>	<u>7,945</u>	<u>194,323</u>

This debt will be retired from the Shortfall Loan 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	\$	368,909	13,333	382,242
2015		<u>94,489</u>	<u>2,673</u>	<u>97,162</u>
Total	\$	<u>463,398</u>	<u>16,006</u>	<u>479,404</u>

D. Compensated absences payable

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

Note 7 - Other Commitments

Operating leases:

The school district has several operating leases for the following:

Sixteen (16) copiers

Lease expenditures for the year ended June 30, 2013, amounted to \$38,723.

Brookhaven School District

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

Future lease payments for these leases are as follows:

Year Ending		Amount
June 30		
2014	\$	19,302

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 \$2,041,156, \$1,845,982, and \$1,726,728, respectively, which equaled the required contributions for each year.

Note 9 - Sixteenth Section Lands

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

Brookhaven School District

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

Year Ending June 30		Amount
2014	\$	20,788
2015		18,977
2016		14,257
2017		10,293
2018		7,072
2019 - 2023		29,608
2024 - 2028		27,858
2019 - 2033		27,858
2029 - 2033		18,283
Total	\$	<u>174,994</u>

Note 10 - Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to the 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 up 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.

Note 11 - Contingencies

Federal Grants - The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are federally

Brookhaven School District

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

conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

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

Note 12 - Subsequent Events

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

On September 10, 2013 the school district issued a limited tax note in the amount of \$5,000,000 that will bear interest at 2.82% and will mature in 2028.

REQUIRED SUPPLEMENTARY INFORMATION

BROOKHAVEN SCHOOL DISTRICT
Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 7,291,577	\$ 6,748,563	\$ 6,748,563	\$ (543,014)	-
State sources	12,206,240	12,114,748	12,114,748	(91,492)	-
Federal sources	229,725	186,240	186,240	(43,485)	-
Total Revenues	19,727,542	19,049,551	19,049,551	(677,991)	-
Expenditures:					
Instruction	12,502,777	11,707,170	11,707,170	795,607	-
Support services	8,183,590	9,686,449	9,686,449	(1,502,859)	-
Noninstructional services	18,825	11,379	13,424	7,446	(2,045)
Facilities acquisition and construction	-	396,545	396,545	(396,545)	-
Total Expenditures	20,705,192	21,801,543	21,803,588	(1,096,351)	(2,045)
Excess (Deficiency) of Revenues over (under) Expenditures	(977,650)	(2,751,992)	(2,754,037)	(1,774,342)	(2,045)
Other Financing Sources (Uses):					
Operating transfers in	2,991,605	2,860,119	446,149	(131,486)	(2,413,970)
Operating transfers out	(2,995,436)	(2,492,990)	(79,020)	502,446	2,413,970
Total Other Financing Sources (Uses)	(3,831)	367,129	367,129	370,960	-
Net Change in Fund Balances	(981,481)	(2,384,863)	(2,386,908)	(1,403,382)	(2,045)
Fund Balances:					
July 1, 2012	4,821,340	6,746,875	6,746,875	1,925,535	-
Increase (Decrease) in inventory	-	-	2,045	-	2,045
June 30, 2013	\$ 3,839,859	\$ 4,362,012	\$ 4,362,012	\$ 522,153	-

Brookhaven School District

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

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

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 332,858
National School Lunch Program	10.555	1,089,869
Summer Food Service Program for Children	10.559	14,313
Total child nutrition cluster		<u>1,437,040</u>
Total passed-through Mississippi Department of Education		<u>1,437,040</u>
Total U. S. Department of Agriculture		<u>1,437,040</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	64,568
Total U. S. Department of Defense		<u>64,568</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>		
Administered through Universal Service Administrative Company:		
The School and Libraries Program of the Universal Service Fund	32.xxx	76,116
Total Federal Communications Commission		<u>76,116</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>		
Direct Program:		
Impact Aid	84.041	3,007
Total		<u>3,007</u>
Passed-through the Mississippi Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	916,475
Career and Technical Education - Basic Grants to States	84.048	34,909
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	784
Twenty-First Century Community Learning Centers	84.287	147,728
Rural Education	84.358	39,515
Improving Teacher Quality - State Grants	84.367	207,235
Subtotal		<u>1,346,646</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	592,808
Special Education - Preschool Grants	84.173	25,749
Total special education cluster		<u>618,557</u>
Total passed-through the Mississippi Department of Education		<u>618,557</u>
Total U. S. Department of Education		<u>1,965,203</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	22,569
Total passed-through the Mississippi Department of Education		<u>22,569</u>
Total U. S. Department of Health and Human Services		<u>22,569</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$ 3,568,503</u>

Notes to Schedule

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

Brookhaven School District**Schedule 2**

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 19,669,401	13,997,590	1,260,919	1,577,261	2,833,631
Other	8,900,396	1,475,602	452,793	37,502	6,934,499
Total	\$ <u>28,569,797</u>	<u>15,473,192</u>	<u>1,713,712</u>	<u>1,614,763</u>	<u>9,768,130</u>
Total number of students *	<u>2,802</u>				
Cost per student	\$ <u>10,196</u>	<u>5,522</u>	<u>612</u>	<u>576</u>	<u>3,486</u>

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

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

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

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

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

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

OTHER INFORMATION

BROOKHAVEN SCHOOL DISTRICT

"UNAUDITED"

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

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 6,748,563	6,943,717	7,368,242	7,524,963
State sources	12,114,748	12,304,366	11,716,280	11,782,603
Federal sources	186,240	299,287	168,863	85,720
Total Revenues	<u>19,049,551</u>	<u>19,547,370</u>	<u>19,253,385</u>	<u>19,393,286</u>
Expenditures:				
Instruction	11,707,170	11,883,849	10,091,019	10,845,728
Support services	9,686,449	8,317,549	7,759,110	7,594,596
Noninstructional services	13,424	15,783	40,349	52,577
Facilities acquisition and construction	396,545			
Debt service:				
Principal				7,979
Interest				228
Total Expenditures	<u>21,803,588</u>	<u>20,217,181</u>	<u>17,890,478</u>	<u>18,501,108</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,754,037)</u>	<u>(669,811)</u>	<u>1,362,907</u>	<u>892,178</u>
Other Financing Sources (Uses):				
Bonds and notes issued		275,719	807,784	612,670
Insurance loss recoveries			7,764	
Sale of transportation equipment			6,388	
Operating transfers in	446,149	632,244	269,280	6,187
Operating transfers out	(79,020)	(88,271)	(522,585)	(711,023)
Total Other Financing Sources (Uses)	<u>367,129</u>	<u>819,692</u>	<u>568,631</u>	<u>(92,166)</u>
Net Change in Fund Balances	<u>(2,386,908)</u>	<u>149,881</u>	<u>1,931,538</u>	<u>800,012</u>
Fund Balances:				
July 1, as previously reported	6,746,875	6,591,568	4,660,627	3,858,888
Prior period adjustments		2,753		
July 1, as restated	<u>6,746,875</u>	<u>6,594,321</u>	<u>4,660,627</u>	<u>3,858,888</u>
Increase (Decrease) in inventory	2,045	2,673	(597)	1,727
June 30,	<u>\$ 4,362,012</u>	<u>6,746,875</u>	<u>6,591,568</u>	<u>4,660,627</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

BROOKHAVEN SCHOOL DISTRICT

"UNAUDITED"

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

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 9,061,763	9,366,169	9,140,025	9,691,137
State sources	12,899,555	12,949,548	12,313,851	12,279,714
Federal sources	3,587,699	4,049,721	5,569,962	5,577,309
Sixteenth section sources	1,249,901	1,688,287	1,828,429	1,369,805
Total Revenues	<u>26,798,918</u>	<u>28,053,725</u>	<u>28,852,267</u>	<u>28,917,965</u>
Expenditures:				
Instruction	13,683,957	14,102,988	13,899,521	14,970,511
Support services	10,920,169	9,576,189	9,459,748	8,987,394
Noninstructional services	1,725,717	1,819,086	1,910,008	1,915,153
Sixteenth section	268,694	335,380	324,148	269,875
Facilities acquisition and construction	396,545			
Debt service:				
Principal	1,325,998	1,262,153	964,829	740,877
Interest	246,777	286,928	301,590	328,202
Other	1,940	1,940	1,940	1,940
Total Expenditures	<u>28,569,797</u>	<u>27,384,664</u>	<u>26,861,784</u>	<u>27,213,952</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,770,879)</u>	<u>669,061</u>	<u>1,990,483</u>	<u>1,704,013</u>
Other Financing Sources (Uses):				
Bonds and notes issued		275,719	807,784	612,670
Insurance loss recoveries			7,764	
Sale of transportation equipment			6,388	
Operating transfers in	528,844	724,636	797,064	729,678
Operating transfers out	(528,844)	(724,636)	(797,064)	(729,678)
Total Other Financing Sources (Uses)	<u>0</u>	<u>275,719</u>	<u>821,936</u>	<u>612,670</u>
Net Change in Fund Balances	<u>(1,770,879)</u>	<u>944,780</u>	<u>2,812,419</u>	<u>2,316,683</u>
Fund Balances:				
July 1, as previously reported	15,680,350	14,742,721	11,910,294	9,593,219
Prior period adjustments		2,753		
July 1, as restated	<u>15,680,350</u>	<u>14,745,474</u>	<u>11,910,294</u>	<u>9,593,219</u>
Increase (Decrease) in inventory	(7,150)	(9,904)	20,008	392
June 30,	<u>\$ 13,902,321</u>	<u>15,680,350</u>	<u>14,742,721</u>	<u>11,910,294</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Brookhaven School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brookhaven School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Brookhaven School District's basic financial statements, and have issued our report thereon dated November 5, 2013.

Internal Control Over Financial Reporting

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

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.

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 5, 2013

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Brookhaven School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance.

Opinion on Each Major Federal Program

In our opinion, the Brookhaven 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

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of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Brookhaven School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Brookhaven School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 5, 2013

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Brookhaven School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Brookhaven School District as of and for the year ended June 30, 2013, which collectively comprise Brookhaven School District's basic financial statements and have issued our report thereon dated November 5, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$10,897 of classroom supply funds carried over from previous years.

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

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

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 5, 2013

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Brookhaven 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: Unqualified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unqualified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.010	Title I Cluster
84.367	Improving Teacher Quality - State Grants

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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