



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.





Audited Financial Statements  
For the Year Ended June 30, 2013

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Calhoun County School District  
TABLE OF CONTENTS**

	PAGE #
INDEPENDENT AUDITOR’S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION .....	4
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	8
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position .....	20
Exhibit B - Statement of Activities .....	21
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet .....	22
Exhibit C-1 - Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position .....	23
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances .....	24
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	25
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities .....	26
Notes to the Financial Statements .....	28
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule - General Fund .....	47
Budgetary Comparison Schedule - Title I - A Basic Fund .....	48
Budgetary Comparison Schedule - EHA IDEA Part B Fund .....	49
Notes to the Required Supplementary Information .....	51
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Expenditures of Federal Awards .....	53
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds .....	54
<b>OTHER INFORMATION</b>	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years .....	56
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years .....	57
<b>REPORTS ON INTERNAL CONTROL AND COMPLIANCE</b>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	59
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report On Internal Control Over Compliance Required by OMB Circular A-133 .....	61
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS .....	65
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	68
AUDITEE’S CORRECTIVE ACTION PLAN .....	71

## 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  
Calhoun County School District

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 to 18 and 47 to 51 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 Calhoun County School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2014, on our consideration of the Calhoun County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Calhoun County School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
January 22, 2014

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Calhoun County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

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

**FINANCIAL HIGHLIGHTS**

- Total net position for 2013 increased \$90,444, including a prior period adjustment of (\$2,016), which represents a 1% increase from fiscal year 2012. Total net position for 2012 increased \$841,034, which represents an 8% increase from fiscal year 2011.
- General revenues amounted to \$15,241,114 and \$15,281,028, or 76% and 75% 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 \$4,732,711, or 24% of total revenues for 2013, and \$4,993,489, or 25% of total revenues for 2012.
- The District had \$19,881,365 and \$19,433,483 in expenses for fiscal years 2013 and 2012; only \$4,732,711 for 2013 and \$4,993,489 for 2012 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$15,241,114 for 2013 and \$15,281,028 for 2012 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$15,554,019 in revenues and \$15,945,939 in expenditures for 2013, and \$15,613,860 in revenues and \$15,487,242 in expenditures for 2012. The General Fund's fund balance decreased by \$386,663, including a prior period adjustment of (\$36,721), from 2012 to 2013, and increased by \$156,718 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$70,394 for 2013 and increased by \$143,996 for 2012. The decrease for 2013 was due to the disposal of mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$498,886 for 2013 and decreased by \$477,664 for 2012. This decrease for 2013 was due primarily to the principal payments made on outstanding long-term debt. In addition, the liability for compensated absences decreased by \$54,054 for 2013 and increased by \$38,674 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.

**Calhoun County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

**Government-wide Financial Statements**

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

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

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

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

**Calhoun County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

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

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

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

### **Reconciliation of Government-wide and Fund Financial Statements**

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

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

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

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

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

**Calhoun County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

**Notes to the financial statements**

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

**Required Supplementary Information**

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

**Supplementary Information**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$12,128,935 as of June 30, 2013.

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

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

**Calhoun County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

**Table 1**  
**Condensed Statement of Net Position**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 4,765,640	4,875,180	-2%
Restricted assets	166,618	161,286	3%
Capital assets, net	<u>12,371,558</u>	<u>12,441,952</u>	-1%
<b>Total assets</b>	<u>17,303,816</u>	<u>17,478,418</u>	-1%
Current liabilities	420,070	132,176	218%
Long-term debt outstanding	<u>4,754,811</u>	<u>5,307,751</u>	-10%
<b>Total liabilities</b>	<u>5,174,881</u>	<u>5,439,927</u>	-5%
<b>Net position:</b>			
Net investment in capital assets	7,808,558	7,347,402	6%
Restricted	1,665,299	1,655,685	1%
Unrestricted	<u>2,655,078</u>	<u>3,035,404</u>	-13%
<b>Total net position</b>	<u>\$ 12,128,935</u>	<u>12,038,491</u>	1%

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 \$70,394.
- The principal retirement of \$498,886 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$19,973,825 and \$20,274,517, respectively. The total cost of all programs and services was \$19,881,365 for 2013 and \$19,433,483 for 2012.

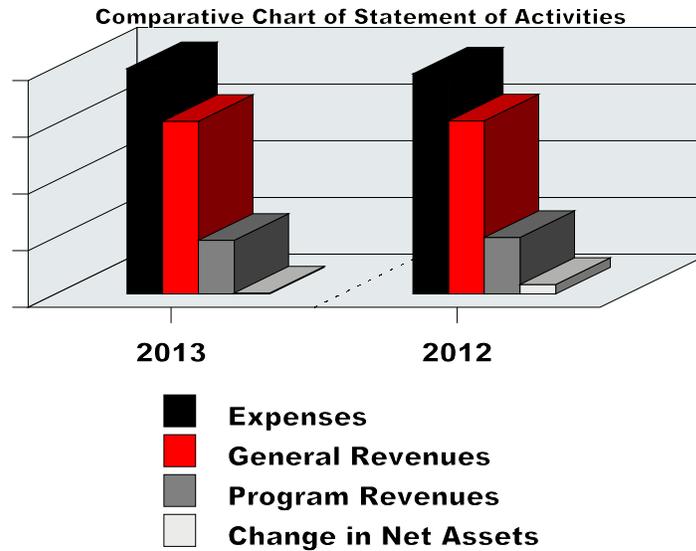
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

**Calhoun County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

**Table 2**  
**Changes in Net Position**

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 818,059	817,785	0%
Operating grants and contributions	3,838,207	4,099,259	-6%
Capital grants and contributions	<u>76,445</u>	<u>76,445</u>	0%
Total program revenues	<u>4,732,711</u>	<u>4,993,489</u>	-5%
General revenues:			
Property taxes	2,932,658	2,921,878	0%
Grants and contributions not restricted	12,101,035	12,167,876	-1%
Unrestricted investment earnings	5,124	4,735	8%
Sixteenth section sources	14,792	28,960	-49%
Other	<u>187,505</u>	<u>157,579</u>	19%
Total general revenues	<u>15,241,114</u>	<u>15,281,028</u>	0%
<b>Total revenues</b>	<u>19,973,825</u>	<u>20,274,517</u>	-1%
<b>Expenses:</b>			
Instruction	11,260,630	10,978,070	3%
Support services	6,842,903	6,672,708	3%
Non-instructional	1,586,454	1,575,048	1%
Sixteenth section	17,553	16,881	4%
Interest and other expenses on long-term liabilities	<u>173,825</u>	<u>190,776</u>	-9%
<b>Total expenses</b>	<u>19,881,365</u>	<u>19,433,483</u>	2%
<b>Increase (Decrease) in net position</b>	<u>92,460</u>	<u>841,034</u>	-89%
<b>Net Position, July 1, as previously reported</b>	12,038,491	11,197,457	8%
<b>Prior Period Adjustment</b>	<u>(2,016)</u>		
<b>Net Position, July 1, as restated</b>	<u>12,036,475</u>	<u>11,197,457</u>	7%
<b>Net Position, June 30</b>	<u>\$ 12,128,935</u>	<u>12,038,491</u>	1%

**Calhoun County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**



**Governmental activities**

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

**Table 3**  
**Net Cost of Governmental Activities**

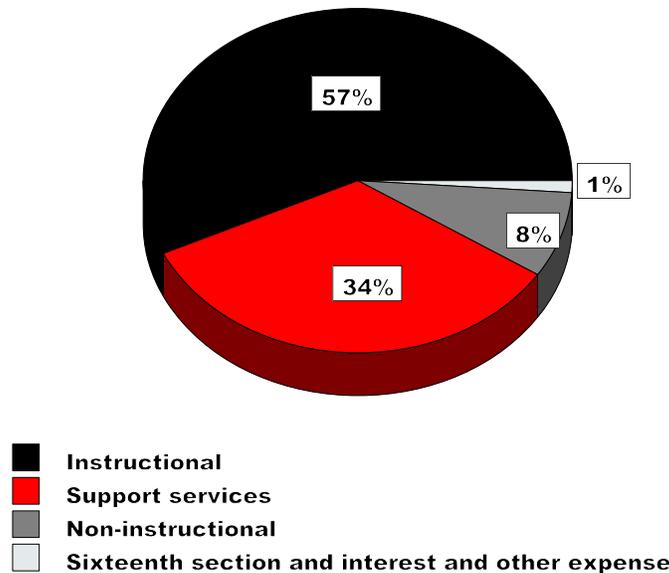
	<b>Total Expenses</b>		
	<b>2013</b>	<b>2012</b>	<b>Percentage Change</b>
Instruction	\$ 11,260,630	10,978,070	3%
Support services	6,842,903	6,672,708	3%
Non-instructional	1,586,454	1,575,048	1%
Sixteenth section	17,553	16,881	4%
Interest and other expenses on long-term liabilities	173,825	190,776	-9%
<b>Total expenses</b>	<b>\$ 19,881,365</b>	<b>19,433,483</b>	<b>2%</b>

**Calhoun County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

**Net (Expense) Revenue**

	<u>2013</u>	<u>2012</u>	<u>Percentage Change</u>
Instruction	\$ (9,355,569)	(8,661,390)	8%
Support services	(5,663,289)	(5,596,394)	1%
Non-instructional	61,582	25,447	142%
Sixteenth section	(17,553)	(16,881)	4%
Interest and other expenses on long-term liabilities	<u>(173,825)</u>	<u>(190,776)</u>	-9%
<b>Total net (expense) revenue</b>	<b>\$ <u><u>(15,148,654)</u></u></b>	<b><u><u>(14,439,994)</u></u></b>	<b>5%</b>

Chart of Expenses per Statement of Activities



- Net cost of governmental activities (\$15,148,654 for 2013 and \$14,439,994 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$2,932,658 for 2013 and \$2,921,878 for 2012) and state and federal revenues (\$12,101,035 for 2013 and \$12,167,876 for 2012). In addition, there was \$14,792 and \$28,960 in Sixteenth Section sources for 2013 and 2012 respectively.
- Investment earnings amounted to \$5,124 for 2013 and \$4,735 for 2012.

**Calhoun County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$4,633,032, a decrease of \$403,189, which includes a prior period adjustment of (\$2,016) and a decrease in inventory of \$6,434. \$2,393,828 or 52% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,239,204 or 48% 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.

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 \$386,663, which includes a prior period adjustment of (\$36,721). The fund balance of Other Governmental Funds showed a decrease in the amount of \$15,997, which includes a prior period adjustment of \$34,705 and a decrease in inventory of \$6,434. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I - A Basic Fund	no increase or decrease
EHA IDEA Part B Fund	\$ (529)

**BUDGETARY HIGHLIGHTS**

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

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

**Calhoun County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2013, the District's total capital assets were \$22,172,415, including land, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$282,313 from 2012. Total accumulated depreciation as of June 30, 2013, was \$9,800,857, and total depreciation expense for the year was \$589,968, resulting in total net capital assets of \$12,371,558.

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 86,020	86,020	0%
Buildings	10,314,249	10,610,779	-3%
Improvements other than buildings	158,359	163,299	-3%
Mobile equipment	1,398,085	1,216,908	15%
Furniture and equipment	414,845	364,946	14%
<b>Total</b>	<u>\$ 12,371,558</u>	<u>12,441,952</u>	-1%

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

**Debt Administration.** At June 30, 2013, the District had \$4,754,811 in outstanding long-term debt, of which \$480,000 is due within one year. The liability for compensated absences decreased \$54,054 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 2,038,000	2,348,000	-13%
Three mill notes payable	2,525,000	2,680,000	-6%
Shortfall notes payable	0	33,886	-100%
Compensated absences payable	191,811	245,865	-22%
<b>Total</b>	<u>\$ 4,754,811</u>	<u>5,307,751</u>	-10%

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

**Calhoun County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

**CURRENT ISSUES AND OTHER INFORMATION**

The Calhoun County School District is financially stable.

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

Enrollment for the 2012-2013 year increased by 1% to 2,524 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Chief Financial Officer or Superintendent of Education at the District's Administrative Office of the Calhoun County School District, 119 West Main Street, Pittsboro, MS 38951, call 662-412-3152, or e-mail Jo Lyn Clanton at [jclanton@calhoun.k12.ms.us](mailto:jclanton@calhoun.k12.ms.us) . The district's website is [www.calhoun.k12.ms.us](http://www.calhoun.k12.ms.us).

## FINANCIAL STATEMENTS

**CALHOUN COUNTY SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2013**

**Exhibit A**

Governmental  
Activities

**Assets**

Cash and cash equivalents	\$ 3,960,888
Investments	13,572
Due from other governments	757,143
Inventories	28,792
Prepaid items	5,245
Restricted assets	166,618
Capital assets, non-depreciable:	
Land	86,020
Capital assets, net of accumulated depreciation:	
Buildings	10,314,249
Improvements other than buildings	158,359
Mobile equipment	1,398,085
Furniture and equipment	414,845
Total Assets	<u>17,303,816</u>

**Liabilities**

Accounts payable and accrued liabilities	280,814
Unearned revenue	18,412
Interest payable on long-term liabilities	120,844
Long-term liabilities, due within one year:	
Capital related liabilities	480,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,083,000
Non-capital related liabilities	191,811
Total Liabilities	<u>5,174,881</u>

**Net Position**

Net investment in capital assets	7,808,558
Restricted for:	
Expendable:	
School-based activities	861,192
Debt service	666,172
Forestry improvements	40,513
Unemployment benefits	97,422
Unrestricted	2,655,078
Total Net Position	<u>\$ 12,128,935</u>

**CALHOUN COUNTY SCHOOL DISTRICT**

**Statement of Activities  
For the Year Ended June 30, 2013**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Governmental Activities:</b>						
Instruction	\$ 11,260,630	\$ 472,572	\$ 1,432,489		\$ (9,355,569)	
Support services	6,842,903		1,103,169	76,445	(5,663,289)	
Non-instructional services	1,586,454	345,487	1,302,549		61,582	
Sixteenth section	17,553				(17,553)	
Interest and other expenses on long-term liabilities	173,825				(173,825)	
<b>Total Governmental Activities</b>	<b>\$ 19,881,365</b>	<b>\$ 818,059</b>	<b>\$ 3,838,207</b>	<b>76,445</b>	<b>\$ (15,148,654)</b>	

**General Revenues:**

Taxes:

General purpose levies 2,714,065

Debt purpose levies 218,593

Unrestricted grants and contributions:

State 11,905,165

Federal 195,870

Unrestricted investment earnings 5,124

Sixteenth section sources 14,792

Other 187,505

**Total General Revenues 15,241,114**

Change in Net Position 92,460

Net Position - Beginning, as previously reported 12,038,491

Prior Period Adjustments (2,016)

Net Position - Beginning, as restated 12,036,475

Net Position- Ending \$ 12,128,935

**CALHOUN COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
**June 30, 2013**

**Exhibit C**

	Major Funds				Total Governmental Funds
	General Fund	Title I - A Basic Fund	EHA IDEA Part B Fund	Other Governmental Funds	
<b>Assets</b>					
Cash and cash equivalents	\$ 2,554,248			1,406,640	3,960,888
Investments	13,572			166,618	180,190
Due from other governments	183,859	129,983	184,613	258,688	757,143
Due from other funds	370,696				370,696
Inventories				28,792	28,792
Prepaid items	5,245				5,245
Total assets	\$ 3,127,620	129,983	184,613	1,860,738	5,302,954
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 280,731			83	280,814
Due to other funds		129,983	184,613	56,100	370,696
Unearned revenue				18,412	18,412
Total Liabilities	280,731	129,983	184,613	74,595	669,922
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory				28,792	28,792
Prepaid items	5,245				5,245
<b>Restricted:</b>					
Debt service				787,016	787,016
Unemployment benefits				97,422	97,422
Forestry improvements				40,513	40,513
Food service				440,424	440,424
Sixteenth section interest				419,281	419,281
Other commitments				1,487	1,487
<b>Assigned:</b>					
Bus purchases	255,300				255,300
Activity funds	163,724				163,724
<b>Unassigned</b>	2,422,620			(28,792)	2,393,828
Total Fund Balances	2,846,889	-	-	1,786,143	4,633,032
Total Liabilities and Fund Balances	\$ 3,127,620	129,983	184,613	1,860,738	5,302,954

**CALHOUN COUNTY 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** \$ 4,633,032

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, net of accumulated depreciation.

Land	\$ 86,020	
Buildings	17,187,445	
Improvements other than buildings	402,507	
Mobile equipment	3,266,923	
Furniture and equipment	1,229,520	
Accumulated depreciation	<u>(9,800,857)</u>	12,371,558

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:

Limited obligation bonds	(2,038,000)	
Notes payable	(2,525,000)	
Compensated absences	(191,811)	
Accrued interest payable	<u>(120,844)</u>	<u>(4,875,655)</u>

**Net position of governmental activities** \$ 12,128,935

**CALHOUN COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Title I - A Basic Fund	EHA IDEA Part B Fund		
<b>Revenues:</b>					
Local sources	\$ 3,309,176		44	597,725	3,906,945
Intermediate sources	9,050				9,050
State sources	12,005,026			506,241	12,511,267
Federal sources	230,767	815,093	755,323	1,703,237	3,504,420
Sixteenth section sources				15,247	15,247
<b>Total Revenues</b>	<b>15,554,019</b>	<b>815,093</b>	<b>755,367</b>	<b>2,822,450</b>	<b>19,946,929</b>
<b>Expenditures:</b>					
Instruction	9,948,404	654,199	197,144	201,233	11,000,980
Support services	5,904,931	42,661	558,628	487,309	6,993,529
Noninstructional services	92,604	5,872	124	1,567,075	1,665,675
Sixteenth section				17,553	17,553
Debt service:					
Principal				498,886	498,886
Interest				183,913	183,913
Other				1,000	1,000
<b>Total Expenditures</b>	<b>15,945,939</b>	<b>702,732</b>	<b>755,896</b>	<b>2,956,969</b>	<b>20,361,536</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(391,920)	112,361	(529)	(134,519)	(414,607)
<b>Other Financing Sources (Uses):</b>					
Sale of transportation equipment	19,868				19,868
Operating transfers in	30,060	29,502		161,325	220,887
Other financing sources	25,937				25,937
Operating transfers out	(7,950)	(141,863)		(71,074)	(220,887)
Other financing uses	(25,937)				(25,937)
<b>Total Other Financing Sources (Uses)</b>	<b>41,978</b>	<b>(112,361)</b>	<b>-</b>	<b>90,251</b>	<b>19,868</b>
<b>Net Change in Fund Balances</b>	<b>(349,942)</b>	<b>-</b>	<b>(529)</b>	<b>(44,268)</b>	<b>(394,739)</b>
<b>Fund Balances:</b>					
July 1, 2012 - Beginning, as previously reported	3,233,552		529	1,802,140	5,036,221
Prior period adjustments	(36,721)			34,705	(2,016)
July 1, 2012 - Beginning, as restated	3,196,831			1,836,845	5,034,205
Decrease in inventory				(6,434)	(6,434)
June 30, 2013	\$ 2,846,889	-	-	1,786,143	4,633,032

**CALHOUN COUNTY 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** \$ (394,739)

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

1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets.	547,433	
Capital outlays		
Depreciation expense	(589,968)	(42,535)
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 assets differs from the change in fund balance by the cost of the assets sold.		(27,859)
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 the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the	498,886	
Payments of debt issued		
Accrued interest payable	11,088	509,974
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	54,054	
Change in inventory reserve	(6,434)	47,620
5. Rounding difference		(1)
<b>Change in net position of governmental activities</b>		<b>\$ 92,460</b>

**CALHOUN COUNTY SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Fiduciary Net Position  
June 30, 2013**

**Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 809,314
Total Assets	<u>\$ 809,314</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 735,676
Due to student clubs	73,638
Total Liabilities	<u>\$ 809,314</u>

**Calhoun County School District**

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

## **Calhoun County 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 a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

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

#### **B. Government-wide and Fund Financial Statements**

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. 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:

## Calhoun County School District

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position result 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 consist of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

Title I - A Basic Fund - This is the school district's federally funded program offering remedial mathematics, language arts, and reading instruction to eligible students under a school-wide structured project.

## Calhoun County School District

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

EHA IDEA Part B Fund - This fund accounts for the resources from the grants to states to assist them in providing a free appropriate public education to all children with disabilities.

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

The District's fiduciary funds include the following:

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

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

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

### FIDUCIARY FUNDS

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

## 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

## Calhoun County School District

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

eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

## Calhoun County School District

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

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

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

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

### **D. Encumbrances**

An encumbrance system is 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.

## Calhoun County School District

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

Investments for the district are reported at fair market value.

### 2. Receivables and payables

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

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

### 3. Due from Other Governments

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

### 4. Inventories and Prepaid Items

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

Prepaid items, such as prepaid insurance, are reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

### 5. Restricted Assets

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

### 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

## Calhoun County School District

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

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

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

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

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.

### 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

## Calhoun County School District

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

allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

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

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

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

### 9. Fund Balances

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

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

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

## Calhoun County School District

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

*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 District Maintenance revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop restoration plan to achieve and maintain the minimum fund balance.

### **Note 2 - Cash and Cash Equivalents and Investments**

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and

## Calhoun County School District

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

investments are imposed by statutes as follows:

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

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

### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,960,888 and \$809,314, 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

## Calhoun County School District

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

of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$5,886,788 was exposed to custodial credit risk.

#### Investments

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

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities in (years)</u>	<u>Fair Value</u>
Hancock Horizon Treasury Securities	A	N/A	\$ <u>180,190</u>
Money Market Funds			

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

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

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

#### A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I - A Basic Fund	\$ 129,983
	EHA IDEA Part B Fund	184,613
	Other Governmental Funds	<u>56,100</u>
Total		\$ <u>370,696</u>

## Calhoun County School District

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

Interfund loans exist primarily to avoid a deficit cash balance in federal funds. All balances are expected to be repaid within one year from the date of the financial statements.

### B. Inter-fund Transfers

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 30,060
Title I - A Basic Fund	Other Governmental Funds	29,502
Other Governmental Funds	Title I - A Basic Fund	141,863
	General Fund	7,950
	Other Governmental Funds	11,512
Total		<u>\$ 220,887</u>

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

### Note 4 - Restricted Assets

The restricted assets represent the investment balance, totaling \$166,618 of the MAEP Limited Obligation Bond/Note Fund.

### Note 5 - Capital Assets

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

	Balance 7-1-2012	Additions	Retirements	Balance 6-30-2013
<u>Non-depreciable capital assets:</u>				
Land	\$ 86,020			86,020
Total non-depreciable capital assets	<u>86,020</u>	<u>0</u>	<u>0</u>	<u>86,020</u>
<u>Depreciable capital assets:</u>				
Buildings	17,187,445			17,187,445
Improvements other than buildings	402,507			402,507
Mobile equipment	3,127,339	386,997	247,413	3,266,923
Furniture and equipment	1,086,791	160,436	17,707	1,229,520
Total depreciable capital assets	<u>21,804,082</u>	<u>547,433</u>	<u>265,120</u>	<u>22,086,395</u>
<u>Less accumulated depreciation for:</u>				
Buildings	6,576,666	296,530		6,873,196
Improvements other than buildings	239,208	4,940		244,148
Mobile equipment	1,910,431	181,078	222,671	1,868,838
Furniture and equipment	721,845	107,420	14,590	814,675
Total accumulated depreciation	<u>9,448,150</u>	<u>589,968</u>	<u>237,261</u>	<u>9,800,857</u>

## Calhoun County School District

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

	Balance 7-1-2012	Additions	Retirements	Balance 6-30-2013
Total depreciable capital assets, net	12,355,932	(42,535)	27,859	12,285,538
Governmental activities capital assets, net	\$ 12,441,952	(42,535)	27,859	12,371,558

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 295,609
Support services	270,061
Non-instructional	24,298
Total depreciation expense	\$ 589,968

#### Note 6 - Long-term Liabilities

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

	Balance 7-1-2012	Reductions	Balance 6-30-2013	Amounts due within one year
A. Limited obligation bonds payable	\$ 2,348,000	310,000	2,038,000	320,000
B. Three mill notes payable	2,680,000	155,000	2,525,000	160,000
C. Shortfall notes payable	33,886	33,886	0	
D. Compensated absences payable	245,865	54,054	191,811	
Total	\$ 5,307,751	552,940	4,754,811	480,000

#### A. Limited obligations bonds

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
MAEP Refunding Bonds	3.44%	07-31-08	05-01-18	\$ 3,083,000	2,038,000

## Calhoun County School District

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

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

Year Ending June 30		Principal	Interest	Total
2014	\$	320,000	64,603	384,603
2015		330,000	53,423	383,423
2017		340,000	41,900	381,900
2018		1,048,000	47,508	1,095,508
Total	\$	<u>2,038,000</u>	<u>207,434</u>	<u>2,245,434</u>

This debt will be retired from the MAEP Capital Improvement Bonds Retirement Fund.

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

### B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three Mill Note	4%	08-13-08	08-01-25	\$ <u>3,100,000</u>	<u>2,525,000</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	101,000	261,000
2015		165,000	94,600	259,600
2017		170,000	88,000	258,000
2018		180,000	81,200	261,200
2019 - 2023		1,010,000	252,200	1,262,200
2024 - 2026		840,000	121,600	961,600
Total	\$	<u>2,525,000</u>	<u>738,600</u>	<u>3,263,600</u>

This debt will be retired from the Three Mill Notes Debt Retirement Fund (4021).

## **Calhoun County School District**

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

This note is partially secured by the District's pledge to utilize its allocation of state funds received through the Mississippi Department of Education and generated from sales tax revenues for buildings and buses titled Education Enhancement Funds ("EEF - Buildings and Buses"), created pursuant to Mississippi Code Section 37-61-33. The EEF Buildings and Buses pledge is to secure the approximately \$76,445 EEF - Buildings and Buses allocation each year toward debt retirement of the District's 2008 3 Mill Note issue for each year from 2009 through 2025 maturity.

### **C. Shortfall notes payable**

This debt was paid off during the year and retired from the Shortfall Notes Debt Retirement Fund.

### **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 - Defined Benefit Pension Plan**

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

**Funding Policy.** PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$1,534,317, \$1,342,571, and \$1,260,052, respectively, which equaled the required contributions for each year.

## **Calhoun County School District**

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

### **Note 8 - 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. The district has not had an additional assessment for excess losses incurred by the pool.

### **Note 9 - Contingencies**

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

## Calhoun County School District

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

### Note 10 - Sixteenth Section Lands

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

Year Ending June 30		Amount
2014	\$	11,862
2015		11,862
2016		11,862
2017		6,663
2018		6,663
2019 - 2023		29,565
2024 - 2028		25,743
2029 - 2033		17,793
2034 - 2038		5,553
Total	\$	<u>127,566</u>

### Note 11 - 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 requiring disclosure in the notes to the financial statements:

On October 28, 2013, the district approved purchase of five (5) buses in the amount of \$272,500.

## Calhoun County School District

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

### Note 12 - Prior Period Adjustments

A summary of significant net position/fund balance adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
See explanation below	\$ <u><u>(2,016)</u></u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	An adjustment made to correctly present due to/from funds.	\$ (36,721)
Other Governmental Funds	An adjustment made to correctly present due to/from funds.	<u>34,705</u>
		\$ <u><u>(2,016)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**CALHOUN COUNTY SCHOOL DISTRICT**

**Exhibit 1**

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
<b>Revenues:</b>					
Local sources	\$ 3,185,255	3,686,126	3,309,176	500,871	(376,950)
Intermediate sources	11,998,198	9,050	9,050	(11,989,148)	0
State sources	208,656	11,998,198	12,005,026	11,789,542	6,828
Federal sources		208,656	230,767	208,656	22,111
Total Revenues	<u>15,392,109</u>	<u>15,902,030</u>	<u>15,554,019</u>	<u>509,921</u>	<u>(348,011)</u>
<b>Expenditures:</b>					
Instruction	9,832,110	9,983,609	9,948,404	(151,499)	35,205
Support services	7,104,817	6,641,765	5,904,931	463,052	736,834
Noninstructional services	113,211	130,161	92,604	(16,950)	37,557
Total Expenditures	<u>17,050,138</u>	<u>16,755,535</u>	<u>15,945,939</u>	<u>294,603</u>	<u>809,596</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,658,029)</u>	<u>(853,505)</u>	<u>(391,920)</u>	<u>804,524</u>	<u>461,585</u>
<b>Other Financing Sources (Uses):</b>					
Sale of transportation equipment		20,000	19,868	20,000	(132)
Operating transfers in	186,820	175,723	30,060	(11,097)	(145,663)
Other financing sources	74,271	63,341	25,937	(10,930)	(37,404)
Operating transfers out	(169,716)	(125,335)	(7,950)	44,381	117,385
Other financing uses	(74,936)	(63,341)	(25,937)	11,595	37,404
Total Other Financing Sources (Uses)	<u>16,439</u>	<u>70,388</u>	<u>41,978</u>	<u>53,949</u>	<u>(28,410)</u>
Net Change in Fund Balances	<u>(1,641,590)</u>	<u>(783,117)</u>	<u>(349,942)</u>	<u>858,473</u>	<u>433,175</u>
<b>Fund Balances:</b>					
July 1, 2012, as previously reported	3,248,605	3,248,605	3,233,552	0	(15,053)
Prior period adjustments	(15,053)	(15,053)	(36,721)	0	(21,668)
July 1, 2012, as restated	<u>3,233,552</u>	<u>3,233,552</u>	<u>3,196,831</u>	<u>0</u>	<u>(36,721)</u>
June 30, 2013	<u>\$ 1,591,962</u>	<u>2,450,435</u>	<u>2,846,889</u>	<u>858,473</u>	<u>396,454</u>

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

**CALHOUN COUNTY SCHOOL DISTRICT**

**Exhibit 2**

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 937,182	833,004	815,093	(104,178)	(17,911)
Total Revenues	<u>937,182</u>	<u>833,004</u>	<u>815,093</u>	<u>(104,178)</u>	<u>(17,911)</u>
<b>Expenditures:</b>					
Instructional	613,535	718,167	654,199	(104,632)	63,968
Support services	1,502	43,014	42,661	(41,512)	353
Noninstructional	2,075	8,878	5,872	(6,803)	3,006
Total Expenditures	<u>617,112</u>	<u>770,059</u>	<u>702,732</u>	<u>(152,947)</u>	<u>67,327</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>320,070</u>	<u>62,945</u>	<u>112,361</u>	<u>(257,125)</u>	<u>49,416</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	0	50,000	29,502	50,000	(20,498)
Operating transfers out	0	(172,232)	(141,863)	(172,232)	30,369
Total Other Financing Sources (Uses)	<u>0</u>	<u>(122,232)</u>	<u>(112,361)</u>	<u>(122,232)</u>	<u>9,871</u>
Net Change in Fund Balances	<u>320,070</u>	<u>(59,287)</u>	<u>0</u>	<u>(379,357)</u>	<u>59,287</u>
Fund Balances:					
July 1, 2012	0	0	0	0	0
June 30, 2013	<u>\$ 320,070</u>	<u>(59,287)</u>	<u>0</u>	<u>(379,357)</u>	<u>59,287</u>

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

**CALHOUN COUNTY SCHOOL DISTRICT**

**Exhibit 3**

Budgetary Comparison Schedule  
 EHA IDEA Part B Fund  
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 0	44	44	44	0
Federal sources	565,077	861,747	755,323	296,670	(106,424)
Total Revenues	<u>565,077</u>	<u>861,791</u>	<u>755,367</u>	<u>296,714</u>	<u>(106,424)</u>
<b>Expenditures:</b>					
Instruction	221,836	217,103	197,144	4,733	19,959
Support services	336,455	641,717	558,628	(305,262)	83,089
Noninstructional services	0	3,500	124	(3,500)	3,376
Total Expenditures	<u>558,291</u>	<u>862,320</u>	<u>755,896</u>	<u>(304,029)</u>	<u>106,424</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,786</u>	<u>(529)</u>	<u>(529)</u>	<u>(7,315)</u>	<u>0</u>
Net Change in Fund Balances	<u>6,786</u>	<u>(529)</u>	<u>(529)</u>	<u>(7,315)</u>	<u>0</u>
Fund Balances:					
July 1, 2012	<u>529</u>	<u>529</u>	<u>529</u>	<u>0</u>	<u>0</u>
June 30, 2013	<u>\$ 7,315</u>	<u>0</u>	<u>0</u>	<u>(7,315)</u>	<u>0</u>

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## **Calhoun County School District**

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

### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget amendments and revisions

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

## SUPPLEMENTARY INFORMATION

**Calhoun County School District**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2013

**Schedule 1**

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Federal Expenditures</b>
<b><u>U. S. DEPARTMENT OF AGRICULTURE/</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 384,484
National School Lunch Program	10.555	1,018,491
Total child nutrition cluster		<u>1,402,975</u>
Total passed-through the Mississippi Department of Education		<u>1,402,975</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<u><u>1,402,975</u></u>
<b><u>FEDERAL COMMUNICATIONS COMMISSION</u></b>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	87,899
<b>TOTAL FEDERAL COMMUNICATIONS COMMISSION</b>		<u><u>87,899</u></u>
<b><u>U.S. DEPARTMENT OF DEFENSE</u></b>		
Passed through Calhoun County		
Flood Control Projects	12.106	39,554
Total passed-through Calhoun County		<u>39,554</u>
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>		<u><u>39,554</u></u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	844,596
Migrant Education - State Grant Program	84.011	1,688
Career and Technical Education - Basic Grants to States	84.048	31,014
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	3,972
Rural Education	84.358	43,144
English Language Acquisition Grants	84.365	43,843
Improving Teacher Quality - State Grants	84.367	112,401
Teacher Incentive Fund	84.374	120,234
Sub-total		<u>1,200,892</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	755,896
Special Education - Preschool Grants	84.173	15,346
Total special education cluster		<u>771,242</u>
Total passed-through the Mississippi Department of Education		<u>1,972,134</u>
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>		<u><u>1,972,134</u></u>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>		
Passed-through Mississippi Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially declared disasters)	97.036	2,195
Total passed-through the Mississippi Emergency Management Agency		<u>2,195</u>
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>		<u><u>2,195</u></u>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<u><u>\$ 3,504,757</u></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.

**Calhoun County School District**

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

Schedule 2

<b>Expenditures</b>		<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$	14,889,255	11,175,561	787,667	999,118	1,926,909
Other		5,472,281	1,374,459	208,874	49,099	3,839,849
Total	\$	<u>20,361,536</u>	<u>12,550,020</u>	<u>996,541</u>	<u>1,048,217</u>	<u>5,766,758</u>
Total number of students *		<u>2,524</u>				
Cost per student	\$	<u>8,067</u>	<u>4,972</u>	<u>395</u>	<u>415</u>	<u>2,285</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; Support Services - Business

School Administration - includes expenditures for the following functions: Support Services - School Administration

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

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

## OTHER INFORMATION

**CALHOUN COUNTY SCHOOL DISTRICT**

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

"UNAUDITED"

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 3,309,176	3,276,483	3,189,199	3,061,579
Intermediate sources	9,050			
State sources	12,005,026	12,089,547	11,414,447	11,540,427
Federal sources	230,767	247,830	276,837	189,880
Total Revenues	<u>15,554,019</u>	<u>15,613,860</u>	<u>14,880,483</u>	<u>14,791,886</u>
<b>Expenditures:</b>				
Instruction	9,948,404	9,350,709	7,812,828	9,490,271
Support services	5,904,931	6,044,916	5,271,452	5,404,625
Noninstructional services	92,604	91,617	89,797	96,556
Facilities acquisition and construction				123,500
Total Expenditures	<u>15,945,939</u>	<u>15,487,242</u>	<u>13,174,077</u>	<u>15,114,952</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(391,920)</u>	<u>126,618</u>	<u>1,706,406</u>	<u>(323,066)</u>
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries			29,717	426
Sale of transportation equipment	19,868	3,101		7,154
Operating transfers in	30,060	81,244	67,277	242,212
Other financing sources	25,937	32,842	41,869	31,743
Operating transfers out	(7,950)	(54,205)	(128,892)	(35,097)
Other financing uses	(25,937)	(32,882)	(41,889)	(31,743)
Total Other Financing Sources (Uses)	<u>41,978</u>	<u>30,100</u>	<u>(31,918)</u>	<u>214,695</u>
Net Change in Fund Balances	<u>(349,942)</u>	<u>156,718</u>	<u>1,674,488</u>	<u>(108,371)</u>
<b>Fund Balances:</b>				
July 1, as previously reported	3,233,552	3,076,834	1,452,133	1,560,504
Prior period adjustment	(36,721)		(49,787)	
July 1, as restated	<u>3,196,831</u>	<u>3,076,834</u>	<u>1,402,346</u>	<u>1,560,504</u>
June 30,	<u>\$ 2,846,889</u>	<u>3,233,552</u>	<u>3,076,834</u>	<u>1,452,133</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**CALHOUN COUNTY SCHOOL DISTRICT**

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

"UNAUDITED"

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 3,906,945	3,865,050	3,800,114	3,672,359
Intermediate sources	9,050			
State sources	12,511,267	12,628,335	11,959,292	12,081,913
Federal sources	3,504,420	3,715,245	5,027,975	4,711,076
Sixteenth section sources	15,247	29,463	72,312	200,195
Total Revenues	<u>19,946,929</u>	<u>20,238,093</u>	<u>20,859,693</u>	<u>20,665,543</u>
<b>Expenditures:</b>				
Instruction	11,000,980	10,741,883	10,454,994	11,966,031
Support services	6,993,529	7,004,671	6,559,645	6,577,174
Noninstructional services	1,665,675	1,545,118	1,526,332	1,535,422
Sixteenth section	17,553	16,881	15,952	11,787
Facilities acquisition and construction				193,730
Debt service:				
Principal	498,886	477,664	461,283	280,000
Interest	183,913	201,427	218,356	221,950
Other	1,000	1,035	1,200	2,168
Total Expenditures	<u>20,361,536</u>	<u>19,988,679</u>	<u>19,237,762</u>	<u>20,788,262</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(414,607)</u>	<u>249,414</u>	<u>1,621,931</u>	<u>(122,719)</u>
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries			29,717	426
Sale of transportation equipment	19,868	3,101		7,154
Sale of other property		670		
Operating transfers in	220,887	256,136	486,315	568,712
Other financing sources	25,937	32,842	41,869	31,743
Operating transfers out	(220,887)	(256,136)	(486,315)	(568,712)
Other financing uses	(25,937)	(32,882)	(42,148)	(31,806)
Total Other Financing Sources (Uses)	<u>19,868</u>	<u>3,731</u>	<u>29,438</u>	<u>7,517</u>
Net Change in Fund Balances	<u>(394,739)</u>	<u>253,145</u>	<u>1,651,369</u>	<u>(115,202)</u>
<b>Fund Balances:</b>				
July 1, as previously reported	5,036,221	4,789,860	3,173,450	3,283,605
Prior period adjustments	(2,016)	-	(49,787)	-
July 1, as restated	<u>5,034,205</u>	<u>4,789,860</u>	<u>3,123,663</u>	<u>3,283,605</u>
Increase (Decrease) in inventory	(6,434)	(6,784)	14,828	5,047
June 30,	<u>\$ 4,633,032</u>	<u>5,036,221</u>	<u>4,789,860</u>	<u>3,173,450</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL 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  
Calhoun County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Calhoun County School District's basic financial statements, and have issued our report thereon dated January 22, 2014.

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

## **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  
January 22, 2014

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  
Calhoun County School District

**Report on Compliance for Each Major Federal Program**

We have audited Calhoun County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Calhoun County School District's major federal programs for the year ended June 30, 2013. The Calhoun County 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 Calhoun County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 Calhoun County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Finding 2013-1. Our opinion on each major federal program is not modified with respect to these matters.

## **Report on Internal Control Over Compliance**

Management of the Calhoun County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Calhoun County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2013-1, that we consider to be a significant deficiency.

Calhoun County School District's response to the internal control over compliance finding identified in our audit is described in the accompanying auditee's corrective action plan. Calhoun County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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  
January 22, 2014

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  
Calhoun County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Calhoun County School District as of and for the year ended June 30, 2013, which collectively comprise Calhoun County School District's basic financial statements and have issued our report thereon dated January 22, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to 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 \$877 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  
January 22, 2014

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Calhoun County School District**

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

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: 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? Yes
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? Yes.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.027 & 84.173	Special Education Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? Yes.

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 disclosed the following finding and questioned cost related to the federal awards.

#### **Significant Deficiency:**

##### Finding 2013-1:

Special Education Program: CFDA# 84.027 & 84.127

Compliance requirement: Allowable costs

According to the provisions of OMB Circular A-87, the district is required to document employee time and effort for prorated employees and semi-annual certification for non-prorated employees.

During the course of our audit, we noted semi-annual certifications were not completed as required.

##### Recommendation:

The District should implement controls and procedures to ensure employee time and effort for prorated employees and semi-annual certification for non-prorated employees are properly documented.

## AUDITEE'S CORRECTIVE ACTION PLAN

**Calhoun County School District**  
119 West Main Street  
Pittsboro, MS 38951  
**Mr. Mike Moore - Superintendent**  
**Jo Lynn Clanton - Director of Finance**

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section \_\_\_\_315(c) of OMB Circular A-133, the Calhoun County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2013:

Finding

Corrective Action Plan Details

2013-1

a. Name of Contact Person Responsible for Corrective Action

Name: Jo Lynn Clanton  
Title: Business Manager  
Phone: 662-412-3152

b. Corrective Action Planned:

The District will implement controls and procedures to ensure employee time and effort for prorated employees and semi-annual certification for non-prorated employees are properly documented.

c. Anticipated Completion Date:

6/30/2014