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.

CHOCTAW COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2013

CHOCTAW COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	14
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	15
Exhibit B – Statement of Activities	16
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	17
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	19
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Net Position	21
Exhibit F – Statement of Changes in Fiduciary Net Position	22
Notes to the Financial Statements	23
REQUIRED SUPPLEMENTARY INFORMATION	41
Budgetary Comparison Schedule – General Fund	42
Budgetary Comparison Schedule – Title I Fund	43
Budgetary Comparison Schedule – Title II Fund	44
Budgetary Comparison Schedule – EHA Part B Fund	45
Budgetary Comparison Schedule – 16th Section Interest Fund	46
Notes to the Required Supplementary Information	47
SUPPLEMENTARY INFORMATION	48
Schedule of Expenditures of Federal Awards	49
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	50
OTHER INFORMATION	51
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	52
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	53
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	54
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 Government Auditing Standards	55
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	57
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	59
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	62
AUDITEES CORRECTIVE ACTION PLAN	66

INDEPENDENT AUDITOR'S REPORT

WWS

WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

521 N Church St. P .O. Box 270 Louisville, MS 39339
Phone (662) 773-7841 Fax (662) 773-9236

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Aubrey R. Holder, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Michael L. Pierce, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Choctaw 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 Choctaw 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 Choctaw 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 Choctaw 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 5-13 and 42-47 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 Choctaw 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 November 6, 2013, on our consideration of the Choctaw 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 Choctaw County School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

November 6, 2013

Watkins, Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2013 decreased $ 91,777, including a prior period adjustment of ($27,867), which represents a .84% decrease from fiscal year 2012. Total net position for 2012 decreased $ 2,240, including a prior period adjustment of $ 79,599, which represents a .02% decrease from fiscal year 2011.

- General revenues amounted to $ 11,738,668 and $ 11,681,702, 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 $ 3,679,872, or 24% of total revenues for 2013, and $ 3,839,348, or 25 % of total revenues for 2012.

- The District had $ 15,482,450 and $ 15,602,889 in expenses for fiscal years 2013 and 2012; only $ 3,679,872 for 2013 and $ 3,839,348 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $ 11,738,668 for 2013 and $ 11,681,702 for 2012 were not adequate to provide for these programs.

- Among major funds, the General Fund had $ 11,249,688 in revenues and $ 11,685,925 in expenditures for 2013, and $ 11,286,201 in revenues and $ 11,223,308 in expenditures in 2012. The General Fund's fund balance decreased by $ 46,875, including a prior period adjustment of $ 13,074, from 2012 to 2013, and increased by $ 222,512 from 2011 to 2012.

- Capital assets, net of accumulated depreciation, decreased by $ 143,460 for 2013 and decreased by $ 278,887 for 2012. The decrease for 2013 was due to the depreciation expense recorded in 2013.

- Long-term debt decreased by $ 414,550 for 2013 and decreased by $ 419,175 for 2012. This decrease for 2013 was due primarily to payments on outstanding long-term debt. The liability for compensated absences increased by $ 4,934 for 2013 and decreased by $ 4,225 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The Statement of Net Position presents information on all the District's non-fiduciary 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 on long-term liabilities.

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as 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 $ 10,859,642 as of June 30, 2013.

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	$ 4,758,619	$ 5,417,745	-12.17%
Restricted assets	507,668	502,595	1.01%
Capital assets, net	9,313,914	9,457,374	-1.52%
Total assets	14,580,201	15,377,714	**-5.19%**
Current liabilities	163,122	454,308	-64.09%
Long-term debt outstanding	3,557,437	3,971,987	-10.44%
Total liabilities	3,720,559	4,426,295	**-15.94%**
Net position:			
Net investment in capital assets	6,402,914	6,166,374	3.84%
Restricted	2,619,415	3,046,776	-14.03%
Unrestricted	1,837,313	1,738,269	5.70%
Total net position	$ 10,859,642	$ 10,951,419	**-0.84%**

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 $ 143,460.
- The principal retirement of $ 419,484 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 $ 15,418,540 and $ 15,521,050, respectively. The total cost of all programs and services was $ 15,482,450 for 2013 and $ 15,602,889 for 2012.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2013	Year Ended June 30, 2012	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 741,294	$ 683,831	8.40%
Operating grants and contributions	2,710,078	3,155,517	-14.12%
Capital grants and contributions	228,500	-	N/A%
General revenues:			
Property taxes	4,538,006	4,417,981	2.72%
Grants and contributions not restricted	6,657,037	6,731,733	-1.11%
Investment earnings	29,712	8,409	253.34%
Sixteenth section sources	430,708	409,416	5.20%
Other	83,205	114,163	-27.12%
Total revenues	**15,418,540**	**15,521,050**	**-0.66%**
Expenses:			
Instruction	8,800,648	8,958,451	-1.76%
Support services	5,496,266	5,503,681	-0.13%
Non-instructional	877,779	872,244	0.63%
Sixteenth section	174,761	119,701	46.00%
Interest on long-term liabilities	132,996	148,812	-10.63%
Total expenses	**15,482,450**	**15,602,889**	**-0.77%**
Increase (Decrease) in net position	**(63,910)**	**(81,839)**	**21.91%**
Net Position, July 1, as previously reported	**10,951,419**	**10,953,659**	**-0.02%**
Prior Period Adjustment	**(27,867)**	**79,599**	**-135.01%**
Net Position, July 1, as restated	**10,923,552**	**11,033,258**	**-0.99%**
Net Position, June 30	$ **10,859,642**	$ **10,951,419**	**-0.84%**

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2013	2012	Change
Instruction	$ 8,800,648	$ 8,958,451	(1.76) %
Support services	5,496,266	5,503,681	(0.13) %
Non-instructional	877,779	872,244	0.63 %
Sixteenth section	174,761	119,701	46.00 %
Interest on long-term liabilities	132,996	148,812	(10.63) %
Total expenses	**$ 15,482,450**	**$ 15,602,889**	**(0.77) %**

	Net (Expense) Revenue		Percentage
	2013	2012	Change
Instruction	$ (7,049,902)	$ (6,734,891)	4.68 %
Support services	(4,542,118)	(4,841,586)	(6.19) %
Non-instructional	32,917	20,427	61.14 %
Sixteenth section	(110,479)	(58,679)	88.28 %
Interest on long-term liabilities	(132,996)	(148,812)	(10.63) %
Total net (expense) revenue	**$ (11,802,578)**	**$ (11,763,541)**	**0.33 %**

- Net cost of governmental activities ($11,802,578 for 2013 and $ 11,763,541 for 2012) was financed by general revenue, which is primarily made up of property taxes ($ 4,538,006 for 2013 and $ 4,417,981 for 2012) and state and federal revenues ($ 6,657,037 for 2013 and $ 6,731,733 for 2012). In addition, there was $ 430,708 and $ 409,416 in Sixteenth Section sources for 2013 and 2012, respectively.

- Investment earnings amounted to $ 29,712 for 2013 and $ 8,409 for 2012.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $ 5,043,876, a decrease of $ 479,032, which includes a prior period adjustment of $ 21,914 and a decrease in inventory of $3,660. $ 2,137,684 or 42.38% 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 $ 2,906,192 or 57.62% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was $ 46,875, which includes a prior period adjustment of 13,074. The fund balance of Other Governmental Funds showed an increase in the amount of $ 14,631, which includes a prior period adjustment of $ 8,840 and a decrease in reserve for inventory of $ 3,660, due primarily to the recording of the change in inventory during the year. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	no increase or decrease
Title II Fund	no increase or decrease
EHA Part B Fund	no increase or decrease
16th Section Interest Fund	$ (446,788)

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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were $ 15,626,116, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of $ 270,880 from 2012. Total accumulated depreciation as of June 30, 2013, was $ 6,312,202, and total depreciation expense for the year was $ 358,731, resulting in total net capital assets of $ 9,313,914.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2013	June 30, 2012	Percentage Change
Land	$ 100,072	$ 100,072	0.00 %
Buildings	8,368,327	8,390,990	(0.27) %
Building improvements	163,597	173,220	(5.56) %
Improvements other than buildings	10,788	10,788	0.00 %
Mobile equipment	574,622	647,409	(11.24) %
Furniture and equipment	96,508	134,895	(28.46) %
Total	**$ 9,313,914**	**$ 9,457,374**	**(1.52) %**

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 $ 3,557,437 in outstanding long-term debt, of which $ 421,347 is due within one year. The liability for compensated absences increased $4,934 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2013	June 30, 2012	Percentage Change
Limited obligation bonds payable	$ 1,535,000	$ 1,768,000	(13.18) %
Three mill notes payable	1,376,000	1,523,000	(9.65) %
Obligations under energy efficiency leases	513,291	552,775	(7.14) %
Compensated absences payable	133,146	128,212	3.85 %
Total	**$ 3,557,437**	**$ 3,971,987**	**(10.44) %**

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

CURRENT ISSUES

The Choctaw County School District is financially stable. As a consolidated school district, Choctaw County School District tries to maintain good working relationships with all the Choctaw County governments. The district realizes the importance of all facets of the local governments working together for the growth and improvement of the community.

The District's enrollment for the 2012-2013 year increased by 6%, or by 87 students, to 1,513 students.

During the current year the school district successfully consolidated the two high schools (7-12) of Ackerman High School and Weir High School to form one consolidated high school (Choctaw County High School). This was considered necessary to solidify the financial stability of the school district moving forward into the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Choctaw County School District, P.O. Drawer 398, Ackerman, MS 39735.

FINANCIAL STATEMENTS

Choctaw County School District
Statement of Net Position
June 30, 2013

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	$ 4,044,502
Investments	115,401
Due from other governments	533,701
Accrued interest receivable	456
Other receivables, net	35,041
Inventories	29,518
Restricted assets	507,668
Capital assets, non-depreciable:	
Land	100,072
Capital assets, net of accumulated depreciation:	
Buildings	8,368,327
Building improvements	163,597
Improvements other than buildings	10,788
Mobile equipment	574,622
Furniture and equipment	96,508
Total Assets	14,580,201
Liabilities	
Accounts payable and accrued liabilities	111,042
Interest payable on long-term liabilities	52,080
Long-term liabilities, due within one year:	
Capital related liabilities	380,000
Non-capital related liabilities	41,347
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,531,000
Non-capital related liabilities	605,090
Total Liabilities	3,720,559
Net Position	
Net investment in capital assets	6,402,914
Restricted for:	
Expendable:	
School-based activities	1,772,277
Debt service	229,936
Forestry improvements	199,563
Unemployment benefits	34,635
Non-expendable:	
Sixteenth section	383,004
Unrestricted	1,837,313
Total Net Position	$ 10,859,642

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

Choctaw County School District
Statement of Activities
For The Fiscal Year Ended June 30, 2013

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$ 8,800,648	$ 458,045	$ 1,292,701	$ -	$ (7,049,902)
Support services	5,496,266	-	725,648	228,500	(4,542,118)
Non-instructional	877,779	218,967	691,729	-	32,917
Sixteenth section	174,761	64,282	-	-	(110,479)
Interest on long-term liabilities	132,996		-	-	(132,996)
Total Governmental Activities	$ 15,482,450	$ 741,294	$ 2,710,078	$ 228,500	$ (11,802,578)

General Revenues:	
Taxes:	
General purpose levies	4,358,175
Debt purpose levies	179,831
Unrestricted grants and contributions:	
State	6,470,282
Federal	186,755
Unrestricted investment earnings	29,712
Sixteenth section sources	430,708
Other	83,205
Total General Revenues	11,738,668
Change in Net Position	(63,910)
Net Position - Beginning, as previously reported	10,951,419
Prior Period Adjustments	(27,867)
Net Position - Beginning, as restated	10,923,552
Net Position - Ending	$ 10,859,642

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

Choctaw County School District **Exhibit C**
Governmental Funds
Balance Sheet
June 30, 2013

	Major Funds						
	General Fund	Title I Fund	Title II Fund	EHA Part B Fund	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	$ 2,122,861	$ 1,376	$ 5,610	$ 31	$ 1,353,898	$ 562,353	$ 4,046,129
Cash with fiscal agents	-	-	-	-	-	124,664	124,664
Investments	15,401	-	-	-	-	481,377	496,778
Due from other governments	109,180	95,007	24,297	33,071	-	160,777	422,332
Accrued interest receivable	-	-	-	-	-	456	456
Other receivables, net	-	-	-	-	5,782	-	5,782
Due from other funds	187,268	-	-	-	-	-	187,268
Inventories	-	-	-	-	-	29,518	29,518
Total assets	$ 2,434,710	$ 96,383	$ 29,907	$ 33,102	$ 1,359,680	$ 1,359,145	$ 5,312,927
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	$ 62,329	$ 1,376	$ 5,610	$ 31	$ 32,438	$ 9,258	$ 111,042
Due to other funds	-	95,007	24,297	33,071	-	5,634	158,009
Total Liabilities	62,329	96,383	29,907	33,102	$ 32,438	14,892	269,051
Fund Balances:							
Nonspendable:							
Inventory	-	-	-	-	-	29,518	29,518
Permanent fund principal	-	-	-	-	-	383,004	383,004
Restricted:							
Debt service	-	-	-	-	-	282,016	282,016
Forestry improvement purposes	-	-	-	-	-	199,563	199,563
Grant activities	-	-	-	-	-	415,517	415,517
Unemployment benefits	-	-	-	-	-	34,635	34,635
16th section interest	-	-	-	-	1,327,242	-	1,327,242
Assigned:							
Activity funds	196,372	-	-	-	-	-	196,372
Other	33,584	-	-	-	-	-	33,584
JROTC	4,741	-	-	-	-	-	4,741
Unassigned	2,137,684	-	-	-	-	-	2,137,684
Total Fund Balances	2,372,381	-	-	-	1,327,242	1,344,253	5,043,876
Total Liabilities and Fund Balances	$ 2,434,710	$ 96,383	$ 29,907	$ 33,102	$ 1,359,680	$ 1,359,145	$ 5,312,927

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

Choctaw 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		$ 5,043,876
Amounts reported for governmental activities in the statement of net position are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	$ 100,072	
Buildings	12,827,575	
Building improvements	240,583	
Improvements other than buildings	53,940	
Mobile equipment	2,032,512	
Furniture and equipment	371,434	
Accumulated depreciation	(6,312,202)	9,313,914
2. Some of the district's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures. These amounts are recorded as a receivable in the statement of net position.		111,369
3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds		
Limited obligation bonds	$ (1,535,000)	
Notes payable	(1,376,000)	
Obligations under energy efficiency lease	(513,291)	
Compensated absences	(133,146)	
Accrued interest payable	(52,080)	(3,609,517)
Net position of governmental activities		$ 10,859,642

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

Choctaw County School District **Exhibit D**
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For The Year Ended June 30, 2013

	Major Funds						
	General Fund	Title I Fund	Title II Fund	EHA Part B Fund	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Local sources	$ 5,002,294	$ -	$ -	$ -	$ -	$ 418,528	$ 5,420,822
State sources	5,973,654	-	-	-	-	1,008,718	6,982,372
Federal sources	273,740	858,503	149,226	312,876	-	790,398	2,384,743
Sixteenth section sources	-	-	-	-	434,584	66,567	501,151
Total Revenues	11,249,688	858,503	149,226	312,876	434,584	2,284,211	15,289,088
Expenditures:							
Instruction	6,963,130	662,348	112,086	78,409	-	766,617	8,582,590
Support services	4,654,704	171,530	32,383	234,467	-	535,269	5,628,353
Noninstructional services	2,521	13,215	-	-	-	845,741	861,477
Sixteenth section	-	-	-	-	56,237	118,524	174,761
Debt service:							
Principal	39,484	-	-	-	-	380,000	419,484
Interest	26,086	-	-	-	-	110,456	136,542
Other	-	-	-	-	-	1,250	1,250
Total Expenditures	11,685,925	847,093	144,469	312,876	56,237	2,757,857	15,804,457
Excess (Deficiency) of Revenues over (under) Expenditures	(436,237)	11,410	4,757	0	378,347	(473,646)	(515,369)
Other Financing Sources (Uses):							
Insurance recovery	15,983	-	-	-	-	-	15,983
Sale of other property	2,100	-	-	-	-	-	2,100
Operating transfers in	841,906	-	-	-	-	483,701	1,325,607
Operating transfers out	(483,701)	(11,410)	(4,757)	-	(825,135)	(604)	(1,325,607)
Total Other Financing Sources (Uses)	376,288	(11,410)	(4,757)	0	(825,135)	483,097	18,083
Net Change in Fund Balances	(59,949)	0	0	0	(446,788)	9,451	(497,286)
Fund Balances:							
July 1, 2012, as previously reported	2,419,256	-	-	-	1,774,030	1,329,622	5,522,908
Prior period adjustments	13,074	-	-	-	-	8,840	21,914
July 1, 2012, as restated	2,432,330	0	0	0	1,774,030	1,338,462	5,544,822
Increase (Decrease) in reserve for inventory	-	-	-	-	-	(3,660)	(3,660)
June 30, 2013	$ 2,372,381	$ 0	$ 0	$ 0	1,327,242	$ 1,344,253	$ 5,043,876

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

Choctaw County School District **Exhibit D-1**
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

Net change in fund balances - total governmental funds		$ (497,286)
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 268,000	
Depreciation expense	(358,731)	(90,731)
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.		(2,948)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Payments of debt principal	419,484	
Accrued interest payable	4,796	
		424,280
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 due from other governments	111,369	
Change in compensated absences	(4,934)	
Change in inventory reserve	(3,660)	
		102,775
Change in net position of governmental activities		$ (63,910)

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

Choctaw County School District **Exhibit E**
Fiduciary Funds
Statement of Fiduciary Net Position
6/30/2013

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	$ 13,509	$ 635,614
Investments	31,121	-
Accrued interest receivable	140	-
Total Assets	44,769	$ 635,614
Liabilities		
Accounts payable and accrued liabilities	$ -	$ 508,889
Due to other funds	-	29,259
Due to student clubs	-	97,466
Total Liabilities	$ -	$ 635,614
Net Position		
Reserved for endowments	44,769	
Total Net Position	$ 44,769	

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

Choctaw County School District **Exhibit F**
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2013

	Private-Purpose Trust Funds
Additions	
Interest on investments	$ 145
Contributions and donations from private sources	6,388
Total Additions	6,533
Deductions	
Scholarships awarded	4,500
Total Deductions	4,500
Change in Net Assets	2,033
Net Position	
July 1, 2012,	42,736
June 30, 2013	$ 44,769

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

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, Choctaw 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:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

Title I Fund- This is a special revenue fund used to account for revenue and expenditures of the federal program which is used to improve the teaching and learning of children most at-risk of failing in order to meet the challenging state academic standards. The program allows the district to upgrade the overall instructional program of the schools.

Title II Fund- This is the special revenue fund that accounts for the federal revenue received and expenditures incurred related to administering the Improving Teacher Quality grant.

EHA Part B Fund- This is the special revenue fund used to account for funds received from the "Individuals with Disabilities Education Act" to provide a free and appropriate education to all children with disabilities.

16th Section Interest Fund- This Fund accounts for investment activity financed through Sixteenth Section property rental activity and timber sales less expenditures or maintenance and improvements to said property.

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

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

The District's fiduciary funds include the following:

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

Student Club Fund – This fund accounts for the funds raised through school club activities and fundraisers and club related expenditures approved by the individual clubs.

Scholarship Funds – The eight (8) private purpose trust funds serve to report all trust arrangements.

Accounts Payable Clearing Fund – This fund serves as a clearing fund for payables outstanding at year end.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

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

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

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

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

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

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

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

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

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. 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/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 5% of general revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $ 4,542,907 (which includes $ 496,778 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and $ 680,244 (which includes $ 31,121 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments), respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of $ 5,438,194 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was $ 124,664.

Investments

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

Investment Type	Rating	Maturities (in years)		Fair Value
Certificates of deposit	No Rating	1-5	$	527,899
Total			$	527,899

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

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

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

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund		Amount
General Fund	Title I Fund	$	95,007
	Title II Fund		24,297
	EHA Part B Fund		33,071
	Other governmental Funds		5,634
	Agency Funds		29,259
Total		$	187,268

The purpose of the Due From/To Other Funds was to cover deficit cash balances at year end.

B. Inter-fund Transfers

Transfers Out	Transfers In		Amount
General Fund	Other Governmental Funds	$	483,701
Title I Fund	General Fund		11,410
Title II Fund	General Fund		4,757
16th Section Interest Fund	General Fund		825,135
Other Governmental Funds	General Fund		604
Total		$	1,325,607

Transfers were made for indirect cost transfers and budgetary allocations. All transfers were routine and consistent with the fund making the transfer.

Note 4 – Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling $ 1,627 and $ 381,377, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash with fiscal agents balance, totaling $ 124,664 of the MAEP Limited Obligation Bond/ Fund.

Note 5 – Capital Assets

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

	Balance 7/1/2012	Increases	Decreases	Adjustments	Balance 6/30/2013
Governmental Activities:					
Non-depreciable capital assets					
Land	100,072				100,072
Construction-in-progress					-
Total non-depreciable capital assets	100,072	-	-	-	100,072
Depreciable capital assets					
Buildings	12,559,575	268,000			12,827,575
Building improvements	240,583				240,583
Improvements other than buildings	53,940				53,940
Mobile equipment	2,024,512			8,000	2,032,512
Furniture and equipment	376,554	-	(5,120)		371,434
Total depreciable capital assets	15,255,164	268,000	(5,120)	8,000	15,526,044
Less accumulated depreciation for:					
Buildings	4,168,585	233,542		57,121	4,459,248
Building improvements	67,363	9,623			76,986
Improvements other than buildings	43,152	-			43,152
Mobile equipment	1,377,103	80,067		720	1,457,890
Furniture and equipment	241,659	35,499	(2,172)	(60)	274,926
Total accumulated depreciation	5,897,862	358,731	(2,172)	57,781	6,312,202
Total depreciable capital assets, net	9,357,302	(90,731)	(2,948)	(49,781)	9,213,842
Governmental activities capital assets, net	9,457,374	(90,731)	(2,948)	(49,781)	9,313,914

Adjustments represent as asset that was purchased in the previous year that was not recorded and corrections to depreciation on various assets.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 207,702
Support services	138,683
Non-instructional	12,346
Total depreciation expense - Governmental activities	$ 358,731

Note 6 – Long-term Liabilities

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

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. Limited obligation refunding bonds payable	1,768,000		233,000	1,535,000	240,000
B. Three mill notes payable	1,523,000		147,000	1,376,000	140,000
C. Obligations under energy efficiency leases	552,775		39,484	513,291	41,347
D. Compensated absences payable	128,212	7,660	2,726	133,146	
Total	$ 3,971,987	$ 7,660	$ 422,210	$ 3,557,437	$ 421,347

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Bonds - Series 2008	3.10%	6/12/2008	2/1/2018	$ 2,265,000	$ 1,535,000
Total				$ 2,265,000	$ 1,535,000

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

Year Ending June 30	Principal	Interest	Total
2014	$ 240,000	$ 43,865	$ 283,865
2015	248,000	36,301	284,301
2016	256,000	28,489	284,489
2017	264,000	20,429	284,429
2018	527,000	12,121	539,121
Total	$ 1,535,000	$ 141,205	$ 1,676,205

This debt will be retired from the MAEP Limited Obligation Bond/ 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
1. Limited Tax Note, Series 2004	2.9-4.125%	5/28/2004	5/1/2019	$ 2,000,000	$ 764,000
2. Limited Tax Note, Series 2008	3.97%	9/11/2008	8/1/2023	660,000	612,000
Total				$ 2,660,000	$ 1,376,000

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

1. Three mill notes payable issue of May 28, 2004:

Year Ending June 30	Principal	Interest	Total
2014	$ 122,000	$ 29,608	$ 151,608
2015	123,000	25,093	148,093
2016	125,000	20,420	145,420
2017	127,000	15,669	142,669
2018	132,000	10,717	142,717
2019 – 2023	135,000	5,568	140,568
Total	$ 764,000	$ 107,075	$ 871,075

This debt will be retired from the 3 Mill Debt Service Fund.

2. Three mill notes payable issue of September 11, 2008:

Year Ending June 30	Principal	Interest	Total
2014	$ 18,000	$ 24,296	$ 42,296
2015	19,000	23,582	42,582
2016	23,000	22,828	45,828
2017	25,000	21,914	46,914
2018	26,000	20,922	46,922
2019 – 2023	386,000	79,043	465,043
2024 – 2028	115,000	4,566	119,566
Total	$ 612,000	$ 197,151	$ 809,151

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

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	$ 140,000	$ 53,904	$ 193,904
2015	142,000	48,675	190,675
2016	148,000	43,248	191,248
2017	152,000	37,583	189,583
2018	158,000	31,639	189,639
2019 – 2023	521,000	84,611	605,611
2024 – 2028	115,000	4,566	119,566
Total	$ 1,376,000	$ 304,226	$ 1,680,226

C. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Energy Efficiency Lease	4.62%	7/30/2008	4/15/2023	$ 703,094	$ 513,291
Total				$ 703,094	$ 513,291

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

Year Ending June 30	Principal	Interest	Total
2014	$ 41,347	$ 24,223	$ 65,570
2015	43,298	22,272	65,570
2016	45,342	20,228	65,570
2017	47,481	18,089	65,570
2018	49,722	15,848	65,570
2019 – 2023	286,101	41,748	327,849
Total	$ 513,291	$ 142,408	$ 655,699

This debt will be retired from the District Maintenance Fund.

An energy efficiency lease agreement dated June 13, 2008, was executed by and between the district, the lessee, and SunTrust Equipment Finance and Leasing Corporation, the lessor.

The agreement authorized the borrowing of $ 703,094 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed fifteen (15) years.

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

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

D. Compensated absences payable

As more fully explained in Note 1(F)(8), 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 – Prior Year Defeasance of Debt

In prior years, the Choctaw County School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2013, $ 1,200,000 of bonds outstanding are defeased.

Note 8 – Other Commitments

Operating leases:

The school district has several operating leases for the following:

1. Canon Copier – Rose Business Equipment; 60 month lease - $175 per month – maturing 5/21/2018

2. Copier – Xerox; 60 month lease - $120.87 per month – maturing 3/7/2015

3. 8 Copiers – Xerox; 60 month lease - $3,823.71 per month – maturing 8/14/2014

4. Copier – Xerox; 60 month lease - $1077.19 per month – maturing 1/26/2017

Lease expenditures for the year ended June 30, 2013, amounted to $ 60,611.

Future lease payments for these leases are as follows:

Year Ending June 30		Amount
2014	$	62,361
2015		19,817
2016		15,026
2017		8,563
2018		1,750
Total	$	107,517

Note 9 – 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 $ 1,192,153, $ 1,055,452 and $,1,002,534, respectively, which equaled the required contributions for each year.

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	$	9,806
2015		8,406
2016		7,181
2017		6,307
2018		6,131
2019 – 2023		15,375
2024 – 2028		1,025
2029 – 2033		875
2034 – 2038		875
2039 – 2044		875
2045 – 2049		700
Total	$	57,556

Note 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation		Amount
1. Errors in recording prior year payables	$	21,914
2. Errors in recording prior year capital assets additions and corrections to depreciation calculation		(49,781)
Total	$	(27,867)

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

Fund	Explanation		Amount
General Fund	Errors in recording payables in previous year	$	13,074
Other governmental funds	Errors in recording payables in previous year		8,840
Total		$	21,914

Note 12 – Contingencies

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

Note 13 – Risk Management

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

Participation in Public Entity Risk Pool

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

Note 14 - Insurance loss recoveries

The Choctaw County School District received $ 15,983 in insurance loss recoveries related to water damage to school buildings and damage to one of the district's buses during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as General revenues – Other.

Note 15 - 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 Choctaw County School District evaluated the activity of the district through November 6, 2013, (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 September 12, 2013 the school district issued a revenue shortfall note in the amount of $ 111,369. The district borrowed the funds from the Bank of Kilmichael with the funds to be repaid in three annual installment at a 2.89% annual rate of interest.

REQUIRED SUPPLEMENTARY INFORMATION

Choctaw County School District
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 4,947,343	$ 4,765,480	$ 5,002,294	$ (181,863)	$ 236,814
State sources	5,618,035	5,973,654	5,973,654	355,619	-
Federal sources	280,219	273,740	273,740	(6,479)	-
Total Revenues	10,845,597	11,012,874	11,249,688	167,277	236,814
Expenditures:					
Instruction	6,915,731	6,963,130	6,963,130	(47,399)	-
Support services	4,749,062	4,426,204	4,654,704	322,858	(228,500)
Noninstructional services	-	2,521	2,521	(2,521)	-
Debt service:					
Principal	37,705	39,484	39,484	(1,779)	-
Interest	27,865	26,086	26,086	1,779	-
Total Expenditures	11,730,363	11,457,425	11,685,925	272,938	(228,500)
Excess (Deficiency) of Revenues over (under) Expenditures	(884,766)	(444,551)	(436,237)	440,215	8,314
Other Financing Sources (Uses):					
Insurance recovery	-	15,983	15,983	15,983	-
Sale of other property	-	2,100	2,100	2,100	-
Operating transfers in	1,425,915	1,374,374	841,906	(51,541)	(532,468)
Operating transfers out	(1,128,926)	(1,016,169)	(483,701)	112,757	532,468
Total Other Financing Sources (Uses)	296,989	376,288	376,288	79,299	-
Net Change in Fund Balances	(587,777)	(68,263)	(59,949)	519,514	8,314
Fund Balances:					
July 1, 2012, as previously reported	3,012,400	2,419,256	2,419,256	(593,144)	-
Prior period adjustments	-	13,074	13,074	13,074	-
July 1, 2012	3,012,400	2,432,330	2,432,330	(580,070)	-
June 30, 2013	$ 2,424,623	$ 2,364,067	$ 2,372,381	$ (60,556)	$ 8,314

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

Choctaw County School District
Required Supplementary Information
Budgetary Comparison Schedule
Title 1 Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 758,850	$ 858,503	$ 858,503	$ 99,653	$ -
Total Revenues	758,850	858,503	858,503	99,653	-
Expenditures:					
Instruction	479,697	662,348	662,348	(182,651)	-
Support services	211,065	171,530	171,530	39,535	-
Noninstructional services	15,189	13,215	13,215	1,974	-
Total Expenditures	705,951	847,093	847,093	(141,142)	-
Excess (Deficiency) of Revenues over (under) Expenditures	52,899	11,410	11,410	(41,489)	-
Other Financing Sources (Uses):					
Operating transfers out	(8,591)	(11,410)	(11,410)	(2,819)	-
Total Other Financing Sources (Uses)	(8,591)	(11,410)	(11,410)	(2,819)	-
Net Change in Fund Balances	44,308	-	-	(44,308)	-
Fund Balances:					
July 1, 2012,	-	-	-	-	-
June 30, 2013	$ 44,308	$ -	$ -	$ (44,308)	$ -

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

Choctaw County School District
Required Supplementary Information
Budgetary Comparison Schedule
Title II Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 118,748	$ 149,226	$ 149,226	$ 30,478	$ 0
Total Revenues	118,748	149,226	149,226	30,478	0
Expenditures:					
Instruction	112,334	112,086	112,086	248	0
Support services	5,027	32,383	32,383	(27,356)	0
Total Expenditures	117,361	144,469	144,469	(27,108)	0
Excess (Deficiency) of Revenues over (under) Expenditures	1,387	4,757	4,757	3,370	0
Other Financing Sources (Uses):					
Operating transfers out	(1,387)	(4,757)	(4,757)	(3,370)	0
Total Other Financing Sources (Uses)	(1,387)	(4,757)	(4,757)	(3,370)	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2012,	0	0	0	0	0
June 30, 2013	$ 0	$ 0	$ 0	$ 0	$ 0

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

Choctaw County School District
Required Supplementary Information
Budgetary Comparison Schedule
EHA Part B Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 401	$ -	$ -	$ (401)	$ -
Federal sources	349,896	312,876	312,876	(37,020)	-
Total Revenues	350,297	312,876	312,876	(37,421)	-
Expenditures:					
Instruction	92,237	78,409	78,409	13,828	-
Support services	255,322	234,467	234,467	20,855	-
Total Expenditures	347,559	312,876	312,876	34,683	-
Excess (Deficiency) of Revenues over (under) Expenditures	2,738	-	-	(2,738)	-
Other Financing Sources (Uses):					
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	2,738	-	-	(2,738)	-
Fund Balances:					
July 1, 2012,	-	-	-	-	-
June 30, 2013	$ 2,738	$ -	$ -	$ (2,738)	$ -

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

Choctaw County School District
Required Supplementary Information
Budgetary Comparison Schedule
16th Section Interest Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	$ 298,000	$ 430,316	$ 434,584	$ 132,316	$ 4,268
Total Revenues	298,000	430,316	434,584	132,316	4,268
Expenditures:					
Sixteenth section	60,000	56,237	56,237	3,763	-
Total Expenditures	60,000	56,237	56,237	3,763	-
Excess (Deficiency) of Revenues over (under) Expenditures	238,000	374,079	378,347	136,079	4,268
Other Financing Sources (Uses):					
Operating transfers in	100,000	167,828	-	67,828	(167,828)
Operating transfers out	(1,000,000)	(992,963)	(825,135)	7,037	167,828
Total Other Financing Sources (Uses)	(900,000)	(825,135)	(825,135)	74,865	-
Net Change in Fund Balances	(662,000)	(451,056)	(446,788)	210,944	4,268
Fund Balances:					
July 1, 2012,	1,936,591	1,774,030	1,774,030	(162,561)	-
June 30, 2013	$ 1,274,591	$ 1,322,974	$ 1,327,242	$ 48,383	$ 4,268

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

CHOCTAW COUNTY SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

Choctaw County School District
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 207,147
National school lunch program	10.555	519,135
Total child nutrition cluster		726,282
Total passed-through Mississippi Department of Education		726,282
Passed-through Choctaw County:		
Schools and roads - grants to states	10.665	28,696
Total passed-through Choctaw County		28,696
Total U.S. Department of Agriculture		754,978
U.S. Department of Defense		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	45,293
Total U.S. Department of Defense		45,293
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	109,266
Total Federal Communications Commission		109,266
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	858,503
Career and technical education - basic grants to states	84.048	21,322
Rural education	84.358	30,455
Improving teacher quality state grants	84.367	149,226
Subtotal		1,059,506
Special education cluster:		
Special education - grants to states	84.027	312,876
Special education - preschool grants	84.173	8,008
Total special education cluster		320,884
Total passed-through Mississippi Department of Education		1,380,390
Total U.S. Department of Education		1,380,390
U.S. Department of Health and Human Services		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	41,692
Total passed-through Mississippi Department of Education		41,692
Total U.S. Department of Health and Human Services		41,692
Total for All Federal Awards		$ 2,331,619

NOTES TO SCHEDULE

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

Choctaw County School District
Supplementary Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2013

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	11,442,124	8,601,439	454,365	896,825	1,489,495
Other		4,362,333	1,112,915	369,199	16,076	2,864,143
Total	$	15,804,457	9,714,354	823,564	912,901	4,353,638
Total number of students *		1,513				
Cost per student	$	10,446	6,421	544	603	2,877

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

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

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

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

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

OTHER INFORMATION

Choctaw County School District
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	$ 5,002,294	$ 4,886,538	$ 5,122,297	$ 4,712,092
State sources	5,973,654	6,089,472	5,841,896	5,761,894
Federal sources	273,740	310,191	245,263	245,820
Total Revenues	11,249,688	11,286,201	11,209,456	10,719,806
Expenditures:				
Instruction	6,963,130	6,870,414	6,195,968	7,013,861
Support services	4,654,704	4,273,885	4,024,462	4,171,087
Noninstructional services	2,521			
Debt service:				
Principal	39,484	50,174	58,312	34,383
Interest	26,086	28,835	7,257	31,187
Total Expenditures	11,685,925	11,223,308	10,285,999	11,250,518
Excess (Deficiency) of Revenues over (under) Expenditures	(436,237)	62,893	923,457	(530,712)
Other Financing Sources (Uses):				
Insurance recovery	15,983	51,296	67,924	6,813
Sale of transportation equipment				
Sale of other property	2,100			
Operating transfers in	841,906	909,549	638,618	1,096,039
Other financing sources		91		
Operating transfers out	(483,701)	(801,317)	(577,377)	(728,515)
Total Other Financing Sources (Uses)	376,288	159,619	129,165	374,337
Net Change in Fund Balances	(59,949)	222,512	1,052,622	(156,375)
Fund Balances:				
Beginning of period, as previously reported	2,419,256	2,196,744	1,211,302	1,367,677
Prior period adjustments	13,074		(67,180)	
Beginning of period, as restated	2,432,330	2,196,744	1,144,122	1,367,677
End of Period	$ 2,372,381	$ 2,419,256	$ 2,196,744	$ 1,211,302

*SOURCE - PRIOR YEAR AUDIT REPORTS

Choctaw County School District
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	$ 5,420,822	$ 5,234,735	$ 5,521,834	$ 5,122,986
State sources	6,982,372	7,019,863	6,861,680	6,837,809
Federal sources	2,384,743	2,789,543	3,800,892	3,593,941
Sixteenth section sources	501,151	476,817	573,898	723,580
Total Revenues	15,289,088	15,520,958	16,758,304	16,278,316
Expenditures:				
Instruction	8,582,590	8,711,735	9,001,557	9,813,258
Support services	5,628,353	5,431,984	5,405,877	5,610,023
Noninstructional services	861,477	891,746	857,607	856,108
Sixteenth section	174,761	119,701	231,098	27,267
Debt service:				
Principal	419,484	419,174	409,312	217,345
Interest	136,542	151,620	141,496	160,256
Other	1,250	2,938	1,845	1,000
Total Expenditures	15,804,457	15,728,898	16,048,792	16,685,257
Excess (Deficiency) of Revenues over (under) Expenditures	(515,369)	(207,940)	709,512	(406,941)
Other Financing Sources (Uses):				
Insurance recovery	15,983	51,296	67,924	6,813
Sale of other property	2,100			
Operating transfers in	1,325,607	1,710,866	1,215,995	2,156,375
Other financing sources		91		
Operating transfers out	(1,325,607)	(1,710,866)	(1,215,995)	(2,156,375)
Total Other Financing Sources (Uses)	18,083	51,387	67,924	6,813
Net Change in Fund Balances	(497,286)	(156,553)	777,436	(400,128)
Fund Balances:				
Beginning of period, as previously reported	5,522,908	5,675,406	4,890,880	5,295,298
Prior period adjustments	21,914	-	-	
Beginning of period	5,544,822	5,675,406	4,890,880	5,295,298
Increase (Decrease) in reserve for inventory	(3,660)	4,055	7,090	(4,290)
End of Period	$ 5,043,876	$ 5,522,908	$ 5,675,406	$ 4,890,880

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

WWS

WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

521 N Church St. P .O. Box 270 Louisville, MS 39339
Phone (662) 773-7841 Fax (662) 773-9236

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Aubrey R. Holder, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Michael L. Pierce, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA

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 *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
Choctaw 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 Choctaw County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Choctaw County School District's basic financial statements and have issued our report thereon dated November 6, 2013.

Internal Control Over Financial Reporting

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

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. [Findings 2013-1 and 2013-2].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Choctaw 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.*

Choctaw County School District's Response to Findings

Choctaw County School District's responses to the findings identified in our audit are described in the accompanying auditee's corrective action plan. Choctaw County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

November 6, 2013

Watkins, Ward and Stafford, PLLC

WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

521 N Church St. P .O. Box 270 Louisville, MS 39339
Phone (662) 773-7841 Fax (662) 773-9236

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Aubrey R. Holder, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Michael L. Pierce, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA

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

Superintendent and School Board
Choctaw County School District

Report on Compliance for Each Major Federal Program

We have audited Choctaw County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of Choctaw County School District's major federal programs for the year ended June 30, 2013. Choctaw County School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Choctaw County School District's major federal program 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 Choctaw County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Choctaw 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 its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Choctaw 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 Choctaw County School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 Choctaw County School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 item 2013-3 that we consider to be a significant deficiency.

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

November 6, 2013

Watkins, Ward and Stafford, PLLC

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

WWS

WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

521 N Church St. P .O. Box 270 Louisville, MS 39339
Phone (662) 773-7841 Fax (662) 773-9236

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Aubrey R. Holder, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Michael L. Pierce, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA

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

Superintendent and School Board
Choctaw County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Choctaw County School District as of and for the year ended June 30, 2013, which collectively comprise Choctaw County School District's basic financial statements and have issued our report thereon dated November 6, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed the following instance of noncompliance. The noncompliance is reported in finding number 1 below. The district reported $ 4,699 of classroom supply funds carried over from previous years.

1. Education Enhancement Funds Should Not Be Allocated to Federally Funded Teachers

   Finding

   Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), specifies, "...local school districts shall allocate classroom supply funds equally among all classroom teachers in the school district." It also defines "teacher" as "...an employee of the school board of a school district who is required by law to obtain a teacher's license from the State Department of Education and who is assigned to an instructional area of work as defined by the department, but shall not include a federally-funded teacher."

   During our test work, we identified one (1) teacher who was federally funded and was also allocated Education Enhancement Funds, which is prohibited by Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972). .

   The noncompliance occurred due to one teacher's salary being reclassified to a federal program after the initial calculation of the EEF calculation was determined.

Recommendation

We recommend the District comply with Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), which requires that education enhancement funds be allocated equally among classroom teachers, but shall not include federally funded teachers.

School District's Response

We will comply with Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), which requires that education enhancement funds be allocated equally among classroom teachers, but shall not include federally funded teachers.

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

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

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

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

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

The Choctaw County School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi

November 6, 2013

Watkins, Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CHOCTAW 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? (Yes/No)	No
	b. Significant deficiency(ies) identified? (Yes/None reported)	Yes
3.	Noncompliance material to financial statements noted? (Yes/No)	No

Federal Awards:

4.	Internal control over major programs:	
	a. Material weakness(es) identified? (Yes/No)	No
	b. Significant deficiency(ies) identified? (Yes/None reported)	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/No)	Yes

7. Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster

8.	Dollar threshold used to distinguish between type A and type B programs:	$300,000
9.	Auditee qualified as low-risk auditee? (yes/no)	Yes

CHOCTAW COUNTY SCHOOL DISTRICT

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

Section II: Financial Statement Findings

Significant Deficiency Not Considered To Be A Material Weakness

Internal Controls Over Activity Fund Receipts Should Be Strengthened

2013-1 Finding

During our testing of activity fund receipts over athletic activities noted the following deficiencies:

- We noted three (3) instances (Ackerman High School) where ending ticket information was not reported on the applicable athletic event form. Without the applicable ticket information listed on the athletic event form no independent verification of ticket sales reconciled to cash collected could be performed by applicable personnel
- We noted three (3) instances (two at Ackerman High School and one at Weir Attendance Center) where the applicable athletic event form did not contain at least two signatures verifying cash collected at the applicable athletic event.

Without proper internal controls being in place to account for all monetary transactions, the district increases the risk of misappropriation of assets and inaccurate recording of revenue.

Recommendation

We recommend the district implement internal controls to ensure that all athletic event forms contain the correct information regarding beginning and ending ticket numbers for the applicable event, that tickets be issued sequentially with the gate workers and principal at the individual school verifying and signing the applicable event form.

Significant Deficiency Not Considered To Be A Material Weakness

Internal Controls Over Activity Fund Disbursements Should Be Strengthened

2013-2 Finding

During our testing of activity fund disbursements we noted several instances where a purchase order was prepared after the actual purchase was made and also noted several instances where the purchase order did not contain sufficient detail as to the applicable goods and services ordered along with adequate pricing information.

Without the proper controls over purchasing goods or services could be purchased by personnel without authorized personnel approving the purchase.

Recommendation

We recommend the district implement internal controls to ensure that purchase orders are prepared in sufficient detail as to applicable goods or services ordered prior to the actual purchase occurring.

CHOCTAW COUNTY SCHOOL DISTRICT

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

Section III: Federal Award Findings and Questioned Costs

Significant Deficiency Not Considered To Be A Material Weakness

Internal Controls Surrounding Daily Food Sales Should Be Strengthened

Program: Child Nutrition Cluster, Passed-through the Mississippi Department of Education- CFDA 10.553 and 10.555

Compliance requirement: Program Income

2013-3 Finding

Management is responsible for complying with the requirements of the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual, which recommends that two separate individuals be involved in cashiering, cash collection, daily reconciliations and deposits. Management is responsible for ensuring that all receipts are correctly recorded and deposited in order to safeguard the assets of the district.

During our test work performed on daily food sales for the month of October 2013, it was noted that daily cash sheets at two of the three schools were not regularly signed by the cafeteria managers and/or the cashiers.

This condition occurred due to the district using a new software program and personnel at the individual cafeterias were not familiar enough with the program to print out the applicable report that should be signed by the cafeteria manager and applicable cashier.

Inadequate internal controls surrounding collection of receipts in child nutrition could result in misappropriation of assets and improper revenue recognition.

Recommendation

We recommend that the district follow the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual by requiring more than one individual be involved in cash collection, daily reconciliation and deposit functions of daily food sales.

AUDITEE'S CORRECTIVE ACTION PLAN

Finance & Compliance Audit Division

As required by Section_315© of OMB Circular A-133, the Choctaw County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings for the year ended June 30, 2013.

Internal Controls Over Activity Fund Receipts Should Be Strengthened

Finding — Corrective Action Plan Details

2013-1

a. Name of Contact Person Responsible for Corrective Action: Kenneth Clark, Business Manager, (662) 285-4022

b. Corrective Action Planned:
The District has met with all Principals and Secretaries at each school to ensure they fully understand the requirement that all athletic event forms contain the correct information regarding beginning and ending ticket numbers for the applicable event, that tickets be issued sequentially with the gate workers and principal at the individual school verifying and signing the applicable event form.

c. Anticipated Completion Date:
The District will implement these procedures immediately.

Internal Controls Over Activity Fund Disbursements Should Be Strengthened

Finding

2013-2

a. Name of Contact Person Responsible for Corrective Action:
Kenneth Clark, Business Manager, (662) 285-4022

b. Corrective Action Planned:
The District will implement internal controls to ensure that all Purchase Orders are issued in the proper sequence and contain sufficient detail listing the applicable goods and services ordered along with adequate pricing information.

c. Anticipated Completion Date:
The District will implement these procedures immediately.

Internal Controls Surrounding Daily Food Sales Should be Strengthened

Finding
2013-3

a. Name of Contact Person Responsible for Corrective Action: Judy Black, Child Nutrition Administrator, (662) 285-4022

b. Corrective Action Planned:
The District will follow the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual by requiring more than one individual be involved in cash collection, daily reconciliation and deposit and functions of daily food sales, as evidenced daily with appropriate signatures.

c. Anticipated Completion Date:
The District will implement these procedures immediately.