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GRENADA SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2013

GRENADA SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT..... 3

MANAGEMENT'S DISCUSSION AND ANALYSIS..... 6

BASIC FINANCIAL STATEMENTS..... 15

 Government-wide Financial Statements

 Exhibit A – Statement of Net Position..... 16

 Exhibit B – Statement of Activities..... 17

 Governmental Funds Financial Statements

 Exhibit C – Balance Sheet..... 18

 Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position..... 19

 Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances..... 20

 Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities..... 21

 Fiduciary Funds Financial Statements

 Exhibit E – Statement of Fiduciary Assets and Liabilities..... 22

 Notes to the Financial Statements..... 23

REQUIRED SUPPLEMENTARY INFORMATION..... 40

 Budgetary Comparison Schedule – General Fund..... 41

 Budgetary Comparison Schedule – Extended School Year Fund..... 42

 Budgetary Comparison Schedule – Title I Fund..... 43

 Budgetary Comparison Schedule – Sixteenth Section Interest Fund..... 44

 Budgetary Comparison Schedule – AmeriCorps Fund..... 45

 Notes to the Required Supplemental Information..... 46

SUPPLEMENTARY INFORMATION..... 47

 Schedule of Expenditures of Federal Awards..... 48

 Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds..... 49

OTHER INFORMATION..... 50

 Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years..... 51

 Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years..... 52

REPORTS ON INTERNAL CONTROL AND COMPLIANCE..... 53

 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* 54

 Independent Auditor's Report on Compliance For Each Major Federal Program And Report on Internal Control over Compliance..... 56

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS..... 58

SCHEDULE OF FINDINGS AND QUESTIONED COSTS..... 61

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Grenada School District
Grenada, Mississippi

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 Grenada School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Grenada 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 Grenada 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 6-14 and 40-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grenada 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 December 30, 2013, on our consideration of the Grenada 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 Grenada School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cunningham CPAs". The signature is written in dark ink on a light-colored background.

Cunningham CPAs, PLLC

Belzoni, Mississippi

December 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

GRENADA SCHOOL DISTRICT

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2013 increased \$526,623, which represents a 1% increase from fiscal year 2012. Total net position for 2012 increased \$3,041,482, which represents a 7% increase from fiscal year 2011.
- General revenues amounted to \$27,108,505 and \$27,866,505, or 80% and 77% 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 \$6,763,061, or 20% of total revenues for 2013, and \$8,134,627, or 23% of total revenues for 2012.
- The District had \$33,344,943 and \$32,959,650 in expenses for fiscal years 2013 and 2012; only \$6,763,061 for 2013 and \$8,134,627 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$27,108,505 for 2013 were adequate to provide for these programs and \$27,866,505 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$25,680,282 in revenues and \$25,759,305 in expenditures for 2013, and \$26,037,855 in revenues and \$24,188,928 in expenditures in 2012. The General Fund's fund balance decreased by \$67,509 from 2012 to 2013, and increased by \$1,927,657 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$512,259 for 2013 and increased by \$366,786 for 2012. The decrease for 2013 was due primarily current additions coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$890,000 for 2013 and decreased by \$845,000 for 2012. This decrease for 2013 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$2,853 for 2013 and increased by \$3,920 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

GRENADA SCHOOL DISTRICT

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

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:

GRENADA SCHOOL DISTRICT

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

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 \$45,455,292 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.

GRENADA SCHOOL DISTRICT

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 24,717,291	\$ 25,535,415	-3.20 %
Restricted assets	1,389,462	1,087,359	27.78 %
Capital assets, net	23,882,729	24,394,988	-2.10 %
Total assets	49,989,482	51,017,762	-2.02 %
Current liabilities	171,868	833,918	-79.39 %
Long-term debt outstanding	4,362,322	5,255,175	-16.99 %
Total liabilities	4,534,190	6,089,093	-25.54 %
Net position:			
Net investment in capital assets	19,712,729	19,334,988	1.95 %
Restricted	8,840,384	8,643,290	2.28 %
Unrestricted	16,902,179	16,950,391	-0.28 %
Total net position	\$ 45,455,292	\$ 44,928,669	1.17 %

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 \$512,259.
- The principal retirement of \$890,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$33,871,566 and \$36,001,132, respectively. The total cost of all programs and services was \$33,344,943 for 2013 and \$32,959,650 for 2012.

GRENADA SCHOOL DISTRICT

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

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

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 755,863	\$ 792,108	(4.58) %
Operating grants and contributions	6,007,198	7,342,519	(18.19) %
General revenues:			
Property taxes	7,425,237	7,424,307	0.01 %
Grants and contributions not restricted	18,877,919	19,396,961	(2.68) %
Investment earnings	345,651	314,164	10.02 %
Sixteenth section sources	336,548	463,594	(27.40) %
Other	123,150	267,479	(53.96) %
Total revenues	<u>33,871,566</u>	<u>36,001,132</u>	(5.92) %
Expenses:			
Instruction	19,446,848	19,275,414	0.89 %
Support services	11,691,325	11,535,095	1.35 %
Non-instructional	1,964,741	1,887,332	4.10 %
Sixteenth section	116,578	98,321	18.57 %
Interest on long-term liabilities and other debt service costs	125,451	163,488	(23.27) %
Total expenses	<u>33,344,943</u>	<u>32,959,650</u>	1.17 %
Increase (Decrease) in net position	526,623	3,041,482	(82.69) %
Net Position, July 1	<u>44,928,669</u>	<u>41,887,187</u>	7.26 %
Net Position, June 30	<u>\$ 45,455,292</u>	<u>\$ 44,928,669</u>	1.17 %

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.

GRENADA SCHOOL DISTRICT

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2013	2012	
Instruction	\$ 19,446,848	\$ 19,275,414	0.89 %
Support services	11,691,325	11,535,095	1.35 %
Non-instructional	1,964,741	1,887,332	4.10 %
Sixteenth section	116,578	98,321	18.57 %
Interest on long-term liabilities and other debt service costs	125,451	163,488	(23.27) %
Total expenses	\$ 33,344,943	\$ 32,959,650	1.17 %

	Net (Expense) Revenue		Percentage Change
	2013	2012	
Instruction	\$ (15,972,385)	\$ (14,838,553)	7.64 %
Support services	(10,477,880)	(9,900,063)	5.84 %
Non-instructional	77,660	122,657	(36.69) %
Sixteenth section	(83,826)	(45,576)	83.93 %
Interest on long-term liabilities and other debt service costs	(125,451)	(163,488)	(23.27) %
Total net (expense) revenue	\$ (26,581,882)	\$ (24,825,023)	7.08 %

- Net cost of governmental activities (\$26,581,882 for 2013 and \$24,825,023 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$7,425,237 for 2013 and \$7,424,307 for 2012) and state and federal revenues (\$18,877,919 for 2013 and \$19,396,961 for 2012). In addition, there was \$336,548 and \$463,594 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$345,651 for 2013 and \$314,164 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 \$25,919,230, an increase of \$87,960, which includes a decrease in inventory of \$20,534. \$11,964,433 or 46% 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 \$13,954,797 or 54% 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.

GRENADA SCHOOL DISTRICT

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

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$67,509. The fund balance of Other Governmental Funds showed a decrease in the amount of \$198,362, which includes a decrease in reserve for inventory of \$20,534, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Extended school year fund	\$	(45,264)
Title I fund		No increase or decrease
Sixteenth section interest fund	\$	399,095
AmeriCorps fund		No increase or decrease

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 \$40,133,344, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$386,891 from 2012. Total accumulated depreciation as of June 30, 2013, was \$16,250,615, and total depreciation expense for the year was \$964,780, resulting in total net capital assets of \$23,882,729.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 148,900	\$ 148,900	0.00 %
Buildings	20,446,729	21,067,802	(2.95) %
Building improvements	955,841	998,917	(4.31) %
Improvements other than buildings	849,417	726,876	16.86 %
Mobile equipment	1,320,925	1,258,483	4.96 %
Furniture and equipment	160,917	194,010	(17.06) %
Total	\$ 23,882,729	\$ 24,394,988	(2.10) %

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

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

Debt Administration. At June 30, 2013, the District had \$4,362,322 in outstanding long-term debt, of which \$320,000 is due within one year. The liability for compensated absences decreased \$2,853 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ -	\$ 585,000	(100.00) %
Limited obligation bonds payable	1,445,000	1,650,000	(12.42) %
Certificates of participation payable	725,000	825,000	(12.12) %
Three mill notes payable	2,000,000	2,000,000	0.00 %
Compensated absences payable	192,322	195,175	(1.46) %
Total	<u>\$ 4,362,322</u>	<u>\$ 5,255,175</u>	(16.99) %

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Grenada School District, P.O. Box 1940, Grenada, MS 38901.

FINANCIAL STATEMENTS

GRENADA SCHOOL DISTRICT

Statement of Net Position
June 30, 2013

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 23,853,129
Due from other governments	827,541
Inventories	36,621
Restricted assets	1,389,462
Capital assets, non-depreciable:	
Land	148,900
Capital assets, net of accumulated depreciation:	
Buildings	20,446,729
Building improvements	955,841
Improvements other than buildings	849,417
Mobile equipment	1,320,925
Furniture and equipment	160,917
Total Assets	49,989,482
Liabilities	
Accounts payable and accrued liabilities	142,259
Interest payable on long-term liabilities	29,609
Long-term liabilities, due within one year:	
Capital related liabilities	320,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,850,000
Non-capital related liabilities	192,322
Total Liabilities	4,534,190
Net Position	
Net investment in capital assets	19,712,729
Restricted for:	
Expendable:	
School-based activities	6,911,567
Debt service	1,027,365
Forestry improvements	27,641
Unemployment benefits	390,614
Non-expendable:	
Sixteenth section	483,197
Unrestricted	16,902,179
Total Net Position	\$ 45,455,292

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

GRENADA SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2013

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 19,446,848	\$ 413,016	\$ 3,061,447	-	\$ (15,972,385)
Support services	11,691,325	-	1,213,445	-	(10,477,880)
Non-instructional	1,964,741	310,095	1,732,306	-	77,660
Sixteenth section	116,578	32,752	-	-	(83,826)
Interest on long-term liabilities and other debt service costs	125,451	-	-	-	(125,451)
Total Governmental Activities	\$ 33,344,943	\$ 755,863	\$ 6,007,198	\$ -	\$ (26,581,882)
General Revenues:					
Taxes:					
					6,912,942
					512,295
Unrestricted grants and contributions:					
					18,447,266
					430,653
					345,651
					336,548
					123,150
					<u>27,108,505</u>
Change in Net Position					
					526,623
Net Position - Beginning					
					<u>44,928,669</u>
Net Position - Ending					
					<u>\$ 45,455,292</u>

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

GRENADA SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2013

Exhibit C

	Major Funds							Total Governmental Funds
	General Fund	Extended School Year Fund	Title I Fund	Sixteenth Section Interest Fund	AmeriCorps Fund	Other Governmental Funds		
Assets								
Cash and cash equivalents	\$ 16,484,062	\$ 5,771	\$ -	\$ 6,083,838	\$ -	\$ 1,739,544	\$ 24,313,215	
Cash with fiscal agents	-	-	-	-	-	5,713	5,713	
Investments	-	-	-	-	-	923,663	923,663	
Due from other governments	362,346	45,264	76,842	-	51,114	291,975	827,541	
Due from other funds	304,807	-	-	-	-	-	304,807	
Inventories	-	-	-	-	-	36,621	36,621	
Total assets	\$ 17,151,215	\$ 51,035	\$ 76,842	\$ 6,083,838	\$ 51,114	\$ 2,997,516	\$ 26,411,560	
Liabilities:								
Accounts payable and accrued liabilities	\$ 73,157	\$ 5,771	\$ 8,227	\$ 49,272	\$ 60	\$ 5,772	\$ 142,259	
Due to other funds	-	45,264	68,615	-	51,054	139,874	304,807	
Total Liabilities	73,157	51,035	76,842	49,272	51,114	145,646	447,066	
Deferred Inflows of Resources								
Deferred revenue	-	45,264	-	-	-	-	45,264	
Total Deferred Inflows of Resources	-	45,264	-	-	-	-	45,264	
Fund Balances:								
Nonspendable:								
Inventory	-	-	-	-	-	36,621	36,621	
Permanent fund principal	-	-	-	-	-	292,043	292,043	
Restricted:								
Debt service	-	-	-	-	-	1,056,974	1,056,974	
Forestry improvement purposes	-	-	-	-	-	27,641	27,641	
Unemployment benefits	-	-	-	-	-	390,614	390,614	
Assigned:								
School based activities	28,821	(45,264)	-	6,034,566	-	856,823	6,874,946	
Activity funds	385,039	-	-	-	-	-	385,039	
Building and improvements	4,699,765	-	-	-	-	-	4,699,765	
Permanent fund	-	-	-	-	-	191,154	191,154	
Unassigned	11,964,433	(45,264)	-	-	-	-	11,964,433	
Total Fund Balances	17,078,058	(45,264)	-	6,034,566	-	2,851,870	25,919,230	
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 17,151,215	\$ 51,035	\$ 76,842	\$ 6,083,838	\$ 51,114	\$ 2,997,516	\$ 26,411,560	

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

GRENADA 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 \$ 25,919,230

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	\$ 148,900	
Buildings	32,547,967	
Building improvements	1,076,901	
Improvements other than buildings	951,592	
Mobile equipment	3,901,236	
Furniture and equipment	1,506,748	
Accumulated depreciation	<u>(16,250,615)</u>	23,882,729

2. Revenues that are not available within 60 days are deferred in the governmental funds. However, those revenues are recognized when earned in the government-wide financial statements. 45,264

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:

Limited obligation bonds payable	(1,445,000)	
Certificates of participation payable	(725,000)	
Three mill notes payable	(2,000,000)	
Compensated absences payable	(192,322)	
Accrued interest payable	<u>(29,609)</u>	(4,391,931)

Net position of governmental activities \$ 45,455,292

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

GRENADA SCHOOL DISTRICT

Governmental Funds

Exhibit D

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

	Major Funds							Total Governmental Funds
	General Fund	Extended School Year Fund	Title I Fund	Sixteenth Section Interest Fund	Amen/Corps Fund	Other Governmental Funds	Governmental Funds	
Revenues:								
Local sources	\$ 7,684,898	\$ -	\$ -	\$ -	\$ -	\$ 842,297	\$ 8,527,195	
State sources	17,532,913	31,652	-	-	-	1,671,201	19,235,766	
Federal sources	462,471	-	1,251,607	-	330,286	3,559,722	5,604,086	
Sixteenth section sources	-	-	-	417,030	-	35,950	452,980	
Total Revenues	25,680,282	31,652	1,251,607	417,030	330,286	6,109,170	33,820,027	
Expenditures:								
Instruction	15,190,165	81,831	964,870	-	378,432	2,172,117	18,787,415	
Support services	10,561,381	7,336	225,564	-	68,499	951,577	11,814,357	
Noninstructional services	7,759	-	36,786	-	-	1,876,691	1,921,236	
Sixteenth section	-	-	-	21,046	-	95,532	116,578	
Facilities acquisition and construction	-	-	-	-	-	49,966	49,966	
Debt service:								
Principal	-	-	-	-	-	890,000	890,000	
Interest	-	-	-	-	-	133,794	133,794	
Other	-	-	-	-	-	4,462	4,462	
Total Expenditures	25,759,305	89,167	1,227,220	21,046	446,931	6,174,139	33,717,808	
Excess (Deficiency) of Revenues over (under) Expenditures	(79,023)	(57,515)	24,387	395,984	(116,645)	(64,969)	102,219	
Other Financing Sources (Uses):								
Insurance recovery	6,275	-	-	-	-	-	6,275	
Transfer from QSCB debt service agent	-	-	-	-	-	142,995	142,995	
Payment to QSCB escrow agent	-	-	-	-	-	(142,995)	(142,995)	
Operating transfers in	184,289	12,251	-	3,111	116,645	192,799	509,095	
Operating transfers out	(179,050)	-	(24,387)	-	-	(305,658)	(509,095)	
Total Other Financing Sources (Uses)	11,514	12,251	(24,387)	3,111	116,645	(112,859)	6,275	
Net Change in Fund Balances	(67,509)	(45,264)	-	399,095	-	(177,828)	108,494	
Fund Balances:								
July 1, 2012	17,145,567	-	-	5,635,471	-	3,050,232	25,831,270	
Decrease in reserve for inventory	-	-	-	-	-	(20,534)	(20,534)	
June 30, 2013	\$ 17,078,058	\$ (45,264)	\$ -	\$ 6,034,566	\$ -	\$ 2,851,870	\$ 25,919,230	

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

GRENADA SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ 108,494

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	\$ 453,184	
Depreciation expense	<u>(964,780)</u>	(511,596)
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.		(663)
3. Revenues that are not available within 60 days are deferred in the governmental funds. However, those revenues are recognized when earned in the government-wide financial statements.		45,264
4. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of 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	890,000	
Accrued interest payable	<u>12,805</u>	902,805
5. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	2,853	
Change in inventory reserve	<u>(20,534)</u>	(17,681)
Change in net position of governmental activities		<u><u>\$ 526,623</u></u>

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

GRENADA SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2013

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 764,387
Total Assets	<u>\$ 764,387</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 650,312
Due to student clubs	114,075
Total Liabilities	<u>\$ 764,387</u>

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

GRENADA SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

In July 2011, the GASB issued GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is effective for periods beginning after December 15, 2011. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

In April 2012, the GASB issued GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for periods beginning after December 15, 2012, with earlier implementation encouraged. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

B. Financial Reporting Entity

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

For financial reporting purposes, Grenada 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.

The Grenada Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a six member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is a part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and

GRENADA SCHOOL DISTRICT

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

uses have been included in the government-wide financial statements of the school district (see Note 15).

C. 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.

Extended School Year Fund – This is a special revenue fund. The funding source is a grant administered by the MS Department of Education. Proceeds are used to fund summer school for special education students.

Title I Fund – This is the school district's federal reimbursable fund that serves to fund remedial math and reading services to low-income, program eligible students.

Sixteenth Section Interest Fund – This is a special revenue fund that accounts for investment activity financed through Sixteenth Section property rental activity and timber sales less expenditures for maintenance and improvements to said property.

GRENADA SCHOOL DISTRICT

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

AmeriCorps Fund - Funding is from a grant administered by the MS Commission for Volunteer Service. Grant proceeds are received from the MS Institutions of Higher Learning. Services provided include tutoring for at-risk students.

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

D. 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.

GRENADA SCHOOL DISTRICT

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon 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 city on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

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

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

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

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.

E. Encumbrances

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

F. Assets, liabilities, deferred outflows/inflows, and net position/fund balances

1. Cash, Cash equivalents and Investments

GRENADA SCHOOL DISTRICT

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

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.

GRENADA SCHOOL DISTRICT

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred Inflows of Resources

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows on Exhibit C are made up of deferred revenues in the amount of \$45,264, whose cash receipts did not occur within 60 days of year-end.

See Note 13 for further details.

8. 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

GRENADA SCHOOL DISTRICT

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

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.

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

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

10. 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

GRENADA SCHOOL DISTRICT

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

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 7% of 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 \$24,313,215 and \$764,387, 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

GRENADA SCHOOL DISTRICT

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

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.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$5,713.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Federal National Mortgage Notes	Unrated	1 to 5	\$ 251,999
Hancock - Money Market Funds	AAAm	Less than 1 year	385,662
Trustmark - Construction Bonds			
Common Trust Fund 2012-A	Unrated	Less than 1 year	<u>286,002</u>
Total			<u>\$ 923,663</u>

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district's investments, \$923,663 of underlying securities are held by the investment's counterparty, not in the name of the district.

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

Issuer	Fair Value	% of Total Investments
Federal National Mortgage Notes	\$ 251,999	27%
Hancock - Money Market Funds	385,662	42%
Trustmark - QSCB Construction Bonds		
Common Trust Fund 2012-A	<u>286,002</u>	<u>31%</u>
	<u>\$ 923,663</u>	<u>100%</u>

GRENADA SCHOOL DISTRICT

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

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	Extended school year fund	\$ 45,264
	Title I fund	68,615
	AmeriCorps fund	51,054
	Other governmental funds	139,874
Total		<u>\$ 304,807</u>

The purpose of the inter-fund loans was to cover federal and state funds not received prior to year-end and amounts due from and amounts due to agency funds. Payments are made of amounts due between funds within three months.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General fund	Extended school year fund	\$ 12,251
	AmeriCorps fund	116,645
	Other governmental funds	50,154
Title I fund	General fund	24,387
Other governmental funds	General fund	159,902
	Sixteenth section interest fund	3,111
	Other governmental funds	142,645
Total		<u>\$ 509,095</u>

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

Note 4 – Restricted Assets

The restricted assets represents the cash, cash with fiscal agents and investment balance, totaling \$225,485, \$5,713, and \$251,999, 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 investment balance, totaling \$286,002, respectively, of the QSCB sinking fund.

In addition, the restricted assets represents the cash and investments balance, totaling \$92,096 and \$385,662, respectively, of the MAEP limited obligation bonds debt service fund.

In addition, the restricted assets represent the cash balance, totaling \$142,505, of the other debt service funds, whose revenues are derived from ad valorem receipts.

GRENADA SCHOOL DISTRICT

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

Note 5 – Capital Assets

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

	Balance 7/1/2012	Increases	Decreases	Balance 6/30/2013
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 148,900	\$ -	\$ -	\$ 148,900
Total non-depreciable capital assets	148,900	-	-	148,900
<u>Depreciable capital assets:</u>				
Buildings	32,547,967	-	-	32,547,967
Building improvements	1,076,901	-	-	1,076,901
Improvements other than buildings	790,987	160,605	-	951,592
Mobile equipment	3,656,098	245,138	-	3,901,236
Furniture and equipment	1,525,600	47,441	(66,293)	1,506,748
Total depreciable capital assets	39,597,553	453,184	(66,293)	39,984,444
<u>Less accumulated depreciation for:</u>				
Buildings	11,480,165	621,073	-	12,101,238
Building improvements	77,984	43,076	-	121,060
Improvements other than buildings	64,111	38,064	-	102,175
Mobile equipment	2,397,615	182,696	-	2,580,311
Furniture and equipment	1,331,590	79,871	(65,630)	1,345,831
Total accumulated depreciation	15,351,465	964,780	(65,630)	16,250,615
Total depreciable capital assets, net	24,246,088	(511,596)	(663)	23,733,829
Governmental activities capital assets, net	\$ 24,394,988	\$ (511,596)	\$ (663)	\$ 23,882,729

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 677,589
Support services	229,211
Non-instructional	57,980
Total depreciation expense - Governmental activities	\$ 964,780

GRENADA SCHOOL DISTRICT

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

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. General obligation bonds payable	\$ 585,000	\$ -	(\$ 585,000)	\$ -	-
B. Limited obligation bonds payable	1,650,000	-	(205,000)	1,445,000	215,000
C. Certificates of participation payable	825,000	-	(100,000)	725,000	105,000
D. Three mill notes payable	2,000,000	-	-	2,000,000	-
E. Compensated absences payable	195,175	-	(2,853)	192,322	-
Total	\$ 5,255,175	\$ -	(\$ 892,853)	\$ 4,362,322	320,000

A. General obligation bonds payable

This debt was retired during the year.

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Refunding Bonds, Series 2006	3.85-4.0%	11/20/2006	2/1/2018	\$ 2,335,000	\$ 1,445,000

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 215,000	\$ 52,593	\$ 267,593
2015	230,000	43,693	273,693
2016	235,000	34,393	269,393
2017	245,000	24,793	269,793
2018	520,000	15,048	535,048
Total	\$ 1,445,000	\$ 170,520	\$ 1,615,520

This debt will be retired from the MAEP Bond Retirement Fund.

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

GRENADA SCHOOL DISTRICT

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

C. Certificates of participation payable

As more fully explained in Note 15, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trust Certificates, Series 1999	4.5-6.0%	6/1/1999	6/1/2019	\$ 1,800,000	\$ 725,000

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 105,000	\$ 35,700	\$ 140,700
2015	110,000	30,660	140,660
2016	120,000	25,380	145,380
2017	125,000	19,500	144,500
2018	130,000	13,250	143,250
2019	135,000	6,750	141,750
Total	\$ 725,000	\$ 131,240	\$ 856,240

The Grenada School District has pledged its Educational Enhancement Fund Building and Buses appropriation to repay this debt. This pledge was made to repay debt issued to construct a school facility to provide education services to approximately eight hundred children in the fourth and fifth grades. This pledge was made on June 1, 1999, and will continue until June 1, 2019. Each year approximately \$140,000 is utilized for this debt. The EEF Building and Buses Fund accounts for 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).

D. Three mill notes payable

This debt is a Qualified School Construction Bond but was recorded in the book as a Three Mill Note according to the financial institution's repayment agreement. See Note 12 for required sinking fund payments.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note, Series 2009	0.94%	12/17/2009	9/15/2024	\$ 2,000,000	\$ 2,000,000

GRENADA SCHOOL DISTRICT

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

Year Ending June 30	Principal	Interest	Total
2014	\$ -	\$ 18,800	\$ 18,800
2015	-	18,800	18,800
2016	-	18,800	18,800
2017	-	18,800	18,800
2018	-	18,800	18,800
2019 – 2023	-	94,000	94,000
2024 – 2025	2,000,000	37,600	2,037,600
Total	\$ 2,000,000	\$ 225,600	\$ 2,225,600

E. 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 – Other Commitments

Operating leases:

The school district has several operating leases for the following:

Copiers

Lease expenditures for the year ended June 30, 2013, amounted to \$11,957. Future lease payments for this lease are as follows:

Year Ending June 30	Amount
2014	\$ 11,957
2015	11,957
2016	11,957
2017	8,968
Total	\$ 44,839

Note 8 – Defined Benefit Pension Plan

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

GRENADA SCHOOL DISTRICT

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$2,702,123, \$2,324,164 and \$2,156,900, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2014	\$ 113,857
2015	76,453
2016	44,597
2017	33,767
2018	17,597
2019 – 2023	63,287
2024 – 2028	34,917
2029 – 2033	8,875
2034 – 2038	8,875
2039 – 2043	8,875
Total	<u>\$ 411,100</u>

Note 10 – 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.

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

Note 11 – 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.

GRENADA SCHOOL DISTRICT

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

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 12 – Qualified School Construction Bonds

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

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$286,002. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2014	\$ 143,000
2015	143,000
2016	143,000
2017	143,000
2018	143,000
2019 – 2023	715,000
2024-2025	286,000
Total	<u>\$ 1,716,000</u>

GRENADA SCHOOL DISTRICT

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

Note 13 – Effect of Deferred Amounts on the Governmental Funds Fund Balance

The governmental funds fund balance amount of \$25,919,230 includes the effect of deferring the recognition of revenue from local and federal sources that did not become available within 60 days of year-end. The \$45,264 balance of the deferred inflow of resources at June 30, 2013 will be recognized as revenue and increase the governmental funds fund balance during fiscal year 2014. The government-wide financial statements are prepared under the full accrual basis of accounting and as such those revenues deferred on the governmental funds financial statements are recognized as revenue on the statement of activities during fiscal year 2013.

Note 14 – Deficit Fund Balance of Individual Funds

The Extended School Year fund has a deficit fund balance of \$45,264 at June 30, 2013. The deficit is due to revenues being deferred that did not become available within 60 days of year-end. Those revenues will be recognized in fiscal year 2014. This deficit fund balance does not result in a violation of state laws and regulations.

Note 15 – Trust Certificates

A trust agreement dated June 1, 1999, was executed by and between the school district and Bancorp South, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal of \$1,800,000. Approximately, \$1,800,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project").

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources or uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

Note 16 - 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 Grenada School District evaluated the activity of the district through December 30, 2013, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

GRENADA SCHOOL DISTRICT
Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 7,193,630	\$ 7,383,776	\$ 7,684,898	\$ 190,146	\$ 301,122
State sources	17,493,197	17,523,646	17,532,913	30,449	9,267
Federal sources	375,700	462,472	462,471	86,772	(1)
Total Revenues	25,062,527	25,369,894	25,680,282	307,367	310,388
Expenditures:					
Instruction	15,665,512	15,368,510	15,190,165	297,002	178,345
Support services	10,897,691	11,542,197	10,561,381	(644,506)	980,816
Noninstructional services	3,500	11,119	7,759	(7,619)	3,360
Debt service:					
Other	1,500	-	-	1,500	-
Total Expenditures	26,568,203	26,921,826	25,759,305	(353,623)	1,162,521
Excess (Deficiency) of Revenues over (under) Expenditures	(1,505,676)	(1,551,932)	(79,023)	(46,256)	1,472,909
Other Financing Sources (Uses):					
Insurance recovery	-	6,275	6,275	6,275	-
Operating transfers in	1,026,325	423,407	184,289	(602,918)	(239,118)
Operating transfers out	(437,810)	(436,869)	(179,050)	941	257,819
Total Other Financing Sources (Uses)	588,515	(7,187)	11,514	(595,702)	18,701
Net Change in Fund Balances	(917,161)	(1,559,119)	(67,509)	(641,958)	1,491,610
Fund Balances:					
July 1, 2012	17,145,567	17,145,567	17,145,567	-	-
June 30, 2013	\$ 16,228,406	\$ 15,586,448	\$ 17,078,058	\$ (641,958)	\$ 1,491,610

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

GRENADA SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Extended School Year fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
				Original to Final	Final to Actual
	Original	Final			
Revenues:					
State sources	\$ 48,860	\$ 95,128	\$ 31,652	\$ 46,268	\$ (63,476)
Total Revenues	48,860	95,128	31,652	46,268	(63,476)
Expenditures:					
Instruction	40,862	96,097	81,831	(55,235)	14,266
Support services	7,998	11,243	7,336	(3,245)	3,907
Total Expenditures	48,860	107,340	89,167	(58,480)	18,173
Excess (Deficiency) of Revenues over (under) Expenditures	-	(12,212)	(57,515)	(12,212)	(45,303)
Other Financing Sources (Uses):					
Operating transfers in	-	12,212	12,251	12,212	39
Total Other Financing Sources (Uses)	-	12,212	12,251	12,212	39
Net Change in Fund Balances	-	-	(45,264)	-	(45,264)
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ -	\$ -	\$ (45,264)	\$ -	\$ (45,264)

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

GRENADA SCHOOL DISTRICT
Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,325,395	\$ 1,537,792	\$ 1,251,607	\$ 212,397	\$ (286,185)
Total Revenues	1,325,395	1,537,792	1,251,607	212,397	(286,185)
Expenditures:					
Instruction	978,781	1,145,249	964,870	(166,468)	180,379
Support services	280,500	321,651	225,564	(41,151)	96,087
Noninstructional services	39,042	40,001	36,786	(959)	3,215
Total Expenditures	1,298,323	1,506,901	1,227,220	(208,578)	279,681
Excess (Deficiency) of Revenues over (under) Expenditures	27,072	30,891	24,387	3,819	(6,504)
Other Financing Sources (Uses):					
Operating transfers out	(27,072)	(30,891)	(24,387)	(3,819)	6,504
Total Other Financing Sources (Uses)	(27,072)	(30,891)	(24,387)	(3,819)	6,504
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ -

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

GRENADA SCHOOL DISTRICT
Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 665,932	\$ 417,039	\$ 417,030	\$ (248,893)	\$ (9)
Total Revenues	665,932	417,039	417,030	(248,893)	(9)
Expenditures:					
Sixteenth section	80,136	21,052	21,046	59,084	6
Total Expenditures	80,136	21,052	21,046	59,084	6
Excess (Deficiency) of Revenues over (under) Expenditures	585,796	395,987	395,984	(189,809)	(3)
Other Financing Sources (Uses):					
Operating transfers in	286,364	134,242	3,111	(152,122)	(131,131)
Operating transfers out	(877,160)	(131,131)	-	746,029	131,131
Total Other Financing Sources (Uses)	(590,796)	3,111	3,111	593,907	-
Net Change in Fund Balances	(5,000)	399,098	399,095	404,098	(3)
Fund Balances:					
July 1, 2012	5,635,471	5,635,471	5,635,471	-	-
June 30, 2013	\$ 5,630,471	\$ 6,034,569	\$ 6,034,566	\$ 404,098	\$ (3)

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



GRENADA SCHOOL DISTRICT
Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 430,926	\$ 405,289	\$ 330,286	\$ (25,637)	\$ (75,003)
Total Revenues	430,926	405,289	330,286	(25,637)	(75,003)
Expenditures:					
Instruction	491,682	460,608	378,432	31,074	82,176
Support services	86,510	85,997	68,499	513	17,498
Total Expenditures	578,192	546,605	446,931	31,587	99,674
Excess (Deficiency) of Revenues over (under) Expenditures	(147,266)	(141,316)	(116,645)	5,950	24,671
Other Financing Sources (Uses):					
Operating transfers in	185,680	175,197	116,645	(10,483)	(58,552)
Operating transfers out	(38,414)	(33,881)	-	4,533	33,881
Total Other Financing Sources (Uses)	147,266	141,316	116,645	(5,950)	(24,671)
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ -

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

GRENADA SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

(3) Budget Variances

The budget variance noted for the Extended School Year fund is a result of auditor adjustment and does not result in a violation of state laws and regulations.

SUPPLEMENTARY INFORMATION

GRENADA 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>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 440,460
National school lunch program	10.555	1,354,510
Total child nutrition cluster		<u>1,794,970</u>
Total passed-through Mississippi Department of Education		<u>1,794,970</u>
Total U.S. Department of Agriculture		<u>1,794,970</u>
<u>U.S. Department of Defense</u>		
Passed-through Grenada County, Mississippi		
Flood control projects	12.106	33,114
Total U.S. Department of Defense		<u>33,114</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	70,326
Total Federal Communications Commission		<u>70,326</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	2,897
Total passed-through Mississippi Department of Rehabilitation Services		<u>2,897</u>
Passed-through Mississippi Department of Education:		
Adult education - basic grants to states	84.002	348,085
Title I grants to local educational agencies	84.010	1,299,868
Career and technical education - basic grants to states	84.048	46,825
Gaining early awareness and readiness for undergraduate programs	84.334	21,915
Rural education	84.358	107,137
School drop out prevention program	84.360	25,195
Improving teacher quality-State Grants	84.367	138,899
Subtotal		<u>1,987,924</u>
Special education cluster:		
Special education - grants to states	84.027	1,016,598
Special education - preschool grants	84.173	41,400
Total special education cluster		<u>1,057,998</u>
Total passed-through Mississippi Department of Education		<u>3,045,922</u>
Total U.S. Department of Education		<u>3,048,819</u>
<u>Corporation for National and Community Service</u>		
Passed-through the Mississippi Institutes of Higher Learning:		
AmeriCorps	94.006	330,286
Total passed-through Mississippi Institutes for Higher Learning		<u>330,286</u>
Total Corporation for National and Community Service		<u>330,286</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	40,339
Total passed-through Mississippi Department of Education		<u>40,339</u>
Total U.S. Department of Health and Human Services		<u>40,339</u>
Total for All Federal Awards		<u>\$ 5,317,854</u>

NOTES TO SCHEDULE

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

GRENADA SCHOOL DISTRICT

Supplementary Information

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 26,260,133	19,652,447	988,236	1,847,557	3,771,893
Other	7,457,675	2,157,168	348,810	59,134	4,892,563
Total	\$ 33,717,808	21,809,615	1,337,046	1,906,691	8,664,456
Total number of students *	4,052				
Cost per student	\$ 8,321	5,382	330	471	2,138

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

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

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

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

Other - includes all 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

GRENADA 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	\$ 7,684,898	\$ 7,410,945	\$ 7,225,317	\$ 7,401,757
State sources	17,532,913	17,949,241	18,383,698	18,264,546
Federal sources	462,471	677,669	510,791	350,416
Total Revenues	25,680,282	26,037,855	26,119,806	26,016,719
Expenditures:				
Instruction	15,190,165	14,191,286	14,142,666	15,439,091
Support services	10,561,381	9,995,673	9,258,424	8,565,452
Noninstructional services	7,759	1,969	1,838	2,258
Total Expenditures	25,759,305	24,188,928	23,402,928	24,006,801
Excess (Deficiency) of Revenues over (under) Expenditures	(79,023)	1,848,927	2,716,878	2,009,918
Other Financing Sources (Uses):				
Insurance recovery	6,275	32,512	-	16,630
Sale of transportation equipment	-	8,740	4,110	1,750
Sale of other property	-	1,000	-	-
Operating transfers in	184,289	154,716	190,885	189,834
Other financing sources	-	86,682	-	-
Operating transfers out	(179,050)	(204,920)	(326,103)	(280,863)
Other financing uses	-	-	-	-
Total Other Financing Sources (Uses)	11,514	78,730	(131,108)	(72,649)
Net Change in Fund Balances	(67,509)	1,927,657	2,585,770	1,937,269
Fund Balances:				
Beginning of period, as originally reported	17,145,567	15,217,910	12,613,118	10,675,849
Prior period adjustment	-	-	19,022	-
Beginning of period, as restated	17,145,567	15,217,910	12,632,140	10,675,849
End of Period	\$ 17,078,058	\$ 17,145,567	\$ 15,217,910	\$ 12,613,118

*SOURCE - PRIOR YEAR AUDIT REPORTS

GRENADA 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	\$ 8,527,195	\$ 8,540,750	\$ 8,368,403	\$ 8,501,236
State sources	19,235,766	19,674,403	19,069,484	18,997,589
Federal sources	5,604,086	7,065,076	7,646,135	8,168,250
Sixteenth section sources	452,980	600,910	760,096	943,025
Total Revenues	33,820,027	35,881,139	35,844,118	36,610,100
Expenditures:				
Instruction	18,787,415	18,598,618	18,452,797	19,907,907
Support services	11,814,357	11,700,601	10,811,280	10,754,666
Noninstructional services	1,921,236	1,783,017	1,809,681	1,968,507
Sixteenth section	116,578	98,321	94,367	74,254
Facilities acquisition and construction	49,966	987,647	911,671	284,124
Debt service:				
Principal	890,000	845,000	795,000	755,000
Interest	133,794	172,654	203,877	224,269
Other	4,462	4,262	25,085	3,055
Total Expenditures	33,717,808	34,190,120	33,103,758	33,971,782
Excess (Deficiency) of Revenues over (under) Expenditures	102,219	1,691,019	2,740,360	2,638,318
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	-	2,000,000
Insurance recovery	6,275	32,512	-	16,630
Sale of transportation equipment	-	8,740	4,110	1,750
Sale of other property	-	1,000	-	-
Transfer from QSCB debt service agent	142,995	-	-	-
Payment to QSCB escrow agent	(142,995)	-	-	-
Operating transfers in	509,095	502,267	782,584	629,115
Other financing sources	-	249,782	-	-
Operating transfers out	(509,095)	(502,267)	(782,584)	(629,115)
Other financing uses	-	(163,100)	-	-
Total Other Financing Sources (Uses)	6,275	128,934	4,110	2,018,380
Net Change in Fund Balances	108,494	1,819,953	2,744,470	4,656,698
Fund Balances:				
Beginning of period, as previously reported	25,831,270	24,011,083	21,265,503	16,628,943
Prior period adjustments	-	-	(8,018)	(1,170)
Beginning of period, as restated	25,831,270	24,011,083	21,257,485	16,627,773
Increase (Decrease) in reserve for inventory	(20,534)	234	9,128	(18,968)
End of Period	\$ 25,919,230	\$ 25,831,270	\$ 24,011,083	\$ 21,265,503

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

CUNNINGHAM CPAs, PLLC

Certified Public Accountants & Consultants

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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
Grenada School District
Grenada, Mississippi

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 the Grenada School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Grenada School District's basic financial statements, and have issued our report thereon dated December 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grenada 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 Grenada School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Grenada 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Cunningham CPAs, PLLC

Belzoni, Mississippi

December 30, 2013

CUNNINGHAM CPAs, PLLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Superintendent and School Board
Grenada School District
Grenada, Mississippi

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Grenada 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 Grenada School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major

federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Grenada 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, material weaknesses may exist that have not been identified.

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



Cunningham CPAs, PLLC

Belzoni, Mississippi

December 30, 2013

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

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

Superintendent and School Board
Grenada School District
Grenada, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Grenada School District as of and for the year ended June 30, 2013, which collectively comprise Grenada School District's basic financial statements and have issued our report thereon dated December 30, 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 no instances of noncompliance. The district reported \$5,500 of classroom supply funds carried over from previous years.

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

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

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

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

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

A handwritten signature in cursive script that reads "Cunningham CPAs".

Cunningham CPAs, PLLC

Belzoni, Mississippi

December 30, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GRENADA SCHOOL DISTRICT

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Identification of major programs: | |
| | A. Title I - Grants to local educational agencies: | |
| | CFDA # | 84.010 |
| | B. Improving Teacher Quality | |
| | CFDA # | 84.367 |
| | C. Special Education Cluster: | |
| | CFDA # | 84.027 |
| | CFDA # | 84.173 |
| | D. Rural Education Grant | |
| | CFDA # | 84.358 |
| | E. AmeriCorps Grant | |
| | CFDA # | 94.006 |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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